

# Public Document Pack

**HAMBLETON**  
DISTRICT COUNCIL

## AGENDA

Committee Administrator: Democratic Services Officer (01609 767015)

Monday, 2 February 2015

Dear Councillor

### NOTICE OF MEETING

Meeting            **CABINET**

Date                **Tuesday, 10 February 2015**

Time                **9.30 am**

Venue              **Council Chamber, Civic Centre, Stone Cross, Northallerton**

Yours sincerely

*P. Morton.*

Phillip Morton  
Chief Executive

**To:**                    Councillors                    Councillors  
                          M S Robson (Chairman)        N A Knapton  
                          P R Wilkinson (Vice-Chairman)    B Phillips  
                          Mrs B S Fortune

Other Members of the Council for information

## AGENDA

### Page No

1. MINUTES  
To confirm the decisions of the meeting held on 16 December 2014 (CA.55 - CA.59), previously circulated.
2. APOLOGIES FOR ABSENCE  
Resources Management
3. FINANCIAL STRATEGY 2015/16 TO 2024/25 1 - 14  
This report considers the Financial Strategy 2015/16 to 2024/25.  
  
In accepting the recommendation, Cabinet will approve and recommend to Council the Financial Strategy 2015/16 to 2024/25 at Annex 'A' and 'A'(1) of the report.  
  
**Relevant Ward(s): All Wards**
4. REVENUE BUDGET 2015/16 15 - 22  
This report presents at a strategic level the revenue budget proposals for the next financial year 2015/16.  
  
In accepting the recommendations, Cabinet will approve and recommend to Council the draft revenue budget for 2014/15.  
  
**Relevant Ward(s): All Wards**
5. COUNCIL TAX 2015/16 23 - 40  
This report considers for 2015/16 the level of Council Tax and the policy on reserves. In addition, it provides Members with details of the Council's formula grant settlement released on 19 December 2013 and the Council's Business Rates base that will be used by Government to calculate the Business Rates target for 2016/17 for the Retained Business Rates funding mechanism, which is now operated as a pool across North Yorkshire.  
  
In accepting the recommendations, Council will be asked to approve various decisions regarding the setting of the level of Council Tax; confirm that the indicators on expenditure and treasury management decisions are affordable, prudent and sustainable and approve the policy on Balances and Reserves.  
  
**Relevant Ward(s): All Wards**
6. 2015/16 CAPITAL PROGRAMME BUDGET, TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS 41 - 76  
This report considers the 10 year Capital Programme covering the financial years 2015/16 to 2024/25, the 2015/16 Capital Programme and the Treasury Management Strategy Statement; including the Annual Investment Strategy and Minimum Revenue Provision Policy Statement.

In accepting the recommendations, Cabinet will approve and recommend to Council that the 10 year Capital Programme 2015/16 to 2016/17 be approved, as detailed in paragraph 2.2 and attached at Annex 'A'; the Capital Programme 2015/16 detailed in Annex 'B' be approved for implementation; the Treasury Management Strategy attached at Annex 'C' be approved; the Minimum Revenue Provision Policy Statement attached in the body of the Treasury Management Strategy Statement Annex 'C' be approved; the Prudential and Treasury Indicators attached at Annex 'C' in the body of the Treasury Management Strategy Statement be approved; the revised Treasury Management Policy Statement at Annex 'D' be approved and the Scheme of Delegation and role of the S151 Officer attached at Annex 'E' be approved.

**Relevant Ward(s): All Wards**

7. 2014/15 QUARTER 3 REVENUE MONITORING REPORT 77 - 82

This report provides an update on the Revenue Budget position of the Council and the Reserve Funds at the end of December 2014.

In accepting the recommendations, Cabinet will approve and recommend to Council the budget surplus of £1,357 at paragraph 3.2 of the report; the use of funds from the one-off fund at paragraph 6.4 of £5,000 and the use of funds from the Economic Development fund at paragraph 6.3 of £65,200.

**Relevant Ward(s): All Wards**

8. 2014/15 QUARTER 3 CAPITAL PROGRAMME AND TREASURY MANAGEMENT MONITORING REPORT 83 - 98

This report provides the Quarter 3 update at 31 December 2014 on the progress of the Capital Programme 2014/15 and the Treasury Management position. A full schedule of the Capital Programme 2014/15 schemes is attached at Annex 'A' of the report, together with the relevant update on progress of each scheme.

In accepting the recommendations, Cabinet will approve and recommend that Council approves the net decrease of £224,486 in the Capital Programme to £2,318,941 and the detailed Capital Programme attached at Annex 'A'; approves all movements in the Capital Programme +/- £20,000, in accordance with financial regulations, as detailed in Annex 'B'; notes the further overall decrease in the Capital Programme which are individually below £20,000 as detailed in Annex 'B' and cumulatively total £18,083; notes the Capital Funding position - contributions of £266,704, capital receipts of £857,707 and £1,194,530 capital reserves; notes the Treasury Management activity at Annex 'C' and notes the Prudential and Treasury indicators at Annex 'E' and that there were no changes at Quarter 3.

**Relevant Ward(s): All Wards**

9. FUNDING AND INVESTMENT OFFICER 99 - 104

This report seeks approval for funding to create a Funding & Investment Officer post within the Business & Economy Team for an initial period of 2 years to support the implementation of the Councils Economic Strategy.

In accepting the recommendation, funding of £39,930 will be approved from the Economic Development Fund in 2015/16 and £40,730 in 2016/17 for a post of Funding & Investment Officer; the effectiveness of the role will be reviewed towards the end of 2016/17 and, subject to the outcome of the review, a further report will be brought to Cabinet regarding funding the post beyond 2016/17.

**Relevant Ward(s): All Wards**

Policy Implementation

10. PUBLIC OPEN SPACE, SPORT AND RECREATION ACTION PLANS 105 - 112

This report seeks endorsement of the Public Open Space, Sport and Recreation Action Plans for Brompton and Stillington.

In accepting the recommendation, the Public Open Space, Sport and Recreation Action Plans in Annex B of the report will be endorsed.

**Relevant Ward(s): Brompton; Stillington**

11. EXCLUSION OF THE PUBLIC AND PRESS

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

12. PURCHASE OF THE NORTHALLERTON PRISON SITE 113 - 146

This report provides an update on the current position regarding the purchase of the Northallerton Prison Site.

**Relevant Ward(s): Northallerton Broomfield; Northallerton Central; Northallerton North**

13. STAFFING MATTERS 147 - 158

This report seeks approval of staffing matters.

**Relevant Ward(s): All Wards**

## HAMBLETON DISTRICT COUNCIL

**Report To:** Cabinet  
10 February 2015

**Subject:** FINANCIAL STRATEGY 2015/16 TO 2024/25

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

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### **1.0 PURPOSE AND BACKGROUND:**

1.1 The purpose of the report is to consider the Financial Strategy 2015/16 to 2024/25.

#### **Financial Strategy 2015/16 to 2024/25**

1.2 The Financial Strategy 2015/16 to 2024/25 is set out in Annex A and Annex A(1). This provides an analysis of the estimated financial position and the direction of the Council's financial resilience over the next 10 years taking into consideration government funding, other resources, service pressures and priorities. It is divided into the following sections:-

- Benefits of and principles underpinning the Financial Strategy for 2015/16 to 2024/25;
- The national economic context;
- Government policy;
- Local Government Finance Settlement;
- New Homes Bonus;
- Local income position;
- Spending pressures;
- Financial risk analysis.

1.3 The key issues for the Financial Strategy are:-

- The impact of the continued reduction in funding for Local Government;
- Business Rate appeals lodged by businesses in Hambleton have a direct impact on the Council. For 2015/16 there is a collection fund deficit of over £500,000 as a result of past appeals, this should not be an issue in future years as legislation is now in place to prevent businesses back dating appeals.
- The potential income generated by the New Homes Bonus grant, the uncertainty around funding beyond 2017/2018 and the amount of money to be given to the Local Economic Partnership;
- The impact of the low Bank Base Rate on the ability of the Council to generate investment income from balances;
- The impact on collection rates of the localised Council Tax support scheme.
- Spending pressures as a result of inflation being above Government targets.
- Significant income receipt from the Council's loan to Broadacres Housing Association.

1.4 At the Audit, Governance and Standards Committee in September 2014, the Auditor, Deloitte, stated that the Council is in one of the best financial positions of any Council in the UK. Since that meeting the Council's Financial Standing has been improved significantly,

with anticipated balances in 2024/25 increasing by £6.780m from £13.309m to £20.089m, an increase of 50.9%. This places the Council in a remarkable and unique financial position which, unlike many other Councils, guarantees its financial viability well beyond the next decade.

**2.0 LINK TO CORPORATE PRIORITIES:**

2.1 One of the Council's priorities is to reduce costs and improve the productivity of services. A robust Financial Strategy can assist with this.

**3.0 RISK ASSESSMENT:**

3.1 There are no risks associated in approving the recommendation.

**4.0 RECOMMENDATION:**

4.1 It is recommended that Cabinet approves and recommends to Council the Financial Strategy 2015/16 to 2024/25 at Annex 'A' and 'A'(1).

JUSTIN IVES

**Background papers:** None

**Author ref:** JI

**Contact:** Justin Ives  
Director of Support Services and Deputy Chief Executive  
Direct Line No 767022

## **FINANCIAL STRATEGY 2015/16 TO 2024/25**

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### **1.0 PURPOSE OF THE FINANCIAL STRATEGY 2015/16 TO 2024/25:**

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

### **2.0 BENEFITS AND PRINCIPLES UNDERPINNING THE FINANCIAL STRATEGY 2015/16 TO 2024/25:**

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

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

2.2 The principles underlying the Financial Strategy 2015/16 to 2024/25 are set out below:-

- The overall Financial Strategy will ensure the Council's resources are targeted towards meeting its strategic priorities;
- The Council's Business Plan and associated activities will inform a review of the Financial Strategy on an annual basis. The annual review will include an update of the 10 year financial forecast, expected developments within the Council together with the anticipated financial impact of any legislative changes;

- The Council undertakes to maintain its level of expenditure within the boundaries set in the Annual Revenue Budget. If, following monthly budget monitoring, expenditure is expected to exceed original estimates, plans will be prepared detailing the actions required to ensure that spending at the year end does not exceed the original estimate;
- The Council will maintain its General Reserve at an adequate level to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget without reliance on the use of the General Reserve;
- The Council will maintain earmarked reserves for specific priorities that are consistent with its strategic objectives. The use of these reserves will be consistent with the principles set out in the Financial Strategy and will be reviewed annually;
- The Council will balance the need to increase Council Tax with the delivery of its priorities, taking into account the economic challenges facing its communities;
- Opportunities for securing external funding will be sought. The implications of the cessation or withdrawal of funding will also be reviewed to ensure that options are considered prior to undertaking externally funded schemes.

### **3.0 NATIONAL ECONOMIC CONTEXT:**

#### **Deficit Reduction Plan**

- 3.1 The Government's policy to eliminate public sector debt appears to be aiding the economic recovery of the UK. However, the fiscal outlook continues to remain very challenging for the medium to long term.

#### **Inflation**

- 3.2 The Consumer Price Index has now dipped below the Government's target level of 2% for the first time since December 2009, another sign that the UK economy is recovering.

- 3.3 The rate of Consumer Price Index is currently at a 12 year low of 1%. This is as a direct result of depressed global oil prices. The position will continue to be monitored.

#### **Bank Base Rate**

- 3.4 The Bank Base Rate remains at an all time low of 0.5% since March 2009. Despite the economic recovery, the Bank of England shows no sign of increasing the Bank Base Rate. Latest projections anticipate that an increase will not occur before the end of 2016. This has a significant impact on the Council's ability to generate investment income and will continue to be regularly monitored and revised.

### **4.0 GOVERNMENT POLICY AND IMPACT:**

#### **Spending Review 2010**

- 4.1 The main emphasis of Spending Review 2010 was to significantly reduce public sector spending to facilitate a reduction in the UK's borrowing deficit. Based upon Spending Review 2010 the Local Government finance settlement



for 2011/2012 and 2012/2013 was announced on 11 January 2011. This resulted in a reduced finance settlement for the Council of over £1.6m or 29% across the period.

### **Spending Round 2013**

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

## **5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT AND THE IMPACT OF BUSINESS RATE RETENTION:**

- 5.1 On the 1 April 2013 a new funding mechanism was introduced for Local Government that replaced Formula Grant. The new Business Rate Retention funding model enables Councils to keep a proportion of the business rates collected locally, providing an incentive for Councils to grow their local economy.

- 5.2 The implications of the new scheme are that the Council is funded up to its base line level of funding (the 2012/13 formula grant adjusted for rural weighting). This base line position is then reduced in line with Government funding reductions. Latest estimates released by the Local Government Association suggest that these reductions could be up to a 43% reduction by 2020. This base line funding will be made up of a combination of retained business rates and new revenue support grant.

- 5.3 In 2014/15 the Council entered a Business Rate Pool with other Councils in North Yorkshire (excluding Selby District Council and Harrogate Borough Council). The effect of this pool is that any business rates collected by pool members above the Government's target will be retained by the pool, 50% will not be forfeited to Central Government. It is anticipated that in 2015/16 the Council will benefit from the pooling arrangement by approximately £140,000.

- 5.4 Under the Business Rate Retention System business rate appeals lodged by organisations in Hambleton have a direct impact on the Council. For 2015/16 there is a collection fund deficit of over £500,000 as a result of past appeals. This should not be an issue in future years as legislation is now in place to prevent organisations back dating appeals.

## **6.0 NEW HOMES BONUS GRANT SCHEME:**

- 6.1 The new Homes Bonus Grant scheme is designed to create an effective fiscal incentive to encourage Councils to facilitate housing growth. The Grant is not a ring-fenced grant and is intended to be part of the Council's core funding, as such the CLG have stated that they intend New Homes Bonus Grant to be a 'permanent feature of the Local Government finance system'. However, commitment to the scheme has only been given until 2017/2018.

- 6.2 The scheme is designed to pay the Council the average annual value of Council Tax for a property from the year after its occupancy for a total of 6 years. For a Band D property this amount is £1,439 per year, these average amounts per Council Tax Band are set for the period of the scheme. In addition a grant of £350 per affordable home will be paid to the Council from the year after occupancy for a total of 6 years.
- 6.3 Similar to the Business Rate Retention scheme there is a split of this income, with 80% retained by the District Council, 18% to the County Council and 2% to the Fire Authority. New Homes Bonus represents an opportunity for the Council to generate significant levels of grant that can assist in dealing with the unprecedented levels of formula grant reductions facing the Council.
- 6.4 The funding for New Homes Bonus Grant comes from a top slice of Business Rates Retention monies paid to Central Government. The Government has stated that post 2017/2018 100% of Business Rates Retention will be used to fund Local Government services. The risk to the Council's Financial Strategy is if from 2017/2018 Government policy moves away from delivering housing to an area such as health, then there is the potential for this funding to be transferred to the County Council who deliver health services.

## **7.0 LOCAL INCOME POSITION:**

### **Council Tax**

- 7.1 The Localism Act 2011 gives a provision for a referendum to veto excessive Council Tax increases. This effectively places a limit on the level of Council Tax set by the Council. If the Council exceeds the Government's prescribed limits the public would be able to vote to agree or veto any considered 'excessive' increase.
- 7.2 The potential additional cost of a referendum and re-billing would be significant and negate the benefit from the Council Tax increase. Therefore increasing Council Tax above the prescribed limits would require careful consideration.
- 7.3 In the last three years the Council has taken the decision not to increase Council Tax and to accept the Government's Council Tax Freeze Grant. The Government has announced a 1% Council Tax Freeze Grant for 2015/16. The Financial Strategy assumes the Council will accept this Grant.

### **Interest on Balances**

- 7.4 Given the continued low Bank Base Rate, the revenue budget for interest on balances has been set at a prudent level. The Financial Strategy has been prepared on the basis that this level of interest rates will continue until the end of 2016 at the earliest, with only small increases beyond that date. This is consistent with the latest projections on the Bank Base Rate from the Bank of England and other City Institutions.

### **Fees and Charges**

- 7.5 Fees and charges levied by the Council provide a significant source of income and facilitate reinvestment in Council services, all fees and charges have been frozen in 2015/16. In future years the Council will give consideration to the impact on its services, local economic circumstances and the Financial Strategy in considering appropriate fees and charges.

### **Capital and Prudential Borrowing**

- 7.6 All revenue implications associated with the Capital Programme are considered when setting the Capital Programme. The Council has taken the decision to fund the Capital Programme via reserves with the exception of a £25m to £35m loan to Broadacres Housing Association. The loan will be funded through a mix of using the Council's own resources and Prudential borrowing. This mix will ensure the maximum interest receipt return to the Council whilst maintaining a robust cashflow.

### **Reserves and Balances**

- 7.7 The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. In establishing reserves the Council must comply with the Code of Practice on Local Authority Accounting in the United Kingdom.
- 7.8 The provision of an appropriate level of reserves and balances is a fundamental aspect of prudent financial management. Their purpose is to provide for unexpected adverse changes in income and expenditure levels and to provide funding for specific initiatives. This is consistent with the Reserves and Balances Policy adopted by the Council in setting the 2014/15 Council Tax.
- 7.9 The detailed Financial Strategy Annex A(1) shows that the financial resilience of the Council is underpinned by a number of factors:-
- 1) The Council will seek to maximise the interest receipt from the loan to Broadacres Housing Association;
  - 2) New Homes Bonus Grant will continue beyond 2017/18 and will be used to support the revenue budget through the tax-payers reserve; and
  - 3) Revenue levels will be maintained to maximise interest income to support the revenue budget through the tax-payers reserve.
- 7.10 It is anticipated that at 1 April 2015 the Council will have Reserves and Balances of £19.243m. This provides the Council with a strong financial position to deal with the future financial challenges it is facing.

## **8.0 SPENDING PRESSURES:**

### **Pay**

- 8.1 Public Sector pay continues to be constrained, for the two year period of 1 April 2014 to 1 April 2016 a national award of 2.2% was negotiated. Given the economic recovery it is uncertain how long this constraint can be continued.

### **Pensions**

- 8.2 The last actuarial review of the North Yorkshire Pension Fund was undertaken as at 31 March 2013. A prudent approach has been taken with stepped increases in the deficiency contributions for 2013/14 and beyond. The Council will continue to review the position on the deficiency payments

with regard the option of making a lump-sum contribution to reduce the annual revenue payments.

**Energy prices**

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

**Capital Programme**

8.4 The Financial Strategy provides an estimate of the capital resources that will be required between 2015/16 and 2024/25. The programme has been constructed to ensure that expenditure is not only maintained within existing resources but that there is capital resources available at the end of the Strategy to provide for the future.

**9.0 FINANCIAL RISK ANALYSIS:**

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

<b>Risk</b>	<b>Implication</b>	<b>Prob*</b>	<b>Imp*</b>	<b>Total</b>	<b>Preventative action</b>
If the UK's economic position worsens then the Government may look to public sector spending for further reductions. This would reduce grant income to the Council further.	Loss of income	4	5	20	Lobby Government and respond to any consultations
Under the Business Rate Retention scheme failure to meet the target for business rate collection set by Government represents a cost to the Council. Also, under this scheme the Government has transferred the risk of business rate no payment to the Council.	Loss of income	3	5	15	Monitor business growth and reduction through collection rates. Act as an enabler with partners on economic development initiatives
New Homes Bonus grant is pivotal to the resilience of the Financial Strategy. Failure to increase the tax base year on year would significantly impinge on this resilience.	Loss of income	3	5	15	Use the Council's powers to encourage house building

<b>Risk</b>	<b>Implication</b>	<b>Prob*</b>	<b>Imp*</b>	<b>Total</b>	<b>Preventative action</b>
Post 2017/18 there is a risk of further grant reductions should Government priorities shift from increased housing provision to enhancing functions not undertaken by the Council.	Loss of income	3	5	15	Lobby Government and respond to any consultations
A continued low Bank Base Rate beyond 2016 would impact on the Council's ability to generate investment income from balances.	Loss of income	4	3	12	Look for other investment opportunities
Fees and charges should be set at a level to maintain a balance between service use and income generation.	Loss of income	4	3	12	Set fees and charges at a fair and reasonable level

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

**ANNEX A(1)**

**FINANCIAL STRATEGY**

**ASSUMPTIONS**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Inflation</b>										
Council Tax base	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Government support	-10.00	-8.00	-8.00	-7.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest rates	0.50	0.75	1.50	1.50	2.00	2.00	2.00	2.00	2.00	2.00
Budget increase	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>Council tax</b>										
Retained business rate increase above RPI	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Council tax increase	0.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Council Tax per household	89.48	91.27	93.09	94.96	96.86	98.79	100.77	102.78	104.84	106.94
Number of band D properties	34,710	34,918	35,128	35,339	35,551	35,764	35,978	36,194	36,411	36,630
Increase in Band D Properties	689	208	210	211	212	213	215	216	217	218
<b>Government Support</b>										
Retained Business Rates - Additional	179,412	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Retained Business Rates - S31 grant	441,684	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Retained Business Rates	1,894,767	1,958,000	1,996,000	2,042,000	2,076,000	2,117,000	2,159,000	2,203,000	2,247,000	2,247,000
New RSG	1,602,272	1,394,000	1,068,000	824,000	589,000	589,000	589,000	589,000	589,000	589,000
Collection Fund Surplus / Deficite Transfer	-578,900	77,000	77,000	77,000	77,000	77,000	77,000	77,000	77,000	82,000
Council Tax	3,105,876	3,186,976	3,270,219	3,355,638	3,443,287	3,533,225	3,625,513	3,720,212	3,817,384	3,917,094
	6,645,111	7,113,976	6,929,219	6,796,638	6,685,287	6,816,225	6,950,513	7,089,212	7,230,384	7,335,094

**REVENUE BUDGET and COUNCIL TAX**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2023/25
<b>NET REVENUE BUDGET</b>	6,918,280	7,056,646	7,197,779	7,041,734	7,182,569	7,326,220	7,472,745	7,622,200	7,774,644	7,930,136
External support	3,539,235	3,927,000	3,659,000	3,443,000	3,242,000	3,283,000	3,325,000	3,369,000	3,413,000	3,418,000
Council tax	3,105,876	3,186,976	3,270,219	3,355,638	3,443,287	3,533,225	3,625,513	3,720,212	3,817,384	3,917,094
Contribution (to)/from Council Taxpayer Reserve	273,169	(57,330)	268,559	243,097	497,282	509,995	522,231	532,988	544,260	595,043
	6,918,280	7,056,646	7,197,779	7,041,734	7,182,569	7,326,220	7,472,745	7,622,200	7,774,644	7,930,136

**FINANCED BY :**

External support  
 Council tax  
 Contribution (to)/from Council Taxpayer Reserve

**STATEMENT OF RESERVES**

	2019/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Council Taxpayer</b>										
Opening balance	4,530,083	4,660,065	6,414,176	5,922,363	7,414,503	8,766,227	9,125,001	9,471,318	10,801,127	5,111,909
Add : New homes bonus	1,307,881	1,555,093	1,490,593	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000
Add : Interest on balances	95,290	140,688	286,154	285,236	399,006	418,769	418,548	412,797	405,041	402,502
	5,933,234	6,355,846	8,190,923	7,657,599	9,263,509	10,634,996	10,993,549	11,334,115	12,656,169	6,964,410
Less: Transfers to support Council Tax	273,169	(57,350)	268,559	243,097	497,282	509,995	522,231	532,988	544,280	585,043
Less: Transfers to One Off Fund	1,000,000	0	0	0	0	0	0	0	0	0
Less: Transfers to R&M Fund	0	0	1,000,000	0	0	0	1,000,000	0	1,000,000	0
Less: Transfers to Computer Fund	0	0	1,000,000	0	0	1,000,000	0	0	1,000,000	0
Less: Transfers to Grants Fund	0	0	0	0	0	0	0	0	0	0
Less: Transfers to Economic Development Fund	0	0	0	0	0	0	0	0	5,000,000	0
	4,660,065	6,414,176	5,922,363	7,414,503	8,766,227	9,125,001	9,471,318	10,801,127	5,111,909	6,369,368
<b>Repairs and Renewals Fund</b>										
Opening balance	3,377,958	2,666,958	2,169,958	2,668,958	2,178,958	1,635,958	1,088,958	1,502,958	875,958	1,264,958
Add: Transfers from Taxpayers Reserve	0	0	1,000,000	0	0	0	1,000,000	0	1,000,000	0
Add: Invest to Save Revenue Funding	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Add: Transfers to Computer Fund										
	3,417,958	2,706,958	3,209,958	2,708,958	2,218,958	1,635,958	2,088,958	1,502,958	1,875,958	1,264,958
Less : Repairs	425,000	435,000	445,000	455,000	465,000	475,000	485,000	495,000	505,000	515,000
Less: Renewals - Housing and Planning	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Less: Renewals - Leisure	224,000	0	24,000	0	44,000	0	24,000	0	24,000	0
Less: Renewals - Corporate	66,000	66,000	36,000	41,000	36,000	36,000	41,000	96,000	46,000	36,000
	2,666,958	2,169,958	2,668,958	2,176,958	1,635,958	1,088,958	1,502,958	875,958	1,264,958	677,958
<b>Computer Fund</b>										
Opening balance	1,283,000	923,000	623,000	1,323,000	1,023,000	723,000	1,423,000	1,223,000	1,023,000	1,823,000
Add: Transfers from Council Taxpayers Reserve	0	0	1,000,000	0	0	1,000,000	0	0	1,000,000	0
Add: Transfers from Repairs and Renewals Fund										
	1,283,000	923,000	1,623,000	1,323,000	1,023,000	1,723,000	1,423,000	1,223,000	2,023,000	1,823,000
Less : Payments in year - CAPITAL & REVENUE	360,000	300,000	300,000	300,000	300,000	300,000	200,000	200,000	200,000	200,000
	923,000	623,000	1,323,000	1,023,000	723,000	1,423,000	1,223,000	1,023,000	1,823,000	1,623,000
<b>Grants Fund</b>										
Opening balance	420,508	320,508	220,508	120,508	0	0	0	0	0	0
Add: Transfers from Council Taxpayers Reserve	0	0	0	0	0	0	0	0	0	0
	420,508	320,508	220,508	120,508	0	0	0	0	0	0
Less : Payments in year	100,000	100,000	100,000	120,508	0	0	0	0	0	0
	320,508	220,508	120,508	0	0	0	0	0	0	0
<b>Economic Development Fund</b>										
Opening balance	4,500,000	4,000,000	3,500,000	3,000,000	2,500,000	2,000,000	1,500,000	1,000,000	500,000	5,000,000
Add: Transfers	0	0	0	0	0	0	0	0	0	0
	4,500,000	4,000,000	3,500,000	3,000,000	2,500,000	2,000,000	1,500,000	1,000,000	500,000	5,000,000
Less : Payments	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
	4,000,000	3,500,000	3,000,000	2,500,000	2,000,000	1,500,000	1,000,000	500,000	5,000,000	4,500,000
<b>One Off Fund</b>										
Opening balance	483,322	1,343,322	1,343,322	1,343,322	1,343,322	1,203,322	1,203,322	1,203,322	1,203,322	1,063,322
Add: Transfers	1,000,000	0	0	0	0	0	0	0	0	0
	1,483,322	1,343,322	1,343,322	1,343,322	1,343,322	1,203,322	1,203,322	1,203,322	1,203,322	1,063,322
Less : Payments in year	140,000	0	0	0	140,000	0	0	0	140,000	0
	1,343,322	1,343,322	1,343,322	1,343,322	1,203,322	1,203,322	1,203,322	1,203,322	1,063,322	1,063,322
<b>General Fund Working Balance</b>										
	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,001



	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Resources brought forward	3,068,786	2,538,517	2,783,417	2,711,317	2,484,217	4,630,117	4,578,017	4,535,917	3,939,817	3,897,717
<b>PLUS : New Receipts</b>										
Sale of land - Learning Bar	373,000	312,000	0	0	0	0	0	0	0	0
Sale of Assets	250,000	100,000	0	0	2,500,000	0	0	0	0	0
Grants	320,000	107,900	107,900	107,900	107,900	107,900	107,900	107,900	107,900	107,900
	943,000	519,900	107,900	107,900	2,607,900	107,900	107,900	107,900	107,900	107,900
<b>LESS : Capital Expenditure</b>										
	1,473,279	265,000	190,000	335,000	462,000	160,000	150,000	704,000	150,000	150,000
Total resources available	2,538,517	2,783,417	2,711,317	2,484,217	4,630,117	4,578,017	4,535,917	3,939,817	3,897,717	3,855,617
<b>Revenue reserves</b>										
Council taxpayers	4,660,065	6,414,176	5,922,363	7,414,503	8,766,227	9,125,001	9,471,318	10,801,127	5,111,909	6,369,368
Repairs and Renewals Fund	2,666,958	2,169,958	2,666,958	2,176,958	1,635,958	1,088,958	1,502,958	875,958	1,264,958	677,958
Computer Fund	923,000	623,000	1,323,000	1,023,000	723,000	1,423,000	1,223,000	1,023,000	1,823,000	1,623,000
Grants Fund	320,508	220,508	120,508	0	0	0	0	0	0	0
Economic Development Fund	4,000,000	3,500,000	3,000,000	2,500,000	2,000,000	1,500,000	1,000,000	500,000	5,000,000	4,500,000
One Off Fund	1,343,322	1,343,322	1,343,322	1,343,322	1,203,322	1,203,322	1,203,322	1,203,322	1,063,322	1,063,322
	13,913,853	14,270,964	14,378,151	14,457,783	14,328,507	14,340,281	14,400,598	14,403,407	14,263,169	14,233,648
<b>Capital Receipts</b>										
Resources available	2,538,517	2,783,417	2,711,317	2,484,217	4,630,117	4,578,017	4,535,917	3,939,817	3,897,717	3,855,617
	2,538,517	2,783,417	2,711,317	2,484,217	4,630,117	4,578,017	4,535,917	3,939,817	3,897,717	3,855,617
<b>General Fund Working Balance</b>										
	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>Total Balances</b>	16,452,370	19,064,381	19,089,468	18,942,000	20,958,624	20,918,288	20,836,515	20,343,224	20,160,906	20,089,265

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**HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
10 February 2015

**Subject:** REVENUE BUDGET 2015/16

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

**1.0 PURPOSE AND BACKGROUND:**

- 1.1 The purpose of the report is to present at a strategic level the revenue budget proposals for the next financial year 2015/16.
- 1.2 The summary estimates in this report are shown at Annex 'A' and present the 2013/14 Actual; 2014/15 Original; 2014/15 latest Approved and 2015/16 Estimate budget. Commentary on the budget proposal is also contained in Annex 'A'. Theme budgets are shown at Annex 'B'.

**2.0 BUDGET 2015/16:**

- 2.1 The original estimate for 2015/16 shows a net budget of £6,918,280. This is £544,870 less than the budget set in 2014/15 which was £7,463,150.
- 2.2 Considering the financial climate that the Council is currently operating in and the fact that Council Tax and all Fees and Charges will be frozen for another year this is a remarkable achievement. This is attributable to a number of sound strategic decisions made in the last 18 to 24 months including, a full corporate restructure, entering into the North Yorkshire Business Rate Pool and agreeing a significant loan to Broadacres Housing Association.

**3.0 FINANCIAL STRATEGY:**

- 3.1 The revenue budget estimate for 2015/16 is within the financial constraints of the Financial Strategy included previously on this Cabinet agenda.

**4.0 RISK ASSESSMENT:**

- 4.1 The key financial risks and associated implications for the Revenue Budget 2015/16 are detailed below, a score of high, medium or low has been given to the likelihood of each risk occurring and the impact of risk on the Financial Strategy should it occur:-

<b>Risk</b>	<b>Implication</b>	<b>Prob*</b>	<b>Imp*</b>	<b>Total</b>	<b>Preventative action</b>
Under the Business Rate Retention scheme failure to meet the target for business rate collection set by Government represents a cost to the Council. Also, under this scheme the Government has transferred the risk of business rate no payment to the Council.	Loss of income	3	5	15	Monitor business growth and reduction through collection rates. Act as an enabler with partners on economic development initiatives

<b>Risk</b>	<b>Implication</b>	<b>Prob*</b>	<b>Imp*</b>	<b>Total</b>	<b>Preventative action</b>
A forecast low Bank Base Rate of 0.5% impacts on the Council's ability to generate investment income from balances.	Loss of income	5	3	15	Look for other investment opportunities
Broadacres Housing Association do not draw upon the offered loan in full in 2015/16.	Loss of Income	4	3	12	This would result in a timing difference in interest received and reserves would be used and then replaced at a later date to support the budget.

## **5.0 FINANCIAL IMPLICATIONS:**

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

## **6.0 LEGAL IMPLICATIONS:**

6.1 It is a legal requirement under the Local Government Finance Act 1992 to set a balance budget and monitor the financial position throughout the year.

## **7.0 EQUALITY/DIVERSITY ISSUES:**

7.1 There are no specific equality implications to this report.

## **8.0 RECOMMENDATIONS:**

8.1 It is recommended that Cabinet approves and recommends to Council the draft revenue budget for 2014/15.

JUSTIN IVES

**Author ref:** JI

**Contact:** Justin Ives  
Director of Support Services and Deputy Chief Executive  
Direct Line No: 01609 767022

**Background papers:** Budget Setting papers 2015/16  
Financial Strategy 2015/16

**REVENUE BUDGET – DRAFT ESTIMATES 2015/16****1.0 DRAFT ESTIMATES 2014/15**

1.1 The table below details the revenue budget for 2015/16 at a strategic level.

	<b>2014/15 Original £</b>	<b>2014/15 Latest £</b>	<b>2015/16 Estimate £</b>
Customer and Leisure	1,087,120	1,394,530	1,618,760
Environmental and Planning Services	4,395,620	4,132,350	4,301,520
Support Services	1,890,820	1,609,460	888,170
Internal Drainage Boards	89,590	99,830	109,830
<b>Net Budget</b>	<b>7,463,150</b>	<b>7,236,170</b>	<b>6,918,280</b>

1.2 The budget has been prepared in accordance with the Council's priorities reflected in the Council Plan.

1.3 A detailed schedule of service's budgets that constitute the total budget in each theme is shown at Annex 'B'.

**2.0 FINANCIAL STRATEGY:**

2.1 The Council's latest Financial Strategy was presented previously at this Cabinet meeting. The revenue budget for 2015/16 is within the financial constraints set by the Financial Strategy.

2.2 A number of assumptions which underpin the Financial Strategy have been applied in setting the 2015/16 revenue budget, these include:-

- The revenue budget assumes that the Bank of England base will remain low at 0.5% throughout 2015/16, which will impact on the ability of the Council to generate investment income from balances;
- All fees & Charges have been frozen for 2015/16. This takes into consideration the nature of the services, the impact on commercial viability and local economic circumstances;
- A provision of 2.2% has been included for a pay award in 2015/16 in line with the national agreement;
- Contracts and Service Level Agreements have been increased by the appropriate rate of Consumer Price Index where applicable. Energy and vehicle fuel prices continue to be particularly volatile. Prudent provision has therefore been included for continued annual increases in charges for gas, electricity and vehicle fuel for 2015/16.

- Business Rate Retention Scheme enables the Council to keep a proportion of the business rates collected locally, providing an incentive for Councils to grow their local economy. For 2015/16 it is estimated that additional business rates will be retained of £300,000.

2.3 Within the Financial Strategy it is estimated that the Council will lose an additional 22% of its funding from Central Government over the 2 year period 2015/16 and 2016/17, equating to a 14% cut in 2015/16.

2.4 The Financial Strategy for 2015/16 assumes that the Council will accept the 1% Council Tax Freeze Grant offered by central Government and not increase Council Tax.

2.5 These factors have been taken into account to balance the revenue budget and limit the Council's reliance on the Council Tax-Payer Reserve. The assumptions in the Financial Strategy on the level of income generated by these streams are made on a prudent basis.

### **3.0 RESERVES AND BALANCES:**

3.1 As the revenue budget has been set within the constraints of the Financial Strategy, the assumed level of revenue reserves and balances at 31 March 2016 remain consistent with the Financial Strategy.

3.2 A summary of anticipated revenue reserves and balances at 31 March 2016 is set out below:-

<b>Reserve</b>	<b>Balance £</b>
Council Tax-payers	4,530,083
Repairs and Renewals Fund	3,377,958
Computer Fund	1,283,000
Grants Fund	420,508
One-Off Fund	483,322
General Fund Working Balance	2,000,000
Economic Development Fund	4,500,000
<b>TOTAL</b>	<b>16,594,871</b>

3.3 This reserve position is reliant on the income streams detailed in paragraph 2.3.

### **4.0 FINANCIAL OUTLOOK:**

4.1 Although the revenue budget 2015/16 and Financial Strategy represent a robust position, the Council is not immune to the significant economic and financial challenges facing the whole of the public sector in the UK.

4.2 The changes to the Local Government Finance Settlement and the impact of the Business Rate Retention Scheme has resulted in the forecast by the Local Government Association to indicate that the Council will see a reduction in its grant support from central Government of a further 48% by 2020.

4.3 These unprecedented reductions in Government grant support increase the Council's reliance on other revenue income streams such as:

- The Business Rate Retention Scheme providing an incentive for Council's to grow their own economy as 40% of additional business rate received is retained by the Council.
- The localised Council Tax Benefit Scheme increasing the number of people who are now required to pay Council Tax.
- Reviewing Fees and Charges across Council services.
- Investment increase and loan interest.

4.4 In addition to the reduction in grant funding, it is also necessary to consider the volatility of inflation, significant increases in energy prices, reduced investment interest rates and a slow down in house building which limits the Council's ability to generate New Homes Bonus Grant.

4.5 The shortfall in funding and increase in costs presents a very challenging financial outlook for the Council. The Council continues to ensure services are provided in a cost effective way enabling the Council to continue to preserve its front-line services for the community.

4.6 Due to the Council's significant revenue balances it is in a better financial position than most to deal with these financial challenges. However, to maintain this position efforts must be made in setting future budgets to, where possible, preserve these reserve levels and protect the Council's financial position.

## Customer &amp; Leisure Services

## SUMMARY

2013/14 Actuals	Page Ref	Details	2014/15		2015/16 Estimate
			Original	Latest	
£			£	£	£
(12,117)	HCLS01	Customer Services	-	26,490	-
134,946	HCLS02	Community Development (HDC)	184,720	184,720	105,570
4,117	HCLS03	Community Development (Partnership)	-	-	70
69,443	HCLS04	CCTV	53,110	70,510	45,610
33,505	HCLS05	Community Safety (HDC)	40,660	40,660	27,300
5,247	HCLS06	Community Safety (Partnership)	3,520	3,520	1,630
35,938	HCLS07	Public Transport	31,940	31,940	17,550
(2,480)	HCLS08	Communications	-	(7,190)	-
(145,658)	HCLS09	Workspace Management	(87,310)	(119,050)	(64,200)
31,982	HCLS10	Business Grants	119,110	118,120	29,980
51,915	HCLS11	Environmental Grants & Initiatives	50,890	50,620	14,030
77,972	HCLS12	Business & Community	-	(2,450)	259,040
45,777	HCLS13	Grants & Subscriptions	27,490	37,490	36,260
26,823	HCLS15	Arts Development	27,820	27,640	32,500
35,392	HCLS16	Lifestyles	35,640	35,640	26,920
1,481	HCLS17	Hambleton Forum	6,360	6,360	5,560
134,301	HCLS18	Sports Development & Comm Rec	138,400	159,080	161,710
-	HCLS19	Sports Development & Comm Rec (Part)	-	-	-
162,862	HCLS20	Hambleton Leisure Centre	59,950	141,540	174,840
129,743	HCLS21	Stokesley Leisure Centre	20,300	150,490	217,260
230,239	HCLS22	Bedale Leisure Centre	175,560	205,150	255,280
100,667	HCLS23	Thirsk Swimming Pool	56,240	97,500	129,210
13,933	HCLS24	Thirsk All Weather Pitch	12,650	15,850	21,580
35,993	HCLS25	Galtres Centre	34,730	34,730	32,580
32,863	HCLS26	Open Spaces	41,830	41,830	37,680
(7,350)	HCLS27	Leisure Services	-	(15,700)	9,670
3,406	HCLS28	Facilities Unit	-	(1,260)	-
46,647	HCLS29	Emergency Planning	53,510	60,300	41,130
<b>1,277,587</b>		<b>NET EXPENDITURE</b>	<b>1,087,120</b>	<b>1,394,530</b>	<b>1,618,760</b>



**Environmental & Planning Services**

**SUMMARY**

2013/14 Actuals	Page Ref	Details	2014/15		2015/16 Estimate
			Original	Latest	
£			£	£	£
(924)	HEPS02	Information Management	-	(410)	-
125,919	HEPS03	Development Management	189,470	118,720	148,290
192,562	HEPS04	Planning Policy	193,630	180,980	178,270
3,010	HEPS05	Registered Social Landlords	3,090	3,090	3,040
(4,298)	HEPS06	Land Charges	(31,590)	(52,950)	(39,060)
(33,860)	HEPS07	Housing Services	-	(48,650)	-
99,341	HEPS08	Housing Strategy	109,910	104,910	111,640
47,801	HEPS09	Housing Standards	49,580	49,580	65,400
254,917	HEPS10	Homelessness	247,840	237,840	253,560
37,468	HEPS11	Private Sector Housing Renewal	38,220	38,220	17,980
47,074	HEPS12	Housing Advice	48,700	48,700	47,070
(11,981)	HEPS13	Operational Services	-	(52,820)	-
878,592	HEPS14	Street Cleansing	903,220	949,690	775,370
1,640,067	HEPS15	Waste Collection	1,675,020	1,584,160	1,714,300
276,020	HEPS16	Recycling	264,640	267,400	227,200
-	HEPS17	Environmental Health	-	-	-
127,753	HEPS18	Food Safety	155,100	155,100	136,870
(4,164)	HEPS19	Licensing	40,470	40,470	15,950
91,590	HEPS20	Pest Control	73,850	73,850	56,350
83,341	HEPS21	Public Health	104,830	104,830	208,090
38,337	HEPS22	Environmental Health Licensing	17,370	17,370	40,110
210,646	HEPS23	Pollution Reduction	225,590	225,590	260,410
62,255	HEPS24	Building Control Partnership	86,680	86,680	80,680
4,161,466		<b><u>NET EXPENDITURE</u></b>	4,395,620	4,132,350	4,301,520

**Support Services**

**SUMMARY**

2013/14 Actuals	Page Ref	Details	2014/15		2015/16 Estimate
			Original	Latest	
£			£	£	£
(2,480)	HSS01	Design & Maintenance	-	(2,690)	6,560
82,632	HSS03	Administrative Buildings	37,980	42,950	58,960
25,456	HSS04	Defences Against Flooding	11,710	11,710	9,290
5,223	HSS05	Cemeteries & Closed Churchyards	6,480	6,480	7,140
(246,291)	HSS06	Off Street Parking	(400,370)	(396,420)	(308,230)
247,775	HSS07	Footway Lighting	167,550	199,560	203,090
-	HSS08	Public Conveniences	-	-	-
(98,350)	HSS09	Market Undertakings	(96,220)	(70,710)	(81,810)
14,424	HSS10	Depots	9,180	9,180	4,870
-	HSS11	Payroll	-	-	-
2,498	HSS12	Visitor Centres	2,980	2,980	2,030
8,745	HSS13	World of James Herriot	5,300	5,300	2,250
(1,963)	HSS14	Business & Support	-	(520)	-
(310,719)	HSS15	Interest & Investment Interest	(255,190)	(448,770)	(1,148,940)
340,037	HSS16	Corporate Management	476,100	476,100	377,020
46,805	HSS17	Non Distributed Costs	30,150	30,150	29,320
(327,038)	HSS18	Corporate Management & Support	-	207,420	-
11,075	HSS19	Resources	-	(154,660)	(7,530)
594,695	HSS20	Housing Benefit	81,330	153,840	267,430
437,657	HSS21	Local Tax Collection	566,050	388,840	340,400
(103,519)	HSS22	Revenues & Benefits Services	-	(29,490)	-
1,157,390	HSS23	Democratic Services	1,011,770	1,023,010	911,270
(33,634)	HSS24	Committee Services	-	(36,160)	-
162,278	HSS25	Elections	134,810	134,560	181,460
-	HSS26	Personnel	-	(5,390)	-
(2,863)	HSS27	Legal Services	-	8,870	-
(3,301)	HSS28	Reprographics	-	(420)	-
(10,780)	HSS29	ICT Services	-	(47,470)	(55,500)
71,235	HSS30	Health & Safety at Work	101,210	101,210	89,090
<b>2,066,987</b>		<b>NET EXPENDITURE</b>	<b>1,890,820</b>	<b>1,609,460</b>	<b>888,170</b>

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
10 February 2015

**Subject:** COUNCIL TAX 2015/16

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

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 This report considers for 2015/16 the level of Council Tax and the policy on reserves. In addition, it provides Members with details of the Council's formula grant settlement released on 19 December 2013 and the Council's Business Rates base that will be used by Government to calculate the Business Rates target for 2016/17 for the Retained Business Rates funding mechanism, which is now operated as a pool across North Yorkshire.
- 1.2 The current Financial Strategy assumes that the Council will set a 0% increase in Council Tax and accept the Council Tax Freeze Grant offered by Government. It is proposed that this strategy is followed and that Council Tax in Hambleton is frozen for the fifth consecutive year.
- 1.3 Detailed budget proposals were considered previously on this Cabinet agenda. The revenue budget for 2015/16 is £6,918,280, approximately a 7% reduction on the 2014/15 revenue budget which was set at £7,463,150.
- 1.4 The impact of the Localisation of Council Tax Benefit on the Council Tax Base and the implications for precepting authorities, in particular Parish Councils, is discussed in Annex 'A'.
- 1.5 The statutory consultation with ratepayers was held during December 2014. The results of these consultation exercises have been considered as part of the budget process and are attached in Annex 'B'.
- 1.6 A policy on the Balances and Reserves is set out in Annex 'C' for Members' approval.

### **2.0 RISK ASSESSMENT:**

- 2.1 There are no major risks associated with the recommendations in this report.

### **3.0 RECOMMENDATIONS:**

- 3.1 That Cabinet recommends to Council:-

- (1) That it be noted that on 15 January Council calculated the Council Tax Base 2015/16:-
  - (a) for the whole Council area as £34,710.28 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; and
  - (b) for dwellings in those parts of its area to which a Parish precept relates as in the attached Annex 'A'(1).

- (2) That the Council has calculated the Council Tax requirement for the Council's own purposes for 2015/16 (excluding Parish precepts) as £3,105,875.85.
- (3) That the following amounts be calculated for the year 2015/16 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:-
- (a) **District/Parish Gross Expenditure**  
 £45,687,808.80 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils
- (b) **District/Parish Gross Income (including Government Grants, use of Reserves and Collection Fund Surpluses etc)**  
 £41,306,984.15 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act
- (c) **District/Parish Net Expenditure**  
 £4,380,824.65 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (Item R in the formula in Section 31B of the Act)
- (d) **Basic Amount of Tax (including average Parish Precepts)**  
 £126.2112 being the amount at 3(c) above (Item R) all divided by Item T (1(a) above), calculated by the Council in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts)
- (e) **Parish Precepts**  
 £1,274,948.80 being the aggregate of all special items (Parish Precepts) referred to in Section 34(1) of the Act (as per Annex 'A')
- (f) **Basic Amount of Tax (Unparished Areas)**  
 £89.4800 being the amount at 3(d) above less the result given by dividing the amount at 4(e) above by Item T (1(a) above), calculated by the Council in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates
- (4) **Major Precepting Authorities** That it be noted that the North Yorkshire County Council, the North Yorkshire Fire and Rescue Authority and the Police and Crime Commissioner North Yorkshire have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below and at Annex 'A'(1).
- (5) **Council Tax Bands for All Councils**  
***Figures for North Yorkshire County Council, North Yorkshire Fire and Rescue Authority and Police and Crime Commissioner North Yorkshire are yet to be determined and will be reported at Council on 24 February 2015.***

That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts in the tables below as the amounts of Council Tax for 2015/16 for each part of its area and for each of the categories of the dwellings.

Hambleton District Council

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
59.65	69.60	79.54	89.48	109.36	129.25	149.13	178.96

North Yorkshire County Council

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

North Yorkshire Fire and Rescue Authority

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

Police and Crime Commissioner North Yorkshire

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

(6) **Excessive Council Tax**

That the Council determines that the Council's basic amount of Council Tax for 2015/16 (at 3(f) above) is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992.

- (7) The appropriate amount is taken from the Council Taxpayers Reserve to support the decision at (3) above.
- (8) The policy on Balances and Reserves at Annex 'C' is approved.

JUSTIN IVES

**Background papers:** None

**Author ref:** JI

**Contact:** Justin Ives  
Director of Support Services and Deputy Chief Executive  
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100215 Council Tax 201516

**COUNCIL TAX 2015/16****1.0 INTRODUCTION AND BACKGROUND:**

- 1.1 This paper considers the level of Council Tax for 2015/16 in the light of the revenue budget for 2015/16 and Financial Strategy, as well as the Government's Formula Grant settlement and proposals for a fifth year of Council Tax freeze.

**2.0 REVENUE ESTIMATE AND FINANCIAL STRATEGY:**

- 2.1 The approved revenue estimate for 2015/16 is a net total of £6,918,280, this is approximately a 7% reduction on the 2014/15 approved budget of £7,463,150.
- 2.2 The Financial Strategy demonstrated that the budget of £6,918,280 was affordable and would allow the Council to set a balanced budget.
- 2.3 The affordability of this budget was predicted on assumptions made in the Financial Strategy around the level of grant funding for 2015/16, this affordability has been confirmed in the level of grant support allocated to the Council as part of the Local Government Finance Settlement announced on 20 December 2014.

**3.0 FORMULA GRANT SETTLEMENT AND COUNCIL TAX:**

- 3.1 The Comprehensive Spending Review announced in October 2010 set out unprecedented grant reductions for Local Government over the 4 year period 2011/12 to 2014/15. These cuts have continued and to date the Council has lost £2,708,525 or 46.6% of its grant funding.
- 3.2 On 20 December 2014 the Finance Settlement for 2015/16 was announced. The detail of the settlement is set out below, but in summary the Council is guaranteed to receive £3,497,039 of funding in 2015/16 from a combination of new Revenue Support Grant, Council Tax Freeze Grant, Localisation of Council Tax Benefit Grant and retained Business Rates. This is a £547,824 or 15.6% reduction on the amount received in 2014/15.

**Detailed Funding Settlement**

	<b>2015/16 £</b>
Business Rates target	26,889,770
Levy paid to Central Government	(13,444,885)
Local share of Business Rates	13,444,885
County Council/Fire share at 20%	(2,688,977)
Hambleton District Council share at 80%	10,755,908
Fixed tariff paid to Central Government	(8,861,141)
Hambleton District Council Retained Business Rates Target	1,894,767
Hambleton District Council Guaranteed Business Rates based on the Safety Net.	1,752,660
Revenue Support Grant	1,602,272
<b>Total Funding Settlement</b>	<b>3,497,040</b>

- 3.3 The Business Rate Retention Funding Mechanism has with it inherent risk for Local Government. Principally, if the business rate target set for the Council is not met the reduction in Business Rates will reduce the local share, not the amounts paid to Central Government. Any loss of income will be met 80% by Hambleton District Council, 18% by North Yorkshire County Council and 2% by North Yorkshire Fire and Rescue Authority.
- 3.4 An aspect of the regulations in respect of the Business Rate Retention Scheme, Councils must set a Business Rates Base figure which is approved, this is used by Government to set the Business Rates Collection Target for the Council in the preceding year. The Business Rates Base figure for 2015/16 is £26,950,801, this is the latest estimate from the National Non-domestic Rates Return.
- 3.5 The 2015/16 budget has been set using the actual business rate target from the NNDR1 return rather than that presented in the funding settlement as this figure is a timelier and more accurate reflection of the amount the Council is likely to receive. Under the Business Rate Retention System business rate appeals lodged by organisations in Hambleton have a direct impact on the Council. For 2015/16 there is a collection fund deficit of £578,900 as a result of past appeals this should not be an issue in future years as legislation is now in place to prevent organisations back dating appeals.
- 3.6 Increases in Business Rate levels are set each year by Central Government and are based upon the RPI figure for September which stood at 2.3% (capped at 2%). The provisional rate poundage to be applied in 2015/16 has been announced as follows:-  
- Non-Domestic Rate 49.3p  
- Small Business Rate 48.0p
- 3.7 Under Schedule 7 of the Local Government Finance Act 1988, the provisional multipliers will be confirmed after either the Local Government Finance Report 2015/16 has been approved by Parliament or by the end of March 2015.

#### **4.0 COUNCIL TAX:**

##### Council Tax Base

- 4.1 Each year the Council is required to formally set the Council Tax Base and advise the appropriate precepting bodies. This must be done by 31 January each year.
- 4.2 The Council Tax Base for 2015/16 is set at 34,710.28.

##### Council Tax Levels

- 4.3 In producing the table below it must be stressed that some assumptions have been made as the information is not available owing to the precepting authorities not having met at the time of writing this report. Initially, the assumption that has been made is that each of the precepting authorities will accept the Government's proposals of a freeze on Council Tax. However, as stated in paragraph 3.1.5 of the main report the precepting authorities have as yet not provide the information on the level of Council Tax and therefore these figures may be subject to change. Parishes are not currently subject to the provision of the Localism Act relating to excessive Council Tax rises and are not part of the Government's Council Tax Scheme.

4.4 If the assumptions made above are current then the 2015/16 Council Tax at Band D will be:-

2014/15 £		2015/16 £	Assumption
1,078,52	County Council	TBC	
208.62	Police Authority	TBC	
63.33	Fire Authority	TBC	
36.16	Parishes (average)	36.73	Parishes (average)
<u>89.48</u>	Hambleton	89.48	Council Tax freeze
<u>1,476.11</u>			

## 5.0 **IMPACT ON RESERVES:**

5.1 The impact on the Council's Council Taxpayers Reserve from the revenue budget, funding settlement and Council Tax decision is set out in the table below:-

	£
Revenue Budget:	6,918,280
<b>Financed by:-</b>	
Formula Grant	1,602,272
Retained Business Rates (incl. S31 Grants)	2,467,391
Collection Fund Deficit	(578,900)
Council Tax	3,105,876
Non ring-fenced grants	48,472
Contribution from Reserves	<u>273,169</u>
<b>Balanced budget</b>	<b>0</b>

5.2 It is estimated at this stage that the Council be required to make a contribution from the Council Taxpayers reserve of £273,169 to balance the 2015/16 budget.

## 6.0 **RISK ASSESSMENT:**

6.1 There are no major risks associated with this report.

## 7.0 **LOCAL GOVERNMENT ACT 2003:**

7.1 Section 25 of the Local Government Act 2003 requires the Council's S151 Officer (Chief Financial Officer) to report to Members on the robustness of the budget and the adequacy of reserves held by the Council.

7.2 The approved revenue budget has now been prepared by the Council's budget holders and has been subjected to challenge by the Finance staff and Chief Officers. I therefore conclude the budgets included in this Council Tax setting process are robust and have been prepared in accordance with proper practices.



7.3 The reserves of the Council are set out in Annex 'C' to this report. I consider the level of reserves adequate to maintain the Council's current revenue expenditure and enable its longer term objectives as set out in the Financial Strategy. Annex 'C' sets out the policy on Reserves and Balances and supports my comments. The Annex also makes recommendations on the level of Balances and Reserves.

**BUDGET CONSULTATION 2015/16 - SUMMARY**

The Budget Consultation was carried out between 8 September and 20 October 2014 and was well-publicised to all residents and businesses across Hambleton District.

From the 116 responses received, the largest majority responded from the Northallerton area and the least from the Easingwold area. The bulk of respondents were residents, rather than businesses or other organisations, and the 45-59 year age group attracted the majority of responses. This followed the same pattern as the previous year.

Question four lists 12 service areas and respondents were asked to indicate the order of importance to them. The Waste Service, incorporating household, green, kerbside and street cleansing, continues to rank of most importance to respondents followed closely by Environmental Health and Leisure Services. Benefits and the Housing Service continued to rank of least importance.

Question five asked respondents if they would support increasing council tax to invest in council services. In contrast to the previous year, where the majority responded as 'maybe', the most popular response in this consultation was 'no'. Respondents already felt they paid enough council tax and savings should be sought elsewhere. Any support to increase the tax would very much depend upon where the money would be spent.

Question six lists four services; Leisure, Public Car Parks, Recycling and Environmental Health and asked respondents to indicate their support for increasing fees and charges in these services. Out of those who indicated their support for increasing charges, Leisure attracted the majority of responses while Public Car Parks were overwhelmingly unsupported. This followed the same pattern as the previous year. Further comments suggested a halt to increasing charges and make better use of the funds currently available to manage business in a more effective way. This will be reflected in the 2015/16 budget where no increase will be made to car park fees and charges.

Finally, when asked for any further suggestions on how the council could increase income or reduce costs, a range of suggestions was received from recycling/upcycling waste goods to attracting bigger businesses into the District and improving the existing infrastructure in order to encourage visitors and spending.

**Budget Consultation 2015/16**

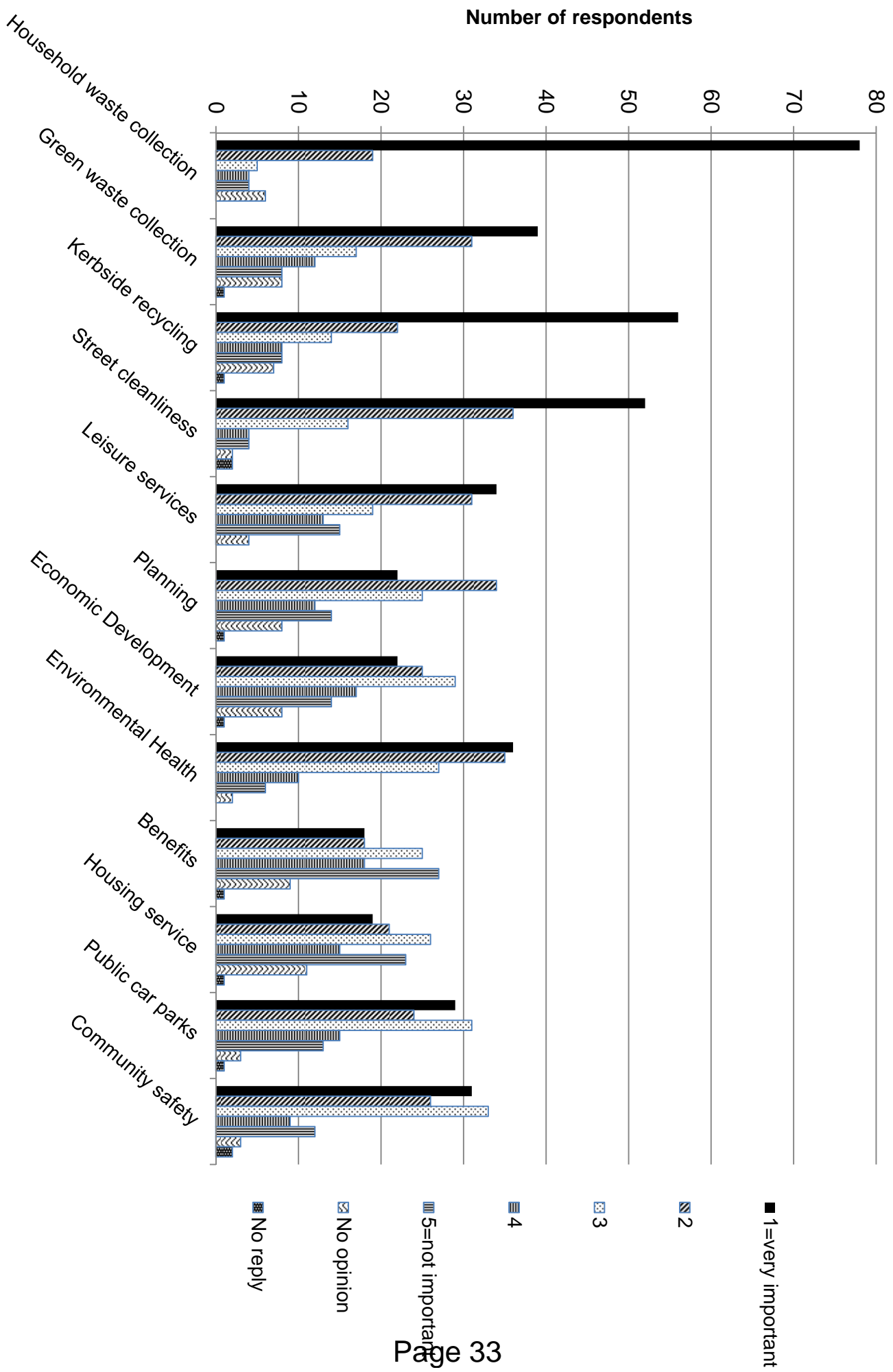
8 September - 20 October 2014  
15 paper and 101 online responses received = 116 total

Q1	Which of the following towns do you live in or closest to?	
	15 (12.9%)	Bedale
	7 (6.0%)	Easingwold
	47 (40.5%)	Northallerton
	29 (25.0%)	Stokesley
	17 (14.7%)	Thirsk
	1 (0.9%)	Prefer not to say

Q2	Are you responding as a ...?	
	94 (79.7%)	Resident
	20 (16.9%)	Business
	2 (1.7%)	Voluntary organisation
	0 (0.0%)	Stakeholder group
	2 (1.7%)	Prefer not to say

Q3	Which age group do you belong to?	
	0 (0.0%)	under 18 years
	4 (3.4%)	19-24 years
	29 (25.0%)	25-44 years
	43 (37.1%)	45-59 years
	35 (30.2%)	60 years and over
	5 (4.3%)	Prefer not to say

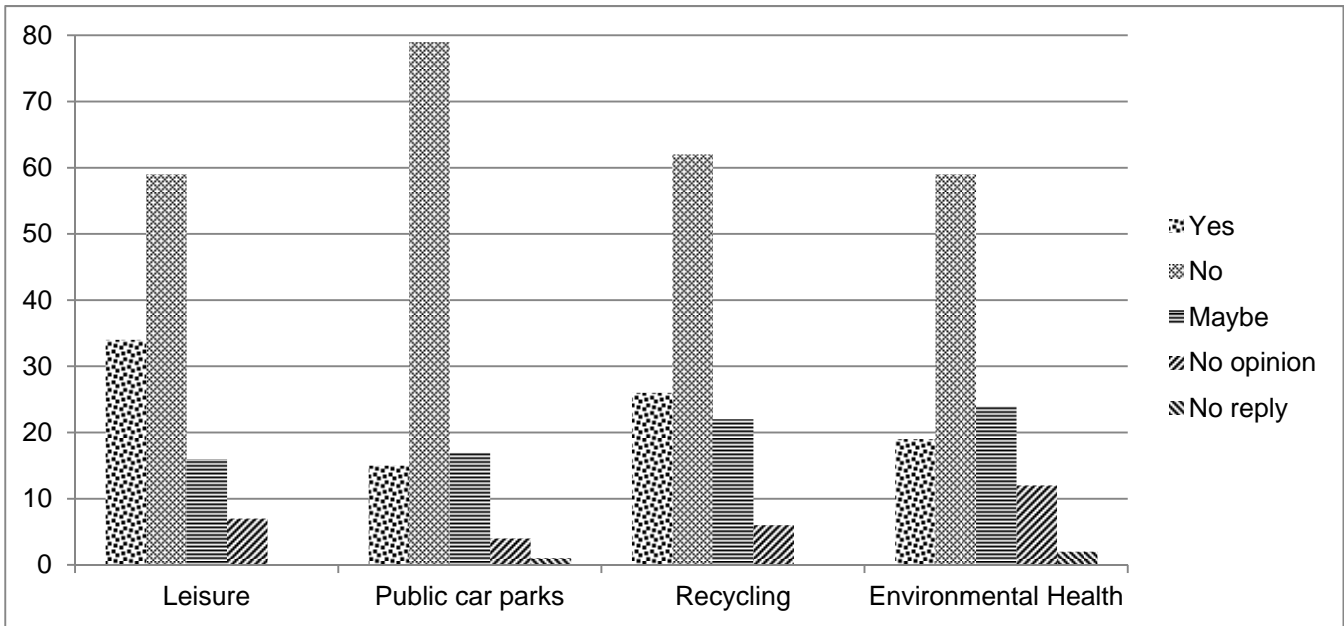
Q4	Please indicate the importance to you of the following services: (1=very important and 5=not important)							
		1	2	3	4	5	No opinion	No reply
	<b>Household waste collection</b> (black bin)	78 (67.2%)	19 (16.4%)	5 (4.3%)	4 (3.4%)	4 (3.4%)	6 (5.2%)	0 (0.0%)
	<b>Green waste collection</b> (green bin)	39 (33.6%)	31 (26.7%)	17 (14.7%)	12 (10.3%)	8 (6.9%)	8 (6.9%)	1 (0.9%)
	<b>Kerbside recycling</b> (blue box and bag)	56 (48.3%)	22 (19.0%)	14 (12.1%)	8 (6.9%)	8 (6.9%)	7 (6.0%)	1 (0.9%)
	<b>Street cleanliness</b> (including litter collection, graffiti removal, fly-tipping)	52 (44.8%)	36 (31.0%)	16 (13.8%)	4 (3.4%)	4 (3.4%)	2 (1.7%)	2 (1.7%)
	<b>Leisure services</b> (including leisure centres, arts and culture, sports development, children's play, healthy lifestyles)	34 (29.3%)	31 (26.7%)	19 (16.4%)	13 (11.2%)	15 (12.9%)	4 (3.4%)	0 (0.0%)
	<b>Planning</b> (including planning applications and planning policy)	22 (19.0%)	34 (29.3%)	25 (21.6%)	12 (10.3%)	14 (12.1%)	8 (6.9%)	1 (0.9%)
	<b>Economic Development</b> (support to businesses, management of council offices and land)	22 (19.0%)	25 (21.6%)	29 (25.0%)	17 (14.7%)	14 (12.1%)	8 (6.9%)	1 (0.9%)
	<b>Environmental Health</b> (including licensing, food hygiene inspections, nuisance complaints, private water supplies, pest control)	36 (31.0%)	35 (30.2%)	27 (23.3%)	10 (8.6%)	6 (5.2%)	2 (1.7%)	0 (0.0%)
	<b>Benefits</b> (housing benefits and council tax reduction)	18 (15.5%)	18 (15.5%)	25 (21.6%)	18 (15.5%)	27 (23.3%)	9 (7.8%)	1 (0.9%)
	<b>Housing service</b> (housing option advice, homelessness, provision of affordable housing)	19 (16.4%)	21 (18.1%)	26 (22.4%)	15 (12.9%)	23 (19.8%)	11 (9.5%)	1 (0.9%)
	<b>Public car parks</b> (pay & display, free car parks)	29 (25.0%)	24 (20.7%)	31 (26.7%)	15 (12.9%)	13 (11.2%)	3 (2.6%)	1 (0.9%)
	<b>Community safety</b> (including anti-social behaviour, domestic abuse, alcohol awareness)	31 (26.7%)	26 (22.4%)	33 (28.4%)	9 (7.8%)	12 (10.3%)	3 (2.6%)	2 (1.7%)



	<b>Please expand your answer further if necessary:</b>
	18 responses received

<b>Q5</b>	<b>Would you support increasing Council Tax to invest in Council services?</b>	
	24 (20.7%)	Yes
	54 (46.6%)	No
	34 (29.3%)	Maybe
	3 (2.6%)	No opinion
	1 (0.9%)	No reply
	Please expand your answer further to identify which services you would like to see any investment or no investment in:	
	44 responses received	

<b>Q6</b>	<b>Would you support increasing fees and charges to facilitate investment in the following services?</b>					
		<b>Yes</b>	<b>No</b>	<b>Maybe</b>	<b>No opinion</b>	<b>No reply</b>
	Leisure	34 (29.3%)	59 (50.9%)	16 (13.8%)	7 (6.0%)	0 (0.0%)
	Public car parks	15 (12.9%)	79 (68.1%)	17 (14.7%)	4 (3.4%)	1 (0.9%)
	Recycling	26 (22.4%)	62 (53.4%)	22 (19.0%)	6 (5.2%)	0 (0.0%)
	Environmental Health	19 (16.4%)	59 (50.9%)	24 (20.7%)	12 (10.3%)	2 (1.7%)
	Please expand your answer further if necessary:					
	24 responses received					



<b>Q7</b>	<b>Do you have any other suggestions on how the Council could increase income or reduce costs to support the budget?</b>
	56 responses received

**POLICY ON BALANCES AND RESERVES**

**1.0 BACKGROUND:**

- 1.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to Members on the robustness of the estimates and the adequacy of the reserves for which the budget provides.
- 1.2 The purpose of this Annex is to:-  
-support the statement required to conform to Section 25  
-confirm the use of the Council's balances and reserves, and  
-re-affirm the Council's policy on the level of balances and reserves
- 1.3 The Council currently maintains a number of balances and reserves, each of which has a purpose approved by Members. Each of the balances and reserves will be considered in turn later in this Annex.
- 1.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) considers that a case for introducing a statutory minimum level of reserves, even in exceptional circumstances has not been made. The Institute believes that Local Authorities, on the advice of their finance directors, should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary and there is a broad range within which authorities might reasonably operate depending on their particular circumstances.
- 1.5 There is no definitive guidance as to the minimum level of balances or reserves, either as an absolute amount or as a proportion of expenditure, since each local authority is independent, operates in a unique local environment and the decision is one of a number of inter-related decisions taken as part of its financial strategy. Section 32 of the Local Government Act 1992 requires billing authorities (such as Hambleton) to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Budgets are based upon forecasts of pay and price inflation, changes in interest rates, and the demand for and levels of service to be provided. The purpose of balances and reserves is to provide for unexpected changes from these forecasts and to provide for the financing of some expenditure. Consequently the provision of an appropriate level of balances and reserves is a fundamental part of prudent financial management over the medium term.

**2.0 BALANCES AND RESERVES:**

- 2.1 Each of the Council's balances and reserves is considered below.
- 2.2 General Fund Working Balance
- 2.2.1 Setting the level of this general reserve is just one of several related decisions in the formulation of the medium-term financial strategy and the budget for a particular year. Account should be taken of the key financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:-

### *Budget Assumptions*

- treatment of inflation
- interest rates
- treatment of demand led pressures (e.g. take-up of housing benefits)
- levels of income
- financial risks inherent in significant funding partnerships
- the availability of other funds to deal with emergencies
- estimates of the level of and timing and capital receipts, S106 monies and general cashflows

### *Financial Standing and Management*

- the overall financial standing of the authority
- the authority's track record in budget and financial management
- the capacity to manage in-year budget pressures
- the strength of financial information and reporting arrangements
- the authority's financial procedure rules and budgetary flexibility
- the adequacy of insurance arrangements to cover major unforeseen risks

### *Adequacy of inflation*

2.2.2 Budgetary provision is made for inflation in respect of pay, prices and contract expenditure. The 2015/16 budgets contain a sum of £179,430 for such inflation. An adverse variance of 1% in the assumptions made to these forms of expenditure could result in additional expenditure of £89,720.

### *Adequacy of interest rate assumption*

2.2.3 The Council is a debt free authority and has substantial funds available for investment. The amount under investment however is sensitive to changes in interest rates especially given the short-term nature (less than 1 year) of most of the investment activity and the need to retain some cash liquidity for day to day purposes. The events occurring in the banking and financial markets in 2009/10 shows how unpredictable this area can be. Fortunately for the Council, most of its investments are in fixed term deposits. The 2015/16 budget assumes an average of 0.75% over the year but during this time some core cash investments will need re-investing. The budgets were prepared in a period where interest rates have remained at an all time low and have been stable at 0.5%. It is now unlikely that there will be a further reduction in interest rates to 0% and even more unlikely (although technically possible) for there to be a negative interest rate. However, an adverse variance of 1% in interest rates would affect investment income by approximately £300,000. This would be borne by the Council Taxpayers Reserve.

### *Treatment of demand led pressures*

2.2.4 Demand volatility can affect both expenditure (e.g. take up of housing benefits) and income (eg number of planning applications). Housing Benefit is a significant item of expenditure estimated at £19,01m in 2015/16. In 2015/16 the Localised Council Tax Support Scheme presents a particular risk to the Councils reserves position, increases in council tax support claimants in year will be funded by the Council, subsidy at a reduced rate will not be received until the following year. If payments increase by 1% the cash flow implications would be in the order of £190,100.



### Levels of income

2.2.5 The major income budgets (for fees and charges) in 2015/16 are those relating to:-

	£
Leisure Services	2,602,190
Development Control	700,000
Premises Development	727,930
Parking Charges	633,200
Local Taxation	299,890
Markets	199,780
Licensing	168,290
Land Charges	96,720
Environmental Services	153,550
Planning Services	55,720
Waste Collection	103,600

Total income from fees and charges is budgeted to be £5.789m in 2015/16. The economy is clearly still experiencing difficulties at the moment and recovery is expected to be slow. A moderate fall in demand of say 3% would lead to a reduction in income of about £173,680.

### External Partnerships

2.2.6 Members are aware that the Council acts as the 'Accountable Body' for a number of partnerships. With the potential for these to grow in number the financial exposure increases, however it is felt that a contingency to deal with this is not required as there is sufficient funds in reserves.

### Responding to emergencies

2.2.7 Examples of emergencies in the past include flooding and the outbreak of foot and mouth disease. As a local authority the Council can in certain cases gain financial protection from the Government's Bellwin Scheme. However, this only reimburses 85% of eligible expenditure above a specified threshold. If further resources were required, it is felt that there are sufficient funds in reserves to cover these requirements.

### Capital financing and general cashflows

2.2.8 The Council maintains a capital programme which is supported by external funding and on-going capital receipts. The timing of such receipts rarely matches the expenditure profile, often lagging by months.

2.2.9 Similarly the timing of the Council's income, principally from Council Tax and Business Rate income, does not always match the Council's outgoings (mainly salaries, capital and precept payments). This is particularly the case in February and March when income from Council Tax and Business Rates reduces significantly as the normal instalments cease.

2.2.10 Consequently it is necessary to maintain a large amount for cash flow purposes, thereby reducing the need to frequently draw back funds. A sum of £1,000,000 is recommended for this purpose.

2.2.11 On this basis it would appear that a General Fund Working Balance of around £2,000,000 is required. ***It is recommended that the Council maintain a sum of £2,000,000 as its General Fund Working Balance.*** A level of £2m equates to approximately 4.5% of the Council's gross annual budget requirement. This combined with the Council's internal financial controls should ensure the authority recognises financial 'issues' early and has the capacity to respond accordingly.

### 2.3 Council Taxpayers Reserve

2.3.1 The purpose of this reserve is currently "To support revenue spending on community projects and on enhancing service delivery". ***It is recommended that the purpose of the Council Taxpayers Reserve is maintained.***

2.3.2 The level of the reserve is considered as part of every review of the financial strategy, and needs to be sufficient to fulfil its purpose over the life of the strategy. Clearly over time the level of the reserve will diminish. However, in order for the Council Taxpayer to receive the maximum benefit from the reserve, this should be in a structured and considered way in accordance with expectations of the level of Council Tax assumed in the financial strategy.

### 2.4 Repairs and Renewals Fund

2.4.1 The purpose of this reserve is "To provide revenue support to assist funding of the repairs and renewals". ***It is recommended that the purpose of the Repairs and Renewals Fund is maintained.***

2.4.2 The reserve was established from what was the Capital Fund with monies added to it from the Council Tax Payers Reserve. The reserve will be maintained for the duration of the Financial Strategy.

### 2.5 Computer Fund

2.5.1 The purpose of this reserve is "To provide revenue support to assist funding of computer related purchases". ***It is recommended that the purpose of the Computer Fund is maintained.***

2.5.2 The reserve was established from monies transferred from the Council Tax Payers Reserve. ***It is recommended that the reserve will be maintained for the duration of the Financial Strategy.***

### 2.6 Community Safety Partnership Reserve

2.6.1 The purpose of this reserve is currently "To receive surpluses and deficits from the Community Safety Partnership Accounts". ***It is recommended that the purpose of the Community Safety Partnership Reserve is maintained.***

2.6.2 The reserve is kept as good accounting practice and is not expected to have a significant balance in it.

## 2.7 One-Off Fund

2.7.1 The purpose of this reserve is “To improve or sustain service delivery”. ***It is recommended that the purpose of the One-Off Fund is maintained.***

2.7.2 This reserve is maintained to provide funding for service improvements or unexpected events. It incorporates the former Revenue Efficiency Reserve, Shared Service Efficiency Reserve and the Cyclical Payments Reserve. It is recommended therefore that the minimum balance on this Reserve be kept at £200,000. This is considered adequate, and is sustainable within the current financial strategy. In normal circumstances, however, the level of the fund could be substantially higher than this.

## 2.8 Strategic Forum Reserve

2.8.1 The purpose of this reserve is currently “To bring together members of the public, private, voluntary and community sectors to take forward priorities of the districts identified in the Sustainable Community Strategy”. ***It is recommended that the purpose of the Strategic Forum Reserve is maintained.***

2.8.2 The reserve is kept as good accounting practice and is not expected to have a significant balance in it.

## 2.9 Grants Fund

2.9.1 The purpose of this reserve is currently “To fund revenue grants to organisations on an annual basis”. ***It is recommended that the purpose of the Grants Fund is maintained.***

2.9.2 The level of the fund was initially established to provide for three years funding, and will therefore have a reducing balance over the period. It is expected that the fund will run low in funds by 2018/19 and therefore a review will be needed before this time.

## 2.10 Economic Development Fund

2.10.1 The purpose of this reserve is “To fund initiatives that support and encourage economic growth and stability in Hambleton”. ***It is recommended that the purpose of the Economic Development Fund is maintained.***

2.10.2 This fund was established in 2014/15 with a balance of £5,000,000. It is anticipated that this funding will last 10 years.

## 2.11 Make a Difference Grants Fund

2.11.1 The purpose of this reserve is “To invest in worthy local community projects which help improve life in neighbourhoods and which support the work of the voluntary sector”. ***It is recommended that the purpose of the Make a Difference Grants Fund is maintained.***

2.11.2 This fund was established in 2014/15 with a balance of £125,000. The balance of the fund will be used by 31 March 2016.

## 3.0 LEVEL OF BALANCES AND RESERVES:

3.1 The use of balances and reserves is a critical feature in the Council’s approach to financial management. They enable Council Tax to be maintained at low levels, support the Capital Programme and deliver service improvements.

- 3.2 It is considered important therefore that the level of balances is monitored to ensure that adequate levels are maintained to fulfil their purpose. To a large extent this is done through the Financial Strategy and also targets have been established where each Reserve has a year end balance which is within a 10% tolerance of the balance reflected in the Council's financial strategy. Performance against the target will continue to be reported to Members as part of the year end procedures.
- 3.3 Experience has shown, however, that due to the nature of receipts and payments into and out of the One Off Fund, it is not possible to accurately forecast the level of this reserve at the year end. A more appropriate target for this reserve would be to ensure that a minimum balance is retained.
- 3.4 ***It is recommended that the targets for Reserve balances are:***
- a) A minimum balance for the One-Off Fund of £200,000; and***
  - b) For all other Reserves, within a 10% tolerance on the year end balance as reflected in the Financial Strategy.***

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
10 February 2015

**Subject:** **2015/16 CAPITAL PROGRAMME BUDGET, TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS**

**All Wards**

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

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 This report considers the 10 year Capital Programme covering the financial years 2015/16 to 2024/25, the 2015/16 Capital Programme and the Treasury Management Strategy Statement; including the Annual Investment Strategy and Minimum Revenue Provision Policy Statement.
- 1.2 The 10 year Capital Programme is set within the fiscal parameters of the Financial Strategy, a key feature of which is to ensure that at the end of the 10 year Strategy sufficient reserve funds – grants, contribution and capital receipts – remain available so that the Council has the option to continue with its principle of not borrowing to finance its own capital expenditure. The Financial Strategy which supports the Capital Programme 2015/16 to 2014/25 is being approved at this February 2015 Cabinet.
- 1.3 It is a legal requirement under the Local Government Act 2003 and the CIPFA Prudential Code to ensure that the Capital Programme is affordable, sustainable and prudent over a 3 year period. The 10 year Capital Programme 2015/16 to 2024/25 clearly adheres to this requirement and it should be noted that the 10 year Programme is an estimate.
- 1.4 Prior to expenditure being incurred on any scheme a Value for Money project appraisal occurs for each project and the annual Capital Programme is approved at Council before the commencement of the new financial year. The 2015/16 Capital Programme is detailed in this report.
- 1.5 The Treasury Management Strategy Statement includes the Annual Investment Strategy and the Minimum Revenue Policy Statement and ensures that the funding of the Capital Programme is affordable, sustainable and prudent. The Treasury Management Strategy manages the cash flow position of the Council on a long and short term basis to ensure that cash is available when needed and surplus funds are invested in with low risk counterparties (ensuring security of funding is key), providing adequate liquidity, whilst also considering investment return.
- 1.6 The Capital Programme and Treasury Management Strategy are monitored through the setting of the Prudential and Treasury Management Indicators on an annual basis prior to the beginning of the new financial year.
- 1.7 This report seeks approval for
  - (a) the 10 year Capital Programme 2015/16 to 2024/25
  - (b) the Capital Programme for the coming financial year 2015/16, which is informed by the 10 year Capital Programme
  - (c) the Treasury Management Strategy Statement 2015/15
  - (d) the Minimum Revenue Policy Statement 2015/16
  - (e) the Prudential and Treasury Indicators 2014/15

## **2.0 10 YEAR CAPITAL PROGRAMME 2015/16 to 2024/25:**

2.1 The 10 year Capital Programme 2015/16 to 2024/25 shows capital expenditure of £52,554,300, which is funded by reserves, contributions, capital receipts, borrowing and surplus funds of £60,755,855. The Financial Strategy supports this 10 year Capital Programme which shows it is affordable, sustainable and prudent over the long term, leaving a balance of funding of £8,201,555.

2.2 The 10 Year Capital Programme 2015/16 to 2024/25 is financed from 4 earmarked reserves as well as borrowing or reduction in surplus funds:

	£
Repairs and Renewals Fund	5,900,000
Computer Fund	2,660,000
Capital Receipts Reserve	3,994,300
Economic Development Fund	5,000,000
Borrowing / Surplus Funds	<u>35,000,000</u>
	52,554,300

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

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

2.4 **Computer Fund** - Annex A2 details the funding available in the Computer Fund, together with an estimate of how this funding will be utilised over the next 10 years. No specific schemes are detailed other than the website project because it is envisaged that schemes will emerge from the review of all services over the next 12 – 18 months, which will provide the detail of the computer programme.

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

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

2.7 **Economic Development Fund** – Annex A4 details the Economic Development Fund which was created in 2014/15 and £5,000,000 was allocated. The Investment Plan was approved at Cabinet on 2 December 2014 and currently funding is allocated on an even basis £500,000 throughout the 10 year period. Additional funding is allocated to the Economic Development Fund in 2023/24.

2.8 **Borrowing / Surplus funds** – On 16 December 2014 Cabinet approved the loan to Broadacres Housing Association to assist the local area in increasing housing opportunities for the community. The maximum amount of the loan is potentially £35,000,000 and therefore, for the purpose of prudent provision, it is estimated that the total amount will be borrowed in the year 2015/16. There is still the flexibility that surplus funds could contribute to the funding of the loan and both these options will be considered in the light of the treasury management economic and interest rate environment.

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

### **3.0 2015/16 CAPITAL PROGRAMME BUDGET:**

3.1 The Capital Programme 2015/16 totals £36,854,300 and is funded as follows:

	£
Repairs and Renewals Fund	751,000
Computer Fund	277,000
Capital Receipts Reserve	1,326,300
Economic Development Fund	500,000
Borrowing / Surplus Funds	<u>35,000,000</u>
	37,854,300

2.4 The Capital Programme 2015/16 is attached at Annex 'B'. This details the capital expenditure cost and also the total cost to the Council, along with associated funding received from third parties in respect of the schemes. In addition, where a scheme appears for a number of years, an estimation of the costs in future years is also given.

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

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

2.8 A proposal form for each scheme giving evidence of how value for money has been obtained has been reviewed by the Corporate Capital Monitoring Group, which is chaired by the Director of Support Services & Deputy Chief Executive and attended by the Director of Environmental Services and Director of Customer & Leisure Services.

2.9 The 10 year Capital Programme and the 2015/16 Capital Programme will be used to inform the Treasury Management Strategy Statement, the Minimum Revenue Provision Policy Statement and the calculation of the Prudential Indicators as detailed in Paragraph 4.0 and subsequent paragraphs.

### **3.0 2014/15 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS:**

3.1 The Treasury Management Strategy sets out a framework for how the Council will manage its investments, cash flows and borrowings for 2015/16. The Treasury Management Strategy Statement including the Annual Investment Strategy, the Minimum Revenue Provision Policy Statement and Prudential and Treasury Management Indicators is attached at Annex 'C'. Specifically the Treasury Management Strategy:

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

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

3.3 The Treasury Management Strategy Statement for 2015/16 reflects the improved stability of the banking sector and the support given by national Governments, as well as a more risk averse approach to the system of credit ratings. The proposed Strategy is influenced by the Capital expenditure plans for 2015/16 and the next 10 years. It can be summarised as follows:

- The Council's Capital Financing Requirement and the potential need to borrow only in relation to the loan to Broadacres Housing Association;
- The minimum revenue provision policy is defined detaining the minimum revenue payments that are required to be made for the borrowing in relation to the Broadacres loan;
- The Council continues with its investment priority as being the security of capital and also liquidity of its funds, whilst maximising returns commensurate with risk;
- Investment of surplus funds can be made to other Local Authorities, nationalised Banks, Banks which are part of the UK banking system support package, as well as other UK Banks and Building Societies, subject to the application of Capita Asset Services' credit worthiness criteria;
- Investments of surplus funds can be made in foreign Banks and institutions of AA sovereign rated countries subject to Capita Asset Services' credit worthiness criteria;



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

**Individual Limits** – These limits will be set at 30% of total investments or £3.0m per counterparty whichever is the higher. There are two exceptions to this policy:

- (a) with counterparties that are backed by the Government – Bank of Scotland, Royal Bank of Scotland, Lloyds, Natwest, Ulster Bank – (and therefore are more secure) there will be a 50% limit or £12m per counterparty whichever is the higher.
- (b) with the Debt Management Agency Deposit there will be an unlimited amount with this organisation due to its high level of security.

It should be noted that it is expected during 2015/16, that the status of the current counterparties backed by the Government in (a) above may change. If this occurs a report will be brought to Cabinet at the earliest opportunity with the revised limits.

**Group Limits** – this policy recognises that individual counterparties (banks/financial institutions etc), whilst being sound in themselves, may be part of a larger group. This brings with it added risks where parent institutions may be in difficulties. However, if the group limit was the same as the individual limit it would be too restrictive for the placing of investments when applied to our list of approved counterparties. This policy therefore sets the group limit at 60% of fund value. Individual limits for any counterparty within the group will be as stated above. There is one exception to this policy

- (a) where the group is for Government backed institutions the group limit will be 80% of the fund value.

- 3.5 The Treasury Management Strategy Statement 2015/16 also includes the revised Treasury Management Policy Statement which is attached at Annex 'D' and is recommended to be approved by Cabinet and Council in accordance with the revised CIPFA Treasury Management Code of Practice 2011.
- 3.6 The Scheme of Delegation and the Role of the S151 Officer (Director of Support Services & Deputy Chief Executive), in relation to Treasury Management, details that those charged with governance are responsible for Treasury Management activities within the organisation, this is attached at Annex 'E' and is recommended to be approved by Cabinet and Council.
- 3.7 The Prudential and Treasury Management Indicators are detailed in the main body of the Treasury Management Strategy Statement attached at Annex 'C'. It is recommended that the Prudential and Treasury Management indicators are approved by Cabinet and Council.

#### **4.0 LINK TO COUNCIL PRIORITIES:**

- 4.1 This report links to the efficient use of Council resources, where the Capital Programme 2015/16 demonstrates value for money in the implementation of the individual capital schemes and the Treasury Management Strategy Statement ensure the Council maximises its return on investments. Both the Capital Programme and Treasury Management allow more resources to be freed up to invest in the Council's other priorities, values and imperatives.

## 5.0 **RISK ASSESSMENT:**

5.1 There are two main risks associated with setting the Capital Programme and the Treasury Management Strategy Statement 2015/16:

Risk	Implication	Prob	Imp	Total	Preventative action
Proposed capital schemes for 2015/16 are not assessed for risk prior to the commencement of the schemes	The Council is unable to control capital expenditure or redirect resources to priority areas	3	5	15	Capital Scheme Proposal Forms are prepared for each individual capital scheme, including the assessment of risk.
Treasury management function is a high risk area due to the volume and level of large investment money transactions.	The value of the investment could be lost, liquidity of the Council could be reduced and yield not maximised.	3	5	15	The Local Government Act 2003 (as amended), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required

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

## 6.0 **FINANCIAL IMPLICATIONS:**

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

## 7.0 **LEGAL IMPLICATIONS:**

7.1 The Council is legally required to set a balanced 3 year Capital Programme budget and Treasury Management Strategy Statement as set out in Local Government Act 2003. This Council has set a 10 Year Capital Plan to assist with medium term financial planning, budget and Council Tax setting for 2015/16 and future years. This report provides detail of the Capital programme 2015/15 and also includes the requirements for the Treasury Management Strategy Statement.

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

## 8.0 **EQUALITY/DIVERSITY ISSUES:**

8.1 Some capital schemes have specific implications for Equalities. The equalities implications of the individual schemes will be assessed by individual departments once the Capital Programme 2015/16 has been approved and the schemes are further developed. Any implications will be identified in the individual schemes project plans.

## **9.0 RECOMMENDATIONS:**

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

- 1) the 10 year Capital Programme 2015/16 to 2016/17 at £52,554,300 be approved, as detailed in paragraph 2.2 and attached at Annex 'A';
- 2) The Capital Programme 2015/16 at £37,854,300 detailed in Annex 'B' be approved for implementation;
- 3) the Treasury Management Strategy attached at Annex 'C' be approved;
- 4) the Minimum Revenue Provision Policy Statement attached in the body of the Treasury Management Strategy Statement Annex 'C' be approved;
- 5) the Prudential and Treasury Indicators attached at Annex 'C' in the body of the Treasury Management Strategy Statement be approved;
- 6) the revised Treasury Management Policy Statement at Annex 'D' be approved;
- 7) the Scheme of Delegation and role of the S151 Officer attached at Annex 'E' be approved.

JUSTIN IVES

**Background papers:** None  
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Head of Resources  
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100215 Capital Prog and TMSS 201516

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Total
	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	
	£	£	£	£	£	£	£	£	£	£	£	£
<b>REPAIRS AND RENEWALS FUND</b>												
<b>INCOME</b>												
Operating balance	(4,082,986)	(3,377,958)	(2,666,958)	(2,163,958)	(2,668,958)	(2,176,958)	(1,635,958)	(1,088,958)	(1,502,958)	(875,958)	(1,284,958)	
Add: Transfers from Taxpayers Reserve	0	0	0	(1,000,000)	0	0	0	(1,000,000)	0	(1,000,000)	0	
Add: Leisure Revenue Budget - Equipment Lease	100,000	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	0	0	0	0	0	
LESS: Trsf to Computer Fund	(3,982,986)	(3,417,958)	(2,708,958)	(3,209,958)	(2,708,958)	(2,216,958)	(1,635,958)	(2,088,958)	(1,502,958)	(1,875,958)	(1,264,958)	(6,577,958)
<b>EXPENDITURE</b>												
Revenue Repairs	399,350	425,000	435,000	445,000	455,000	465,000	475,000	485,000	495,000	505,000	515,000	4,780,000
Public lighting replacement	69,816	51,000	51,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	390,000
Purchase of bins and boxes for refuse and recycling	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	360,000
Civic Centre- Carpet Replacement	17,000	0	0	0	0	0	0	0	10,000	0	0	10,000
Civic Centre- Internal Painting	6,000	0	0	0	5,000	0	0	5,000	0	0	0	10,000
Civic Centre- Window Replacements	10,000	0	0	0	0	0	0	0	0	10,000	0	10,000
Leisure Equipment Lease Buy	0	200,000	0	0	0	0	0	0	0	0	0	200,000
Gym equipment refresh	0	24,000	0	24,000	0	0	0	24,000	0	24,000	0	120,000
Food Tank Tiles Hambleton Leisure Centre	0	0	0	0	0	20,000	0	0	0	0	0	20,000
Car Parks - Reinstatements	0	0	0	0	0	0	0	0	50,000	0	0	50,000
Air conditioning - Legislative requirement Leisure	26,862	15,000	15,000	0	0	0	0	0	0	0	0	30,000
Civic Centre - Backup Generator	40,000	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL REPAIRS AND RENEWALS CAPITAL EXP</b>	<b>205,678</b>	<b>326,000</b>	<b>102,000</b>	<b>96,000</b>	<b>77,000</b>	<b>116,000</b>	<b>72,000</b>	<b>101,000</b>	<b>432,000</b>	<b>106,000</b>	<b>72,000</b>	<b>1,200,000</b>
<b>BALANCE ON REPAIRS &amp; RENEWALS FUND</b>	<b>(3,377,958)</b>	<b>(2,666,958)</b>	<b>(2,169,958)</b>	<b>(2,666,958)</b>	<b>(2,176,958)</b>	<b>(1,635,958)</b>	<b>(1,088,958)</b>	<b>(1,592,958)</b>	<b>(875,958)</b>	<b>(1,264,958)</b>	<b>(677,958)</b>	

COMPUTER FUND		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Total
		14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	£
		£	£	£	£	£	£	£	£	£	£	£	£
<b>INCOME</b>													
Opening balance		(1,698,000)	(1,283,000)	(923,000)	(823,000)	(1,323,000)	(1,023,000)	(723,000)	(1,423,000)	(1,223,000)	(1,023,000)	(1,823,000)	
Add: Transfers from Council Taxpayers Reserve		0	0	0	(1,000,000)	0	0	(1,000,000)	0	0	0	0	
Add: Transfers from from Repairs & Maintenance		(1,798,000)	(1,283,000)	(923,000)	(1,823,000)	(1,323,000)	(1,023,000)	(1,723,000)	(1,423,000)	(1,223,000)	(2,023,000)	(1,823,000)	(4,283,000)
<b>EXPENDITURE</b>													
ICT REVENUE COSTS		40,000	83,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	650,000
ICT Improvements		355,000	259,900	237,000	237,000	237,000	237,000	237,000	137,000	137,000	137,000	137,000	1,992,900
Web / Intranet Development		120,000	17,100	0	0	0	0	0	0	0	0	0	17,100
TOTAL ICT CAPITAL EXPENDITURE		515,000	360,000	300,000	300,000	300,000	300,000	300,000	200,000	200,000	200,000	200,000	2,560,000
BALANCE ON COMPUTER FUND		(1,283,000)	(923,000)	(623,000)	(1,323,000)	(1,023,000)	(723,000)	(1,423,000)	(1,223,000)	(1,023,000)	(1,823,000)	(1,823,000)	

CAPITAL RECEIPTS RESERVE		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Total
		£	£	£	£	£	£	£	£	£	£	£	
<b>INCOME</b>													
Capital Receipts Funding b/Fwd	(3,392,784)	(3,068,796)	(2,685,496)	(2,848,296)	(2,631,196)	(2,226,096)	(2,149,996)	(2,101,897)	(1,490,797)	(1,442,697)			
Capital Receipts Estimated	(857,707)	(623,000)	(412,000)	0	0	0	0	0	0	0	0	0	
Estimated Grants (DFG)	(166,277)	(220,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)			
Estimated Grants (LEP)	0	0	0	0	0	0	0	0	0	0			
Estimated Grants (£106)	(69,000)	0	0	0	0	0	0	0	0	0			
Estimated Grants (Leisure) (Sport England)	(50,427)	(100,000)	(7,900)	(7,900)	(7,900)	(7,900)	(7,900)	(7,900)	(7,900)	(7,900)			
Gov FIT - Solar panels	(4,536,195)	(4,011,766)	(3,205,396)	(3,048,296)	(2,956,166)	(2,333,996)	(2,257,697)	(2,209,797)	(1,598,697)	(1,550,597)			(5,394,897)
<b>Total Estimated Capital Receipts</b>													
<b>EXPENDITURE</b>													
Disabled Facilities Grants	230,379	270,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,820,000
Hambleton All Weather Pitch Refurbishment		131,000	0	0	0	0	0	0	0	0	0	0	131,000
Car Park Restatements	45,000	27,000	30,000	20,000	50,000	0	50,000	0	0	282,000	0	0	389,000
Bedale Gateway Car Park	160,000	0	0	20,000	262,000	10,000	0	0	0	0	0	0	452,000
Hambleton Leisure Centre Improvement Scheme	35,323	275,000	0	0	0	0	0	0	0	0	0	0	275,000
Adoptions Learning Bar		150,000	0	0	0	0	0	0	0	0	0	0	150,000
Car Parks - P&J Machines Replacements		0	0	0	0	0	0	0	0	0	0	0	140,000
Bedale North End Cobbles		0	0	0	0	0	0	0	0	0	0	0	120,000
Hambleton Leisure Centre Wave Machine		0	0	0	0	0	0	0	0	0	0	0	30,000
Civic Centre - Access Card Reader System		0	30,000	25,000	0	0	0	0	0	0	0	0	25,000
District Council Boundary Signs		0	0	10,000	0	0	0	0	0	0	0	0	10,000
Central Depot - Additional Parking		8,000	0	0	0	0	0	0	0	0	0	0	8,000
Pest Control Vehicle		0	0	0	0	0	0	0	0	0	0	0	32,000
Stokely Depot - Security Fencing		8,000	0	0	0	0	0	0	0	0	0	0	8,000
Leisure Centre Automatic Doors		0	0	30,000	0	0	0	0	0	0	0	0	30,000
New Schemes - 2015/16		457,300	0	0	10,000	5,000	51,000	24,000	6,000	15,000	6,000	0	574,300
<b>TOTAL CAPITAL RECEIPTS/EXPENDITURE</b>	<b>1,467,399</b>	<b>1,326,300</b>	<b>265,000</b>	<b>200,000</b>	<b>325,000</b>	<b>184,000</b>	<b>156,000</b>	<b>719,000</b>	<b>156,000</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>	<b>3,994,300</b>
<b>BALANCE ON Capital receipts reserve</b>	<b>(3,068,796)</b>	<b>(2,685,496)</b>	<b>(2,940,396)</b>	<b>(2,848,296)</b>	<b>(2,631,196)</b>	<b>(2,149,996)</b>	<b>(2,101,897)</b>	<b>(1,490,797)</b>	<b>(1,442,697)</b>	<b>(1,400,597)</b>	<b>(1,400,597)</b>	<b>(1,400,597)</b>	

ECONOMIC DEVELOPMENT FUND		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Total
		14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	
		£	£	£	£	£	£	£	£	£	£	£	£
<b>INCOME</b>													
Opening Balance		(5,000,000)	(4,500,000)	(4,000,000)	(3,500,000)	(3,000,000)	(2,500,000)	(2,000,000)	(1,500,000)	(1,000,000)	(500,000)	(5,000,000)	
Add: Transfers from Taxpayers Reserve		(5,000,000)	(4,500,000)	(4,000,000)	(3,500,000)	(3,000,000)	(2,500,000)	(2,000,000)	(1,500,000)	(1,000,000)	(500,000)	(5,000,000)	(9,500,000)
<b>EXPENDITURE</b>													
Economic Development Capital Expenditure		500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	5,000,000
<b>BALANCE ON ECONOMIC DEVELOPMENT FUND</b>		<b>(4,500,000)</b>	<b>(4,000,000)</b>	<b>(3,500,000)</b>	<b>(3,000,000)</b>	<b>(2,500,000)</b>	<b>(2,000,000)</b>	<b>(1,500,000)</b>	<b>(1,000,000)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(4,500,000)</b>	

Cabinet Member/ Responsible Officer	Repairs & Renewals Fund	2015/16			Estimated completion date
		Indicative Value £	Third Party Contribution £	Cost to the Council £	
Clr Phillips MJ	Environmental & Planning Services Purchase of bins and boxes for refuse and recycling	36,000		36,000	Ongoing
Clr Fortune DG	Customer & Leisure Services Gym equipment refresh	24,000		24,000	Jun-15
Clr Fortune DG	Leisure Equipment Lease Buy	200,000	200,000	0	Mar-16
Clr Knapton JI	Support Services Public lighting replacement	51,000		51,000	Mar-16
Clr Knapton JI	Air Conditioning - Legislation requirement Corporate	15,000		15,000	Ongoing
Clr Knapton JI	Repairs & Renewals - Revenue	425,000		425,000	Mar-16
<b>Repairs &amp; Renewals Fund Capital Programme 2015/16</b>		<b>751,000</b>	<b>200,000</b>	<b>551,000</b>	
Cabinet Member/ Responsible Officer	Computer Fund	2015/16			Estimated completion date
		Indicative Value £	Third Party Contribution £	Cost to the Council £	
Clr Fortune DG	Customer & Leisure Services Web / Intranet Development	17,100	0	17,100	Jul-15
Clr Knapton JI	Support Services ICT Improvements	259,900	0	259,900	Mar-16
<b>Computer Fund Capital Programme 2015/16</b>		<b>277,000</b>	<b>0</b>	<b>277,000</b>	
Cabinet Member/ Responsible Officer	Capital Fund	2015/16			Estimated completion date
		Indicative Value £	Third Party Contribution £	Cost to the Council £	
Clr Phillips MJ	Environmental & Planning Services Disabled Facilities Grant	270,000	100,000	170,000	Mar-16
Clr Phillips MJ	Waste and Street Scene - Telematics	30,000		30,000	Dec-15
Clr Phillips MJ	Waste and Street Scene - Training Room	8,000		8,000	Jun-15
Clr Phillips MJ	Waste and Street Scene, Central Depot - Dog, Litter Bins	14,000		14,000	Jun-15
Clr Phillips MJ	Central Depot - Additional Parking	8,000		8,000	
Clr Fortune DG	Customer & Leisure Services Hambleton Leisure Centre - Fire Alarm System	25,000		25,000	Dec-15
Clr Fortune DG	Hambleton Leisure Centre - External Render	8,000		8,000	Sep-15
Clr Fortune DG	Hambleton Leisure Centre - Pool Balustrades	15,000		15,000	Dec-15
Clr Fortune DG	Hambleton Leisure Centre- Pool Changing Village	85,000		85,000	Mar-16
Clr Fortune DG	Hambleton All Weather Pitch Refurbishment	131,000		131,000	Sep-15
Clr Fortune DG	Hambleton Leisure Centre Improvement Scheme	275,000		275,000	Mar-16
Clr Fortune DG	Bedale Leisure Centre - Boiler and Air Handling Unit	17,000		17,000	Dec-15
Clr Fortune DG	Thirsk & Sowerby Leisure Centre - Roof & Ceiling Repairs	11,000		11,000	Sep-15
Clr Fortune DG	Stokesley Depot - Security Fencing	8,000		8,000	Sep-15
Clr Fortune DG	Forum - Capital Repairs	41,300		41,300	Sep-15
Clr Fortune DG	Solar Panels - Civic Centre	87,000		87,000	Mar-16
Clr Fortune DG	CCTV Camera Replacement Programme	93,000		93,000	Dec-15
Clr Fortune DG	Workspaces - Decoration and Furniture	17,000		17,000	Sep-15
Clr Fortune DG	Workspaces Air Con Refurbishments	8,000		6,000	Ongoing
Clr Knapton JI	Support Services Car Park Reinstatements	27,000		27,000	Nov-15
Clr Knapton JI	Adoption of Roads - Leeming Bar	150,000		150,000	Mar-16
<b>Capital Fund Capital Programme 2015/16</b>		<b>1,328,300</b>	<b>100,000</b>	<b>1,228,300</b>	
Cabinet Member/ Responsible Officer	Economic Development Fund	2015/16			Estimated completion date
		Indicative Value £	Third Party Contribution £	Cost to the Council £	
Clr Fortune DG	Customer & Leisure Services Economic Development Capital Expenditure	500,000		500,000	Ongoing
<b>Economic Development Capital Programme 2015/16</b>		<b>500,000</b>	<b>0</b>	<b>500,000</b>	
Cabinet Member/ Responsible Officer	Borrowing / Surplus Funds	2015/16			Estimated completion date
		Indicative Value £	Third Party Contribution £	Cost to the Council £	
Clr Knapton JI	Support Services Loan to Housing Association	35,000,000	35,000,000	0	Mar-16
<b>Borrowing / Surplus Funds Programme 2015/16</b>		<b>35,000,000</b>	<b>35,000,000</b>	<b>0</b>	
Cabinet Member/ Responsible Officer	Total Capital Programme 2015/16	2015/16			Estimated completion date
		Indicative Value £	Third Party Contribution £	Cost to the Council £	
Clr Phillips MJ	Environmental & Planning Services	368,000	100,000	268,000	
Clr Fortune DG	Customer & Leisure Services	1,560,400	200,000	1,360,400	
Clr Knapton JI	Support Services	35,927,900	35,000,000	927,900	
<b>Total Capital Programme 2015/16</b>		<b>37,854,300</b>	<b>35,300,000</b>	<b>2,554,300</b>	



**TREASURY MANAGEMENT STRATEGY STATEMENT -  
MINIMUM REVENUE POSITION STRATEGY and  
ANNUAL INVESTMENT STRATEGY 2015/16**

**1.0 INTRODUCTION:**

**1.1 Background**

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

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

1.1.3 CIPFA defines Treasury Management as:

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

**1.2 Reporting Requirements**

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

**Prudential and Treasury Indicators and Treasury Strategy (This report)**

1.2.2 The first, and most important report covers:

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

**A Mid Year Treasury Management Report**

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

## **An Annual Treasury Report**

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

1.2.5 The above reports are required to be adequately scrutinised by Members before being recommended to the Council. This role is undertaken by Cabinet.

### **1.3 Treasury Management Strategy for 2015/16**

1.3.1 The strategy for 2015/16 covers two main areas:

#### **(a) Capital Issues**

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

#### **(b) Treasury Management Issues**

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

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

## **2.0 THE CAPITAL PRUDENTIAL INDICATORS 2015/16 – 2017/18:**

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

### **Capital Expenditure**

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

<b>Capital Expenditure</b>	<b>2013/14 Actual</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Total		3,087,427	37,937,300	1,602,000	1,541,000

2.3 Other long term liabilities. The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments. The Council has no PFI schemes.

2.4 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a

funding need (borrowing). In 2015/16, borrowing may occur only to fund the loan the Council is proposing to make to Broadacres Housing Association.

<b>Capital Expenditure £000</b>	<b>2013/14 Actual</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Total		3,087,427	37,937,300	1,602,000	1,541,000
<b>Financed by:</b>					
Capital receipts		1,181,695	1,006,300	157,100	92,100
Capital grants		285,704	320,000	107,900	107,900
Capital reserves		1,620,028	1,571,000	1,297,000	1,301,000
Revenue		0	40,000	40,000	40,000
<b>Net financing need for the year</b>		<b>-</b>	<b>35,000,000</b>	<b>-</b>	<b>-</b>

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

- 2.5 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources and also includes any capital expenditure to be funded from borrowing in future years. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 2.6 The CFR does not increase indefinitely as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.
- 2.7 For the past few years, the CFR has remained at zero as the Council has been debt free and has had no underlying borrowing requirement. In 2015/16, due to the loan to Broadacres Housing Association the CFR will increase by the total amount of that loan. The total amount that can be loaned has been used in the estimate of the CFR as this is the prudent position, as it provides the Council with the flexibility to use borrowing for the total amount of the loan if it chooses to do so but still allows the use of surplus funds. At the time the loan is taken consideration will be given to the Treasury Management environment to ensure that the best option to fund the loan to Broadacres Housing Association is taken.
- 2.8 The CFR also includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.
- 2.9 The Council is asked to approve the CFR projections below:-

	<b>2013/14 Actual</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
<b>Capital Financing Requirement</b>					
CFR – non housing	-	0	35,000,000	35,000,000	35,000,000
CFR - housing	-	0	0	0	0
<b>Total CFR</b>	<b>-</b>	<b>-</b>	<b>35,000,000</b>	<b>35,000,000</b>	<b>35,000,000</b>
<b>Movement in CFR</b>	<b>-</b>	<b>0</b>	<b>35,000,000</b>	<b>0</b>	<b>0</b>

	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	-	0	35,000,000	0	0
Less MRP and other financing movements	-	0	0	0	0
<b>Movement in CFR</b>	<b>0</b>	<b>0</b>	<b>35,000,000</b>	<b>0</b>	<b>0</b>

### Minimum Revenue provision (MRP) Policy Statement

- 2.10 It is a statutory requirement that the Council reports on the Minimum Revenue Position and explains this policy. The Minimum Revenue Provision Policy describes that the Council is required to pay off part of the Capital Financing Requirement (the accumulated General Fund capital expenditure) on a regular basis through a revenue charge known as the Minimum Revenue Provision – MRP. This is an amount which the Council deems to be a prudent provision to reduce its borrowing. In addition to MRP, the Council is also allowed to undertake additional voluntary payments if it so decides. This is known as the Voluntary Revenue Provision - VRP.
- 2.11 This Council in 2015/16 will have a Capital Financing Requirement in relation to the potential borrowing that will occur as a result of the capital expenditure incurred for the loan to Broadacres Housing Association.
- 2.12 Communities of Local Government (CLG) Regulations have been issued which require the Full Council to approve a **Minimum Revenue Provision (MRP) Statement** in advance of each year. Under guidance issued by CLG, there are four options provided to Councils so each Council can select the most appropriate policy to be adopted, so long as there is a prudent provision. The four options available are listed below. The Council is recommended to approve the following Minimum Revenue Provision Statement:
- 2.13 For capital expenditure incurred before 1 April 2008, or which in the future will be Supported Capital Expenditure, the MRP policy will be:
- **Based on CFR** – MRP will be based on the CFR. This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.
- 2.14 From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:
- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction). This option provides for a reduction in the borrowing need over approximately the asset's life.
- 2.15 Repayments included in finance leases are applied as Minimum Revenue Provision (MRP), though this Council does not expect to have these repayments in 2015/16 or in the foreseeable future.
- 2.16 The Capital Financing Requirement for the loan to Broadacres Housing Association will be a maximum of £35,000,000 in 2015/16. In the agreement with Broadacres Housing Association, they will make bullet repayments to the Council at years 5, 10, 15, 20 and 25. The bullet repayments made throughout the life of the loan will be set aside by the Council when received to ensure that prudent provision is made for regular repayment. These regular bullet points will be earmarked and used as the Minimum Revenue Provision that the Council needs to make on a regular basis to reduce the Capital Financing Requirement.

Therefore, if £35,000,000 is loaned to Broadacres in 2015/16, the first time the MRP charge will be made to the revenue account to reduce the level of CFR will be 2019/20 and at regular intervals thereafter.

### Core funds and expected investment balances

- 2.17 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances. Working capital balances (Debtors and Creditors) shown in the table are estimated for year end; these may fluctuate during the year. In 2016/17 and 2017/18 it should be noted that if the Council does not borrow £35,000,000 to fund the Broadacres Housing Association loan and instead uses its own core fund resources, then the 'Expected Investments' balances in the table below would be lower.

Year End Resources £000	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Fund balances / reserves		16,594,871	16,329,284	16,567,545	16,555,605
Capital receipts		3,068,796	2,538,517	2,793,417	2,711,317
Provisions		-	-	-	-
Other		36,333	132,199	39,038	33,078
<b>Total core funds</b>		<b>19,700,000</b>	<b>19,000,000</b>	<b>19,400,000</b>	<b>19,300,000</b>
Under/over borrowing		-	-	-	-
<b>Expected investments</b>		<b>19,700,000</b>	<b>19,000,000</b>	<b>19,400,000</b>	<b>19,300,000</b>

### Affordability Prudential Indicators

- 2.18 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:
- 2.19 **Actual and estimates of the ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs) against the net revenue stream.

%	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Non-HRA	-	-	-	-	-

- 2.20 The estimates of financing costs include current commitments and the proposals in this report. The table shows that there is no ratio between the capital cost and net revenue stream because the borrowing which will potentially be undertaken is for the loan to Broadacres Housing Association. Ultimately this will not be a cost to the Council as the agreement between the Council and Broadacres will cover the costs incurred.
- 2.21 **Estimates of the incremental impact of capital investment decisions on Council Tax.** This indicator identifies the revenue costs associated with proposed changes to the three year Capital Programme compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

## 2.22 Incremental impact of capital investment decisions on the Band D Council Tax

£	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>Council tax - band D</b>	£0.00	£0.00	£0.00	£0.00	£0.00

## 3.0 TREASURY MANAGEMENT STRATEGY:

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

### 3.2 Current Portfolio Position on Borrowing

3.2.1 The Council's treasury portfolio position at 31 March 2014 with forward projections is summarised below. The table shows the actual external debt (the Treasury Management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing. This Council currently is debt free in 2014/15. In 2015/16 if a loan is made to Broadacres Housing Association then the maximum amount of debt that would be borrowed would be £35,000,000. This is reflected in the table below:

£m	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>External Debt</b>					
Debt at 1 April	0	0	35,000,000	35,000,000	35,000,000
Expected change in Debt	0	0	35,000,000	0	0
Other long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0
<b>Actual debt at 31 March</b>	-	-	<b>35,000,000</b>	<b>35,000,000</b>	<b>35,000,000</b>
<b>The Capital Financing Requirement</b>	-	-	<b>35,000,000</b>	<b>35,000,000</b>	<b>35,000,000</b>
<b>Under / (over) borrowing</b>	-	-	-	-	-

<b>Total investments at 31 March</b>					
<b>Investments</b>	<b>23,950,000</b>	<b>19,700,000</b>	<b>19,000,000</b>	<b>19,400,000</b>	<b>19,300,000</b>
Investment change		-4,250,000	-700,000	400,000	-100,000

<b>Net Debt / (Net Investment)</b>	<b>(23,950,000)</b>	<b>(19,700,000)</b>	<b>16,000,000</b>	<b>15,600,000</b>	<b>15,700,000</b>
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3.2.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

3.2.3 The Director of Support Services & Deputy Chief Executive (Section 151 Officer) reports that the Council complied with this prudential indicator in the current year 2014/15 and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

### 3.3 Treasury Indicators: Limits to Borrowing Activity

3.3.1 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt. Prior to 2015/16, the Council was debt free and had no borrowing, however, to give the Council complete flexibility these limits are always set at the beginning of each financial year. In addition to these flexibility requirements in 2015/16 the possibility of borrowing £35,000,000 to fund the loan to Broadacres Housing Association is also included in the operational boundary.

<b>Operational boundary</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Debt	4,000,000	39,000,000	39,000,000	39,000,000
Other long term liabilities	600,000	600,000	600,000	600,000
<b>Total</b>	<b>4,600,000</b>	<b>39,600,000</b>	<b>39,600,000</b>	<b>39,600,000</b>

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

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has never yet been exercised.
2. The Council is asked to approve the following Authorised Limit. This limit is set to give the Council complete flexibility and also to encompass the maximum amount of borrowing that could occur for the borrowing in connection with the loan to Broadacres Housing Association:

<b>Authorised limit £000</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Debt	5,000,000	40,000,000	40,000,000	40,000,000
Other long term liabilities	1,000,000	1,000,000	1,000,000	1,000,000
<b>Total</b>	<b>6,000,000</b>	<b>41,000,000</b>	<b>41,000,000</b>	<b>41,000,000</b>

### 3.4 Prospects for Interest Rates

3.4.1 The Council has appointed Capita Asset Services as its Treasury Advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Capita Asset Services central interest rate view.

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2015	0.50	2.20	3.40	3.40
Jun 2015	0.50	2.20	3.50	3.50
Sep 2015	0.50	2.30	3.70	3.70
Dec 2015	0.75	2.50	3.80	3.80
Mar 2016	0.75	2.60	4.00	4.00
Jun 2016	1.00	2.80	4.20	4.20
Sep 2016	1.00	2.90	4.30	4.30
Dec 2016	1.25	3.00	4.40	4.40
Mar 2017	1.25	3.20	4.50	4.50
Jun 2017	1.50	3.30	4.60	4.60
Sep 2017	1.75	3.40	4.70	4.70
Dec 2017	1.75	3.50	4.70	4.70
Mar 2018	2.00	3.60	4.80	4.80

- 3.4.2 UK GDP growth surged during 2013 and the first half of 2014. Since then it appears to have subsided somewhat but still remains strong by UK standards and is expected to continue likewise into 2015 and 2016. There needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established. One drag on the economy has been that wage inflation has only recently started to exceed CPI inflation, so enabling disposable income and living standards to start improving.
- 3.4.3 The plunge in the price of oil brought CPI inflation down to a low of 1.0% in November, the lowest rate since September 2002. Inflation is expected to stay around or below 1.0% for the best part of a year; this will help improve consumer disposable income and so underpin economic growth during 2015. However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.
- 3.4.4 The US, the biggest world economy, has generated stunning growth rates of 4.6% (annualised) in Quarter 2 2014 and 5.0% in Quarter 3. This is hugely promising for the outlook for strong growth going forwards and it very much looks as if the US is now firmly on the path of full recovery from the financial crisis of 2008. Consequently, it is now confidently expected that the US will be the first major western economy to start on central rate increases by mid 2015.
- 3.4.5 The current economic outlook and structure of market interest rates and government debt yields have several key Treasury Management implications:
- Greece: the General Election on 25 January 2015 brought to power a political party to power which is anti EU and anti austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to quantify;
  - As for the Eurozone in general, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and prolonged very weak growth. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of Government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain



elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2015/16 and beyond;
- Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. The closing weeks of 2014 saw gilt yields dip to historically remarkably low levels after inflation plunged, a flight to quality from equities (especially in the oil sector), and from the debt and equities of oil producing emerging market countries, and an increase in the likelihood that the ECB will commence quantitative easing (purchase of EZ Government debt) in early 2015. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

### 3.5 **Borrowing Strategy for 2015/16**

3.5.1 The Council in 2014/15 is debt free, however in 2015/16 a loan to Broadacres would increase the Council's capital expenditure and therefore there may be the requirement to undertake borrowing to support this. The maximum amount of borrowing that would be incurred is £35,000,000. Alternatively, the Council may choose to use some of its surplus funds to fund the loan to Broadacres Housing Association and if this occurred the Council would be maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), will not be fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

3.5.2 If the Council does undertake borrowing then interest rates will be viewed from 1 year to 50 years, in accordance with the interest rates available from the markets as well as the Governments Public Works Loans Board. For 2015/16 interest rates span between 5 years at 2.2% and 25 or 50 years at 4%. The interest rates trend is to increase across all years as the 2015/16 year progresses. Therefore, in the current volatile money market, the borrowing target rate for 2015/16 is set at 3.8%. External borrowing will be considered throughout the financial year when interest rates seem most favourable.

3.5.3 Against this background and the risks within the economic forecast, caution will be adopted with the 2015/16 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.*

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

## Treasury Management Limits on Activity

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

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

3.5.3 The Council is asked to approve the following treasury indicators and limits in the table below. These limits take into account the potential borrowing of £35,000,000 to fund the loan to Broadacres Housing Association and also provide the flexibility for additional borrowing where there may be a rare occasion when overnight temporary borrowing needs to occur. It should be noted that at this stage options have been left open when borrowing will occur for the loan to Broadacres due to the current volatility in the market.

	2015/16	2016/17	2017/18
<b>Interest rate Exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	108%	116%	122%
<b>Limits on variable interest rates based on net debt</b>	-8%	-16%	-22%
<b>Limits on Fixed Interest Rates:</b>			
• <b>Debt only</b>	100%	100%	100%
• <b>Investments Only</b>	90%	90%	90%
<b>Limits on Variable Interest Rates</b>			
• <b>Debt only</b>	10%	10%	10%
• <b>Investments Only</b>	50%	50%	50%
<b>Maturity Structure of interest rate borrowing 2014/15</b>			
	<b>Lower</b>	<b>Upper</b>	
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%	

### **3.6 Policy on Borrowing in Advance of Need**

- 3.6.1 In 2015/16 borrowing is likely to occur to fund the loan to Broadacres Housing Association but not for any other purpose as in 2014/15 and the previous year the Council has been debt free. It is not anticipated therefore that there will be a need to borrow in advance of need during 2015/16. If the Council does borrow in advance of need it will not borrow more, than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 3.6.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the quarterly, mid-year or annual reporting mechanism.

### **3.7 Debt Rescheduling**

- 3.7.1 The Council up to 2014/15 has no debt outstanding and therefore does not need to consider debt rescheduling as part of this Strategy.

### **3.8 Municipal Bond Agency**

- 3.8.1 It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to Local Authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority could therefore potentially make use of this new source of borrowing as and when appropriate to fund all or part of the borrowing for the loan to Broadacres Housing Association.

### **3.9 Annual Investment Strategy**

#### **3.9.1 Investment Policy –**

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

- 3.9.10 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

- 3.9.11 The Council's Treasury Management Advisor – Capita Asset Services – advises the Council on creditworthiness methodology which uses credit criteria from the three main rating agencies (Fitch, Moody's and Standard & Poor's). The main rating agencies, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the credit methodology are required in this Investment Strategy.

- 3.9.12 It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

- 3.9.13 Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.
- 3.9.14 Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as "A bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing Support ratings.
- 3.9.15 As a result of these rating agency changes, the credit element of the future rating methodology will focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that we have always taken, but a change to the use of Fitch and Moody's ratings. Furthermore, we will continue to utilise credit default swap prices as an overlay to ratings in the new methodology.
- 3.9.16 Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.
- 3.9.17 As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with Capita Asset Services – its Treasury Management Advisors - to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
- 3.9.18 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 3.9.19 Investment instruments identified for use in the financial year are listed in Annex C1 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's Treasury Management practices – schedules.
- 3.9.20 With regards to counterparty limits and the amount of surplus funds to be placed with any one counterparty or group of counterparties, specific advice has been taken from the Council's Treasury Management Advisors (Capital Asset Services) due to the difficulty in placing surplus funds in the current economic environment. Therefore the Counterparty limits are detailed as follows:
- **Individual Limits** – These limits will be set at 30% of total investments or £3.0m per counterparty whichever is the higher. There are two exceptions to this policy:
    - (a) with counterparties that are backed by the Government – Bank of Scotland, Royal Bank of Scotland, Lloyds, Natwest, Ulster Bank – (and therefore are more secure) there will be a 50% limit or £12m per counterparty whichever is the higher.
    - (b) with the Debt Management Agency Deposit there will be an unlimited amount with this organisation due to its high level of security.

3.9.21 It should be noted that it is expected during 2015/16, that the status of the current counterparties backed by the Government in (a) above may change. If this occurs a report will be brought to Cabinet at the earliest opportunity with the revised limits.

- **Group Limits** – this policy recognises that individual counterparties (banks/financial institutions etc), whilst being sound in themselves, may be part of a larger group. This brings with it added risks where parent institutions may be in difficulties. However, if the group limit was the same as the individual limit it would be too restrictive for the placing of investments when applied to our list of approved counterparties. This policy therefore sets the group limit at 60% of fund value. Individual limits for any counterparty within the group will be as stated above. There is one exception to this policy:

(a) where the group is for Government backed institutions the group limit will be 80% of the fund value.

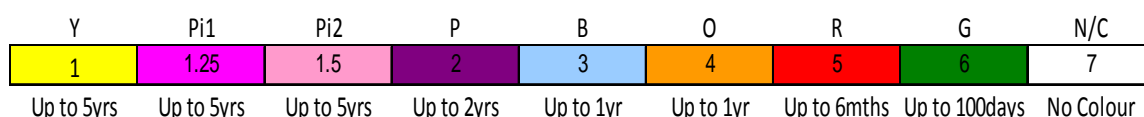
### 3.10 Creditworthiness policy

3.10.1 This Council applies the creditworthiness service provided by Capita Asset Services – the Council’s Treasury Management Advisors. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

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

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

- Yellow 5 years for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used



3.10.3 Our creditworthiness service uses a wider array of information than just primary ratings and using a risk weighted scoring system does not give undue preponderance to just one agency’s ratings.

3.10.4 Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still

be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

3.10.5 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service.

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

3.10.6 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting Government.

### 3.11 Country Limits

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

3.11.2 On 22 February 2013, the UK lost its AAA sovereign rating and is now rated AA+. However, following advice from Capita Asset Services, the Council's Treasury Management Advisors, the Council will still operate with UK counterparties.

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

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

### 3.12 Investment Strategy

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

3.12.2 **Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from Quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2015/2016 0.75%
- 2016/2017 1.25%
- 2017/2018 2.00%
- 2016/2017 1.25%

3.12.3 There are downside risks to these forecasts - i.e. start of increases in Bank Rate occurs later - if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

3.12.4 The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

- 2015/16 0.60%
- 2016/17 1.25%
- 2017/18 1.75%
- 2018/19 2.25%
- 2019/20 2.75%
- 2020/21 3.00%
- 2021/22 3.25%
- 2022/23 3.25%
- Later years 3.50%

3.12.5 **Investment Treasury Indicator and Limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

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

<b>Maximum principal sums invested &gt; 364 days</b>			
<b>£000</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Principal sums invested > 364 days	£9,000,000	£9,000,000	£9,000,000

3.12.7 For its cash flow generated balances, the Council will seek to utilise its Business Reserve Instant Access and Notice accounts, money market funds and short dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

3.13 **Investment Risk Benchmarking** – The Council is a member of Capital Asset Services Treasury Management Benchmarking Club to assist in the measuring of Treasury Management performance which enables comparison with other Council's for risk and return. This will be reported to Members on a quarterly basis during the 2015/16 financial year.

3.14 **End of year investment report** - At the end of the 2015/16 financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.1 **Policy on the Use of External Service Providers** – the Council uses Capital Asset services as its external Treasury Management advisors. The Council recognises that responsibility for Treasury Management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It is also recognised that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

4.2 **Member Training** – Members with responsibility for Treasury Management will be provided with training in Treasury management. This especially applies to Members responsible for scrutiny. This training can be carried out by Council Officers and / or Capital Asset Services - the Council's Treasury Management advisors. The training needs of Treasury Management officers are also periodically reviewed.

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

**1.0 SPECIFIED INVESTMENTS:**

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

**2.0 NON-SPECIFIED INVESTMENTS:**

2.1 These are any investments which do not meet the Specified Investment criteria. A maximum of 80% will be held in aggregate in non-specified investment

**3.0 INVESTMENT INSTRUMENTS:**

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

3.2 The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

**A) – SPECIFIED**

<b><i>Institution / Counterparty</i></b>	<b><i>Minimum 'High' Credit Criteria</i></b>	<b><i>Use</i></b>
Debt Management Agency Deposit Facility	UK Sovereign rating	In-house
Term deposits – local authorities	UK Sovereign rating	In-house
Term deposits – banks and building societies	Coded: Orange on Capital Asset Services' Matrix. Fitch's rating: Short-term F1+, Long-term AA- Or equivalent rating from Standard & Poors and Moody's	In-house
UK Part nationalised banks	Coded: Blue on Capital Asset Services' Matrix. Fitch's rating: Short-term F1+, Long-term AA- Or equivalent rating from Standard & Poors and Moody's	In-house and Fund Mangers



Banks part nationalised by high credit rated (sovereign rating) countries – non UK	Coded: Blue on Capital Asset Services' Matrix. Fitch's rating: Long-term AAA, Or equivalent rating from Standard & Poors and Moody's	In-house and Fund Mangers
Collateralised deposit	Coded: Orange on Capital Asset Services' Matrix / UK Sovereign rating	In-house and Fund Mangers
Certificates of deposits issued by banks and building societies covered by UK Government guarantee	Coded: Orange on Capital Asset Services' Matrix / UK Sovereign rating	In-house and Fund Mangers
Certificates of deposits issued by banks and building societies	F Coded: Orange on Capital Asset Services' Matrix / Fitch's rating: UK sovereign rating or Short-term F1+, Long-term AA or equivalent rating from Standard& Poors and Moodys	In-house and Fund Mangers
UK Government Gilts	Coded: Orange on Capital Asset Services' Matrix / UK Sovereign rating	In-house buy and hold and Fund Managers
Bonds issued by multilateral development banks	Coded: Orange on Capital Asset Services' Matrix / Long term AAA	In-house buy and hold and Fund Managers
Bonds issued by a financial institution which is guaranteed by the UK Government	Coded: Orange on Capital Asset Services' Matrix / UK Sovereign rating	In-house buy and hold and Fund Managers
Sovereign bond issues (other than the UK Government)	Coded: Orange on Capital Asset Services' Matrix / Sovereign rating	In-house buy and hold and Fund Managers
Treasury Bills	Coded: Orange on Capital Asset Services' Matrix / UK Sovereign rating	Fund Managers

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Government Liquidity Funds	Short-term F1, Long-term AAA	In-house and Fund Managers
2. Money Market Funds	Short-term F1, Long-term AAA	In-house and Fund Managers
3. Enhanced cash funds	Short-term F1, Long-term AAA	In-house and Fund Managers
4. Bond Funds	Long-term AAA	In-house and Fund Managers
5. Gilt Funds	Long-term AAA	In-house and Fund Managers
6. Property Funds	Long-term AAA	In-house and Fund Managers

**NON-SPECIFIED INVESTMENTS:**

A maximum of 100% can be held in aggregate in non-specified investment

1. Maturities of ANY period

Institution / Counterparty	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – banks and building societies	Coded: red (6mths) and green (3mths) on Capital Asset Services' Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house	80%	3-6 Months
Fixed term deposits with variable rate and variable maturities: -Structured deposits	Coded: orange (1yr) red (6mths) and green (3mths) on Capital Asset Services' Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house	40%	1 Year
Certificates of deposits issued by banks and building societies NOT covered by UK Government guarantee	Coded: orange (1yr) red (6mths) and green (3mths) on Capital Asset Services' Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house buy and hold and Fund Managers	30%	1 Year

Commercial paper issuance covered by a specific UK Government explicit guarantee	UK Sovereign rating	In-house and Fund Managers	30%	1 Year
Commercial paper other	Coded: orange (1yr) red (6mths) and green (3mths) on Capital Asset Services' Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house	30%	1 Year
Corporate Bonds	Coded: orange (1yr) red (6mths) and green (3mths) on Capital Asset Services' Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house and Fund Managers	30%	1 Year
Other debt issuance by UK banks covered by UK Government guarantee	UK Government explicit guarantee	In-house and Fund Managers	30%	1 Year
Floating Rate Notes: the use of these investments would constitute capital expenditure unless they are issued by a multi lateral development bank	Long-term AAA	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure
Property fund: the use of these investments would constitute capital expenditure	--	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure

2. Maturities in excess of 1 year

<b>Institution / Counterparty</b>	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Max % of total investments</b>	<b>Max. maturity period</b>
Term deposits – local authorities	--	In-house	30%	> 1 year
Term deposits – banks and building societies	Coded: Purple (2yrs) on Capital Asset Services' Matrix. Fitch's rating: Short-term F1+, Long-term AA- Or equivalent rating from Standard & Poors and Moody's	In-house	30%	> 1 year
Certificates of deposits issued by banks and building societies covered by UK explicit Government guarantee	UK Sovereign	In house and Fund Managers	30%	> 1 year
Certificates of deposits issued by banks and building societies	Coded: Purple(2yrs) on Capital Asset Services' Matrix / Short-term F1+, Long-term AA-	In house and Fund Managers	30%	> 1 year
UK Government Gilts	UK Sovereign rating	In-house and Fund Managers	30%	> 1 year
Bonds issued by multilateral development banks	Long term AAA	In-house and Fund Managers	30%	> 1 year
Sovereign bond issues (i.e. other than the UK Government)	Long term AAA	In-house and Fund Managers	30%	> 1 year
<b>Collective Investment Schemes structure as open Ended Investment Companies (OEICs)</b>				
1. Enhanced Cash Money Market Funds (Credit score of 1.25)	Coded: Dark Pink (5yrs) on Capital Asset Services' Matrix Short-term F1, Long-term AAA Or equivalent rating from Standard & Poors and Moody's	In-house and Fund Managers	30%	> 1 year

2. Enhanced Cash Money Market Funds (Credit score of 1.5)	Coded: Light Pink (5yrs) on Capital Asset Services' Matrix Short-term F1, Long-term AAA Or equivalent rating from Standard & Poors and Moody's	In-house and Fund Managers	30%	> 1 year
3. Bond Funds	Long-term AAA	In-house and Fund Managers	30%	> 1 year
4. Gilt Funds	Long-term AAA	In-house and Fund Managers	30%	> 1 year

4.0 **ACCOUNTING TREATMENT OF INVESTMENTS:**

- 4.1 The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, the accounting implications of new transactions will be reviewed before they are undertaken.
- 4.2 All forward deposits that are made will take into account the maximum maturity period limits detailed in the tables above. If a forward deposit is made, the forward period plus the deal period should not exceed one year in aggregate.

**APPROVED COUNTRIES FOR INVESTMENT**  
**Current List as at 7 January 2015**

Capita Asset Services has advised that Councils should only use approved counterparties from countries with a minimum sovereign credit rating determined by the Council. This Council has determined that it will only use those countries with the sovereign rating of AAA other than the UK where the Council has set no limit. This list will be monitored at least weekly (and for information purposes only, includes other sovereign ratings)

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- Netherlands
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium
- Saudi Arabia

**THE TREASURY MANAGEMENT POLICY STATEMENT & CLAUSES TO BE  
FORMALLY ADOPTED**

**Clauses to be formally adopted**

1. This organisation will create and maintain, as the cornerstones for effective treasury management:
  - a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its Treasury Management activities;
  - suitable Treasury Management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the Policy Statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. This organisation (i.e. Full Council) will receive reports on its Treasury Management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Support services & Deputy Chief Executive (S151 Officer), who will act in accordance with the organisation's policy statement and TMPs.
4. This organisation nominates Cabinet to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

**The Treasury Management Policy Statement**

This organisation defines its Treasury Management activities as:

1. The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

**TREASURY MANAGEMENT SCHEME OF DELEGATION**

**APPENDIX: Treasury management scheme of delegation**

**(i) Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy and annual outturn

**(ii) Cabinet**

- approval of/amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices (recommendations to Council)
- budget consideration and approval (recommendations to Council)
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- receiving and scrutinizing annual treasury management strategy, annual outturn, quarterly reports and also adhoc reports on treasury management policies, practices and activities

**(iii) Audit and Governance Committee**

- reviewing the treasury management policy and procedures and making recommendations to Cabinet.

**(iv) Director of Resources (Section 151 Officer)**

- Reviewing the treasury man management policy and procedures and making recommendations to the responsible body.
- all operational decisions are delegated by the Council to the Director of Resources who operates within the framework set out in this strategy and through the Treasury Management Policies and Practices
- Approving the selection of external service providers and agreeing terms of contract in accordance with the delegations in financial regulations

**THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**

**The S151 Officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers



## HAMBLETON DISTRICT COUNCIL

**Report To:** Cabinet  
10 February 2015

**Subject:** 2014/15 QUARTER 3 REVENUE MONITORING REPORT

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

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 The purpose of this report is to update Members on the Revenue Budget position of the Council and the Reserve Funds at the end of December 2014.
- 1.2 The Quarter 3 monitoring for the Capital Programme and Treasury Management position is contained in a separate report on this Cabinet agenda.
- 1.3 This report focuses on three key areas:-
- (a) The changes to the Revenue Budget
  - (b) Additional Grant income received
  - (c) Reserve Funds

### **2.0 REVENUE BUDGET:**

- 2.1 The Council set its budget on 11 February 2014 for 2014/15 at £7,463,150 in line with the approved Financial Strategy on 5 November 2013.
- 2.2 At Cabinet on 2 December 2014, the Quarter 2 revenue monitoring report revised the budget to £7,236,169. The approved budget at Quarter 2 in accordance with the Council portfolio themes is detailed below:

	£
Customer & Leisure Services	1,394,530
Environmental Services	4,132,349
Support Services	1,609,460
Drainage Board levies	99,830
<b>Net Revenue Expenditure</b>	<b><u>7,236,169</u></b>

### **3.0 BUDGET POSITION TO SEPTEMBER 2014:**

- 3.1 Since the budget for 2014/15 was set in February 2014, adjustments to the budget outlook have occurred in the Revised Financial Strategy approved at Cabinet on 10 June 2014. At Quarter 1, in September 2014, the budget approved at Cabinet decreased from £7,463,150 to £7,237,347 – a saving of £227,821. At Quarter 2, in December 2014, the budget approved at Cabinet increased by £840 to £7,236,169 but remained below the Financial Strategy target of £7,237,347 – a small saving of £1,178. The table below details the changes that have been identified during Quarter 3 and are recommended to this Cabinet for approval:

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Budget Outlook approved at Q2 2 Dec 2014	7,236,169	7,121,389	7,383,665	7,476,429	7,571,047
<b>Changes to be approved by this Cabinet:</b>					
Transfer of funding from Service Improvement Budget	-40,000	-	-	-	-
Support Services	28,390	-	-	-	-
Environmental Services	-29,240	-	-	-	-
Customer & Leisure Services	40,671	-	-	-	-
<b>Budget Outlook Q3</b>	7,235,990	7,121,389	7,383,665	7,476,429	7,571,047
<b>Financial Strategy 10 June 2014</b>	7,237,347	7,344,080	7,567,682	7,606,872	7,647,046
<b>Budget Outlook Q3 Surplus / (Shortfall)</b>	1,357	222,691	184,017	130,443	75,999

- 3.2 The recommended changes to the 2014/15 budget in Quarter 3 total a small decrease to the budget of £179. Compared to the revised Financial Strategy approved in June 2014 there is a small surplus at Quarter 3 of £1,357.
- 3.3 The changes to the budget in this quarter relate to one corporate change and also changes in the three service areas. For the corporate change, there has been an increase in the Council's energy contract cost which is outside the control of the Council. Therefore, part of the Service Improvement budget has been transferred to offset this increased cost. The following paragraphs provide more detail of the budget changes in each portfolio theme.
- 3.4 **Support Services** – The overspend of £28,390 relates to £20,650 increased energy contract cost and £7,740 costs relating to Housing Benefit. This is mainly attributable to the costs associated with the proceeds of crime case which generated income of £50,000 and has already been included in Quarter 2.
- 3.5 Further income has been lost at Q3 of £49,050 from reduced investment interest to be earned in the year but this has been offset by a reduction of the transfer to reserves. Also a £16,560 cost will be incurred for additional Direct Computer Costs within ICT, which is offset by a salary savings in ICT. These adjustments, in the region of +/- £20,000, are reported for approval at Q3 in accordance with the Financial Regulations.
- 3.5 **Environmental & Planning Services** – There is an overall underspend in the budget of £29,240 due to a higher than anticipated receipt of £45,340 being received from NYCC in relation to the Waste Incentive Scheme dating from 2011/12 and 2012/13. This is offset by a decline in income of £16,100 due to £2,800 fewer Street Cleansing Fixed Penalty Notices being issued, £7,900 of Council Street Cleansing Sweeping Service not being required from Broadacres and £5,400 not being realised for communal recycling bins.
- 3.6 **Customer & Leisure Services** – The overspend of £40,671 is mainly due to the shortage of income generated from the Leisure Centres at £32,930. Hambleton Leisure Centre has a reduction of £35,330, Bedale Leisure Centre is £8,100 down, however this is partly offset by Thirsk which shows a £10,500 increase. Leisure Centre income continues to be challenging, with Hambleton and Bedale showing the greatest areas of risk. Bedale Leisure Centre has reduced numbers across a number of products and Hambleton is experiencing a major downturn in Health and Fitness memberships. Increased competition is a major contributing factor. An appropriate action plan is in place, it is clear that an extended and improved gym, as included in the Capital Programme, is central to future Development needs.

- 3.7 Also in Customer & Leisure Services, additional income is expected from commercial buildings at £12,749 for increased room bookings and refreshment sales. However, net costs of £4,150 are incurred mainly from increased grant paid to the LEP (Local Enterprise Partnership) to reflect the additional resource the LEP needs to deal with extra money being invested, of which Hambleton District Council have been offered £6m for new infrastructure in Northallerton. Increased energy contract costs are also incurred at £16,340, as further described in paragraph 3.3 and 3.4 above.
- 3.8 The revised changes to the budget at Quarter 3 listed above show a surplus of £1,357 which is stated in the Recommendations section of this report for approval by Cabinet and Council.

#### **4.0 OTHER MATTERS – GRANTS:**

- 4.1 The following grants have been allocated to the Council and paid into the One-Off Fund Reserve since the Quarter 3 Revenue Monitoring report was approved in December 2014:

Description	Amount £
Local Authority Data Share Programme – DWP	8,685
Single Fraud Investigation Scheme – New Burdens Assessment	562
Neighbourhood Planning Grant - Easingwold	5,000
<b>Total</b>	<b>14,247</b>

#### **5.0 SENSITIVITY ANALYSIS:**

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

#### **6.0 RESERVE FUNDING:**

- 6.1 The table below shows the Revenue Reserve position at 31 December 2014, Quarter 3, if the recommendations are approved in this Cabinet report. Only One-Off Fund reserve has changed during the quarter. Further detail is provided below.

Reserve Fund	Balance at 30 Sept 2014 Q2 £	Movement (from) / to Reserve Q3 £	Balance at 31 Dec 2014 Q3 £
General Fund	2,000,000	-	2,000,000
Council Taxpayers Reserve	2,773,475	-	2,773,475
Grants Fund	517,508	-	517,508
Economic Development Fund	4,905,360	-255,200	4,650,160
One Off Fund	483,322	-115,753	367,569
Computer Fund	1,698,000	-	1,698,000
Repairs & Renewal Fund	4,082,986	-	4,082,986
Community Safety Partnership	74,327	-	74,327
Strategic Forum Reserve	14,399	-	14,399
Arts Grants Reserve	5,949	-	5,949
<b>Total</b>	<b>16,555,326</b>	<b>-370,953</b>	<b>16,184,373</b>

6.2 Grant Fund –

6.3 Economic Development Fund – On 2 September 2014, Cabinet approved that the first hour at Applegarth Car Park would be free, with the funding implication of £94,640 being supported from the Economic Development Fund, resulting in a balance of £4,905,360. The movement in this reserve at Q3 is £255,200, which is split between projects that have already been approved by Cabinet during the quarter and those that require approval in this report. The table below details the projects between the five economic development Council themes:

<b>Expenditure in Q3 2014/15 from the Economic Development Fund</b>	<b>Schemes already approved by Cabinet</b>	<b>Schemes to be approved at Q3</b>	<b>Total £</b>
Business Support			
• Graduate Scheme		50,000	50,000
• Networking Events and Promotion	-	7,200	7,200
Inward Investment			
• Develop Hambleton a place to grow brand	-	3,000	3,000
Drive Growth			
• Improve Infrastructure Dalton Bridge	100,000		100,000
• Improve Infrastructure Dalton Bridge	65,000		65,000
• Improve Infrastructure Central Northallerton	25,000		25,000
Vibrant Market Towns			
• WiFi in Market Towns		5,000	5,000
Supporting Activities	-	-	-
<b>Total expenditure recommended for approval at Q3</b>	<b>190,000</b>	<b>65,200</b>	<b>255,200</b>

6.4 One Off Fund – the initial balance at the beginning of the 2014/15 was £2,092,419, with movement of £1,609,097 being explained in the Quarter 1 and 2 2014/15 Cabinet reports. At Quarter 3, the movement in the reserve was net expenditure of £115,753. This is due to total income of £14,247 being received, seen in paragraph 4.1 above and £5,000 being allocated to neighbourhood planning - Easingwold in lieu of the grant received. In addition, in 2 December 2014 cabinet, £125,000 was transfer from the One-Off reserve to the Make a Difference reserve. The expenditure to be allocated from the One-off Fund is detailed in the table below. The balance of the One-off Fund at year end is estimated at Quarter 3 to be £367,569.

<b>Expenditure in Q3 2014/15 from the One-Off Fund</b>	<b>Amount</b>
Neighbour Hood Planning Grant	5,000
<b>Total expenditure recommended for approval at Q3</b>	<b>5,000</b>

6.5 At Quarter 3, is it recommended to Cabinet and Council that the total allocation from the One-off Fund of £5,000 is approved.

7.0 **LINK TO COUNCIL PRIORITIES:**

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

**8.0 RISK ASSESSMENT:**

8.1 There are no major risks associated with this report.

**9.0 FINANCIAL IMPLICATIONS:**

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

**10.0 LEGAL IMPLICATIONS:**

10.1 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.

**11.0 EQUALITY/DIVERSITY ISSUES:**

11.1 There are no specific equality implications to this report.

**12.0 RECOMMENDATIONS:**

12.1 That Cabinet approves and recommends to Council:

- (1) the budget surplus of £1,357 at paragraph 3.2
- (2) the use of funds from the one-off fund at paragraph 6.4 of £5,000
- (3) the use of funds from the Economic Development fund at paragraph 6.3 of £65,200

JUSTIN IVES

**Background papers:** Budget Monitoring Q3 working papers

**Author ref:** LBW

**Contact:** Louise Branford-White - Head of Resources  
Direct Line No: 01609 767024

**BUDGET 2014/15 SENSITIVITY ANALYSIS – POTENTIAL SAVINGS / COSTS**

<b>Portfolio Area</b>	<b>Area of Sensitivity</b>	<b>Commentary</b>
Support Services	Housing Benefit - civil penalty income not achieved	£65,000 income is expected to be received from claimants who do not notify the Council of a change in their circumstances. This is being continually monitored.
	Housing Benefit - payments overspend	There is a potential overspend of Housing Benefit where more people are claiming benefit that was estimated in the budget and the provision for bad debt is being closely monitored.
Environmental & Planning Services	Fuel prices increase / decrease	Any fluctuation in fuel prices will affect the budget in Waste and Street Scene.
	Waste & Street Scene salary costs	Currently budgets for waste and recycling services are on track, however if any additional sicknesses occurs or agency employees are required the budget may need to be increased.
	Planning Fee income not achieved	This is a large income stream for the Council and it will continue to be monitored.
Customer & Leisure Services	Leisure Centre income streams	Hambleton Leisure Centre is experiencing a downturn in Health & Fitness and Bedale Leisure Centre has reduced numbers across a number of products. All four leisure centres income streams are continually being reviewed with the specific action plan in place

## HAMBLETON DISTRICT COUNCIL

**Report To:** Cabinet  
10 February 2015

**Subject:** 2014/15 Q3 CAPITAL MONITORING AND TREASURY MANAGEMENT  
MID YEAR REVIEW REPORT

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

### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 The purpose of this report is to provide the Quarter 3 update at 31 December 2014 on the progress of the Capital Programme 2014/15 and the Treasury Management position. A full schedule of the Capital Programme 2014/15 schemes is attached at Annex 'A', together with the relevant update on progress of each scheme.
- 1.2 Capital expenditure is intrinsically linked with Treasury Management as the way that the Capital Programme is funded directly affects the Treasury Management arrangements of the Council. This Council currently does not borrow for a capital purpose; instead capital expenditure is funded by grants, receipts and reserves. The use of the Council's funds affects the daily Treasury Management cash flow position, the requirement to investment these surplus funds and the income earned.

### **2.0 CAPITAL PROGRAMME SUMMARY:**

- 2.1 The 2014/15 Capital Programme was approved by Cabinet at Quarter 2 on 2 December 2014 at £2,543,427.
- 2.2 A net decrease to the Capital Programme of £224,486 is detailed in this Quarter 3 monitor that results in a revised Capital Programme budget of £2,318,941. The Capital Programme is attached at Annex 'A'.
- 2.3 The net decrease of £224,486, to be approved in this report, is made up of:-
- (a) decrease in expenditure from re-profiling of £218,793 from 2014/15 to 2015/16;
  - (b) transfer of funds between schemes, with overall effect being zero;
  - (c) increase in expenditure of £307 supported from Council reserves;
  - (d) reduction in scheme expenditure of £6,000.
- 2.4 Table 1 below outlines the variances reported against each portfolio area.

<b>Portfolio</b>	<b>Current Approved Expenditure Q2</b>	<b>Revised projected Outturn Q3</b>	<b>Variance Increase/ (decrease)</b>	<b>Budget re-profiled (to) 2015/16</b>	<b>Funding transferred between Schemes in 2014/15</b>	<b>Request for additional funding</b>	<b>Funding no longer required</b>
	£	£	£	£	£	£	£
Environmental & Planning Services	340,029	340,029	-	-	-	-	-
Customer & Leisure	587,068	580,052	(7,016)	(27,323)	20,000	307	-
Support Services	1,616,330	1,398,860	(217,470)	(191,470)	(20,000)	-	(6,000)
<b>Total</b>	<b>2,543,427</b>	<b>2,318,941</b>	<b>(224,486)</b>	<b>(218,793)</b>	-	<b>307</b>	<b>(6,000)</b>

Table 1: Capital Programme Q3 2014/15

- 2.5 To 31 December 2014 capital expenditure of £987,160 had been incurred or committed representing 42.6% of the revised Quarter 3 Capital Programme position. Schemes are under development and in the final quarter of 2014/15 further capital expenditure is expected to see the majority of the Capital Programme complete by the end of the 2014/15 financial year.
- 2.6 The proposed changes to the Capital Programme, detailed for each of the three portfolio areas, are attached at Annex 'B'.

### **3.0 FUNDING THE CAPITAL PROGRAMME:**

- 3.1 For 2014/15, at Quarter 3, the Capital Programme of £2,318,941 is being funded from £266,704 external grants/contributions and £2,052,237 from reserves.
- 3.2 The external grants contributions of £266,704 are £166,277 Government Grant for Disabled Facilities grant, £50,000 S106 funding towards Sowerby Sports Village and £50,427 as a result of 46% of the Bedale All Weather Pitch scheme being funded by a contribution from the Football Foundation.
- 3.3 The capital receipts estimated to be received during 2014/15 is £857,707.
- 3.4 Therefore at year end in accordance with accounting practice the Capital Programme will be financed using all available in year funding prior to using the Council's reserves. At Quarter 3 it is estimated that £1,194,530 of funding will be used from the capital receipts reserve or unapplied grants reserves.
- 3.5 The overall funding position continues to be closely monitored to ensure the overall Capital Programme remains affordable and sustainable over the 10 year approved capital plan. Analysis of the funding of the 10 year Capital Programme is provided along with the Financial Strategy and Capital Programme 2015/16, for approval in February 2015 Cabinet prior to the beginning of the new financial year.
- 3.6 It should be noted that this report reflects the Capital Programme position at Quarter 3 as if approval has been agreed by Cabinet. This is detailed in the recommendations below.

### **4.0 TREASURY MANAGEMENT 2014/15 – QUARTER 3:**

- 4.1 The Treasury Management Quarter 3 update 2014/15 is attached at Annex 'C' and provides Members with an update on the:-
- (a) Treasury Management legislative requirement
  - (b) economy and interest rates
  - (c) investment strategy
  - (e) borrowing position
  - (f) compliance with prudential and treasury indicators
- 4.2 The investment position at Quarter 3 was £27,390,000, with an average interest rate return of 0.77%; this was 0.42% higher than the 7 day market rate at 0.35%. For surplus funds invested for 3 months or more, a return of 0.83% was achieved which was 0.40% greater than the 3 month benchmark at 0.43%.
- 4.3 To ensure that the Council is proactive in the area of Treasury Management the Council has joined Capital Asset Services (the Council's Treasury Management advisors) regional benchmarking club. This compares Hambleton District Council's investment portfolio position to other District Councils. At the end of December 2014, the average return on the Council's investment portfolio was 0.77%, this is 0.08% greater than the average for other District Council's at 0.69%.



- 4.4 The interest rate environment continues to offer investment market rates of return around the Base Rate level of 0.5%. The Council's original budgeted investment return for 2014/15 was approved at £300,000 in February 2014. However at Quarter 3, the estimate of interest to be earned during the year has been revised down to £250,950. Further detail is available in the 2014/15 Quarter 3 Revenue Monitoring Report. Further information on the economic environment and interest rates is attached at Annex 'D'.
- 4.5 The Council remains debt free; no borrowing has been taken in 2014/15.
- 4.6 The Council has operated within the Treasury and Prudential indicators set out at Annex 'E'. The Director of Support Services and Deputy Chief Executive – S151 Officer - confirms that the approved limits within the Annual Investment Strategy were not breached during the first nine months of 2014/15.

**5.0 LINK TO COUNCIL PRIORITIES:**

- 5.1 All schemes approved as part of the Capital Programme have been evaluated against key corporate priorities. Schemes are only undertaken and approved by Cabinet in accordance with the Council Plan and supporting project initiation documentation.
- 5.2 Treasury Management supports all aspects of the Council's priorities as with good management of surplus funds, investment interest earned can be used to support Council services.

**6.0 RISK ASSESSMENT:**

- 6.1 There are two main risk associated with the Capital Programme and Treasury Management:-

Risk	Implication	Prob	Imp	Total	Preventative action
Capital budgets are not monitored, expenditure is above budget and the funding position is unknown	The Council is unable to control capital expenditure or redirect resources to priority areas	3	5	15	Continue with regular budget monitoring with regular reports to Chief Officers, Management Team and Members
Treasury Management investment of surplus funds occurs with unsound institutions	The value of the investment could be lost	3	5	15	Use of Treasury Management advisers, good investment creditworthiness rating criteria policy approved by Council and regular monitoring reporting to Members

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

**7.0 FINANCIAL IMPLICATIONS:**

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

## **8.0 LEGAL IMPLICATIONS:**

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

## **9.0 EQUALITY/DIVERSITY ISSUES:**

9.1 The Capital Programme seeks to address key equality issues that affect the Council and the public. The main scheme that specifically addressed equalities in the Capital Programme 2014/15 is the Disabled Facilities Grant scheme.

## **10.0 RECOMMENDATIONS:**

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

- (1) approve the net decrease of £224,486 in the Capital Programme to £2,318,941 and the detailed Capital Programme attached at Annex 'A';
- (2) approve all movements in the Capital Programme +/- £20,000, in accordance with financial regulations, as detailed in Annex 'B' and below:
  - a. the increase in capital expenditure of £20,000 for the Customer Service Web/Intranet Development to be funded from the ICT Customer Excellence Scheme.
  - b. the decrease in expenditure of £20,000 for the ICT Customer Excellence Scheme to fund the Customer Service Web/Intranet Development.
  - c. the decrease in expenditure of £206,403 for re-profiling from this year to 2015/16 £27,323 for Hambleton Leisure Centre Improvement Scheme, £19,080 for ICT Improvements scheme and £160,000 for Bedale Gateway Bypass
- (3) note the further overall decrease in the Capital Programme which are individually below £20,000 as detailed in Annex 'B' and cumulatively total £18,083
- (4) note the Capital Funding position - contributions of £266,704, capital receipts of £857,707 and £1,194,530 capital reserves;
- (5) note the Treasury Management activity at Annex 'C';
- (6) note the Prudential and Treasury indicators at Annex 'E' and that there were no changes at Quarter 3.

JUSTIN IVES

**Background papers:** None

**Author ref:** LBW

**Contact:** Louise Branford-White  
Head of Resources  
Direct Line No: 01609 767024



Capital Programme Schemes 2014/15 (including 2013/14 schemes B/Fwd)														
COA CC	Ref:	Responsible Officer	Title:	Original Approved Expenditure 14/15	Schemes rolled Fwd from 2013/14	Approved Changes at Q1 2014/15	Approved Changes at Q2 2014/15	Approved Expenditure Revised at Q2 2014/15	Third Party Contribution	Cost to the Council	Expenditure at 22/12/14	Anticipated Expenditure £	Variance at Q3	Change in Funding (9 months)
				£				£	£	£	£	£	£	£
		DG	17 Market Place Bird Netting				6,000	6,000		6,000		6,000	0	6,000
	2	DG	Leisure Equipment Lease Buy	200,000			-200,000	0		0		0	0	
HZ6819	10	DG	Customer Services Web/Intranet Development	100,000				100,000		100,000	41,400	120,000	20,000	20,000
	14	DG	Hambleton All Weather Pitch Refurbishment	131,000			-131,000	0		0		0	0	
	15	DG	Stokesley All Weather Pitch Refurbishment	11,000				11,000		11,000	0	11,000	0	
HZ6438	16	DG	Hambleton Leisure Centre Improvement Scheme	20,000	15,323			35,323		35,323	1,592	8,000	-27,323	-27,323
		DG	Hambleton Leisure Centre Fence	0		10,000		10,000		10,000	7,908	10,000	0	10,000
			<b>Total Scheme Value Customer &amp; Leisure Services</b>	<b>462,000</b>	<b>341,993</b>	<b>73,354</b>	<b>(290,279)</b>	<b>587,068</b>	<b>100,427</b>	<b>486,641</b>	<b>311,111</b>	<b>580,052</b>	<b>-7,016</b>	<b>-64,368</b>

**Capital Programme Schemes 2014/15 (including 2013/14 schemes B/Fwd)**

**ANNEX A**

COA CC	Ref.	Responsible Officer	Title:	Original Approved Expenditure 14/15	Schemes rolled Fwd from 2013/14	Approved Changes at Q1 2014/15	Approved Changes at Q2 2014/15	Approved Expenditure Revised at Q2 2014/15	Third Party Contribution	Cost to the Council	Expenditure at 22/12/14	Anticipated Expenditure £	Variance at Q3	Change in Funding Taken/(Returned) to Capital Reserve (9 months)
				£				£	£	£	£	£	£	£
			<b>Support Services</b>					0						
								0						
HZ6822	B/Fwd	Jl	Air conditioning - Legislative requirement Corporate	15000	11,862			26,862		26,862	6,800	26,862	0	
HZ6301	B/Fwd	Jl	Public lighting energy reductions		31,088			31,088		31,088	18,745	31,088	0	
HZ6300	4	Jl	Public lighting replacement	51,000	18,816			69,816		69,816	343	69,816	0	
	5	Jl	Civic Centre - Carpet Replacement	10,000		7,000		17,000		17,000	6,915	17,000	0	7,000
	6	Jl	Civic Centre - Internal Painting	6,000				6,000		6,000	5,999	6,000	0	
	7	Jl	Civic Centre - Window Replacements	10,000				10,000		10,000	952	10,000	0	
HZ6828	8	Jl	Civic Centre - Backup Generator	40,000				40,000		40,000	26,154	40,000	0	
HZ6807	9	Jl	ICT Improvements	187,030				187,030		187,030	42,069	154,860	-32,170	-25,080
HZ6850	17	DG	All Leisure Centres - Digital Transaction Software	24,000				24,000		24,000	10,351	24,000	0	
HZ6850	9	Jl	ICT Leisure Improvements	105,670				105,670		105,670	2,049	105,670	0	
HZ6852	9	Jl	ICT Information Security/Compliance	6,300				6,300		6,300	0	1,000	-5,300	-12,390
HZ6853	9	Jl	ICT Customer Excellence	76,000				76,000		76,000	5,260	56,000	-20,000	-20,000
HZ6013	18	Jl	ICT Finance system split from Richmondshire District Council	0		60,000		60,000		60,000	49,142	60,000	0	60,000
		Jl	Car Park Restatements	45,000				45,000		45,000	0	45,000	0	
HZ6010	19	Jl	Car Parks - Thirsk Cobbles	75,000	14,348			95,754		95,754	93,028	95,754	0	6,406

Capital Programme Schemes 2014/15 (including 2013/14 schemes B/Fwd)														
COA CC	Ref:	Responsible Officer	Title:	Original Approved Expenditure 14/15	Schemes rolled Fwd from 2013/14	Approved Changes at Q1 2014/15	Approved Changes at Q2 2014/15	Approved Expenditure Revised at Q2 2014/15	Third Party Contribution	Cost to the Council	Expenditure at 22/12/14	Anticipated Expenditure £	Variance at Q3	Change in Funding Taken/(Returned) to Capital Reserve (9 months)
				£				£	£	£	£	£	£	£
HZ6015	20	Jl	Bedale Gateway Car Park	160,000				160,000		160,000	0	0	-160,000	-160,000
HZ6025	21	Jl	Adoptions - Thirsk Phases 2 & 3	200,000				200,000		200,000	0	200,000	0	
HZ6052	22	Jl	Adoptions - Electric Bollards - Thirsk & Northallerton	40,000				40,000		40,000	0	40,000	0	
		Jl	Thirsk Market Place Central Area Enhancement	0		10,000		10,000		10,000	4,003	10,000	0	10,000
			Structural Repair to Civic Centre Roof				6,460	6,460		6,460		6,460	0	6,460
		Jl	Revenue Repairs & Renewals	399,350				399,350		399,350	220,852	399,350	0	
			<b>Total Scheme Support Services</b>	<b>1,450,350</b>	<b>76,114</b>	<b>77,000</b>	<b>12,866</b>	<b>1,616,330</b>	<b>0</b>	<b>1,616,330</b>	<b>492,663</b>	<b>1,398,860</b>	<b>-217,470</b>	<b>-127,604</b>
			<b>Total Capital Approvals 2014/15</b>	<b>2,126,350</b>	<b>525,486</b>	<b>150,354</b>	<b>-258,763</b>	<b>2,543,427</b>	<b>266,704</b>	<b>2,276,723</b>	<b>987,160</b>	<b>2,318,941</b>	<b>-224,486</b>	<b>-239,599</b>

**PROPOSED CHANGES TO THE CAPITAL PROGRAMME:**

- 1.1 The proposed changes to the Capital Programme, detailed for each of the portfolio areas are listed below:
- 1.2 Environmental & Planning Services – no schemes required adjustment at Quarter 3.
- 1.3 Customer & Leisure Services - 3 schemes require adjustment at Quarter 3:
  - (a) Workspaces: Roller Shutter Doors – New doors installed during Quarter 3 completes the scheme and resulted in £307 additional expenditure, this was 3.4% increase above the original cost of the scheme at £9,005.
  - (b) Customer Services Web/Intranet Development - The initial project costs were based upon indicative prices supplied by software houses in September 2013. In the event, the software product actually chosen was more expensive than anticipated but this will be offset in the longer term by the product needing less ICT resource for operation. An increase of £20,000 is required to be approved (an increase above the original cost by 20%) which can be funded from the ICT Customer Excellence scheme, detailed in paragraph 1.4(c) below.
  - (c) Hambleton Leisure Centre Improvement Scheme - Approval is sought at Quarter 3 to re-profile £27,323 of this scheme in to 2015/16. Initial expenditure has been incurred for schematic assessment and preparatory works and consultants have been appointed to prepare the business case. Project to roll forward into 2015/16 as the scheme needs to take consideration of North Northallerton project and potential for external grant funding. .
- 1.4 Support Services– 2 schemes require adjustment at Quarter 3:-
  - (a) ICT Improvements - Six out of the twelve projects are awaiting quotes but the majority of projects should complete in 2015/16. One of the twelve projects will not commence until 2015/16 and therefore approval is sort for £19,080 to be rolled forward into 2015/16. The Total Land Charges project has been funded by revenue and therefore £6,000 is returned to the reserve. Funding has been reduced by £7,090 to support ICT Information Security/Compliance project as detailed in paragraph 1.4(b) below.
  - (b) Structural ICT Information Security / Compliance - The legislative PSN (Public Security Network) requirements are to be completed as highlighted in the External Health Check report commissioned in April 2014. Original expenditure was estimated at £6,300 but an additional £7,090 is requested at Quarter 3 2014/15, totalling £13,390. The additional £7,090 can be met by a transfer of funding from the ICT improvements project as detailed above in paragraph 1.4(a). The majority of the expenditure will be spent in 2015/16 due to a delay in the project implementation. Only £1,000 will be expended with £12,390 being rolled forward to 2015/16.
  - (c) ICT Customer Excellence – Approval is sort at Quarter 3 to use £20,000 funding to support the Customer Services Web / Intranet Development project as detailed above in paragraph 1.3(b).
  - (d) Bedale Gateway Car Park – This project is on hold until after Bedale & Leeming Bypass is completed in 2016. Funding of £160,000 to be returned to the reserve.
- 1.6 Capital schemes are monitored on a monthly basis and reported to Cabinet quarterly, ensuring that the majority of schemes are held within budget or reported to Council at the earliest opportunity.
- 1.7 New Schemes added to the Capital Programme all have supporting Project Initiation Documentation to ensure projects are affordable, sustainable and prudent.

**TREASURY MANAGEMENT POSITION 2014/15 – QUARTER 3**

**1.0 LEGISLATIVE REQUIREMENT:**

- 1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that Members be updated on Treasury Management activities regularly (Treasury Management Strategy Statement, Annual and Mid-year reports, as well as quarterly updates). This report therefore ensures this Council is implementing best practice in accordance with the Code.
- 1.2 The regulatory environment places responsibility on Members for the review and scrutiny of Treasury Management policy and activities. This Quarter 3 report therefore updates Members on the current Treasury Management position
- 1.3 The Council's capital expenditure plans at Quarter 3 continue to be financed by either external grants or contributions, capital receipts received in the year or capital reserves. The changes in the capital expenditure plans as detailed in the first half of this report are not financed by borrowing and therefore there is no affect on the Council's underlying need to borrow.
- 1.4 In 2014/15 the Council's treasury position (excluding finance leases) is to continue to be debt free. No borrowing has been taken in 2014/15 to date.
- 1.5 The capital financing requirement, which is the amount of borrowing required to support the capital expenditure programme, is zero for this Council. All capital expenditure as detailed in the paragraphs above is supported from grants, contributions and reserves. The following table shows the Treasury Management position as at 31 December 2014:-

	<b>31 Dec 14</b>	<b>Rate</b>
	<b>£000's</b>	<b>%</b>
<b>Capital Financing Requirement</b>	0	-
<b>Borrowing</b>	0	0.0
<b>Investments</b>	27,390	0.77

Table 1: Borrowing and Investment position at 31 December 2014

- 1.9 The table shows that changes in the capital expenditure programme only affects the Treasury Management position through the surplus funds that are available to the Council to invest, to earn investment income.

**2.0 THE ECONOMY, INTEREST RATES AND TREASURY MANAGEMENT STRATEGY:**

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

**3.0 ANNUAL INVESTMENT STRATEGY 2014/15 – QUARTER 3:**

- 3.1 **Investment Policy** – the Council's investment policy is governed by the Department for Communities and Local Government guidance, which was implemented in the Treasury Management Strategy Statement (TMSS) for 2014/15, and includes the Annual Investment Strategy approved by Cabinet on 11 February 2014. It sets out the Council's investment priorities as being:

- Security of capital;



- Liquidity;
- Yield

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

3.3 **Investments held by the Council** - in the current economic climate, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. Indeed, the Funding for Lending scheme has reduced market investment rates even further. The potential for a prolonging of the Eurozone sovereign debt crisis, and its impact on Banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low for the foreseeable future.

3.4 Investment rates available in the market have been broadly stable during the quarter and have continued at historically low levels as a result of the ultra-low Bank Rate and other extraordinary measures such as the Funding for Lending Scheme. The volatility in the market has pushed back economic forecasters' view of when the next base rate rise will be to Quarter 4 2015.

3.5 The average level of funds available for investment purposes during Quarter 3 – 31 December 2014 - was £31,289,164. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council held core cash balances (funds available for a year or more) of £25,000,000 at Quarter 3 and £2,390,000 cash flow movement balances. Total investment balance at 31 December 2104 was £27,390,000.

3.6

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.35%	0.50%	£20,372
3 month	0.43%	0.83%	£161,603

Table 2: Investment performance for quarter 3 – latest information 31 December 2014

3.7 The table shows that the Council monitors its core cash against 3 month LIBID – London Inter bank Investment Rates – and its cash flow investments against the 7 day rate. The Council outperformed the 3 month benchmark by 0.40% and the 7 day benchmark by 0.15%.

3.8 The Council's original budgeted investment return for 2014/15 was approved at £300,000 in February 2014. However at Quarter 3, the estimate of interest to be earned during the year has been revised down to £250,950. Further detail is available in the 2014/15 Quarter 3 Revenue Monitoring Report.

#### **4.0 BORROWING 2014/15 – QUARTER 3:**

- 4.1 The following borrowing information is provided to ensure Members are updated with the interest rates available for borrowing and are kept informed with regards to the current position. Capita Asset Services – the Council's Treasury Management advisor – target PWLB rate for new long term borrowing for Quarter 4 2014/15 has decreased from the original estimate in February 2014 for 25 years by 0.6% to 3.40%, and for 5 years has decreased by 0.5% to 2.20%.
- 4.2 The table below shows the Public Works Loans Board interest rates which were available for loans during Quarter 3 of 2014/15. The Public Works Loans Board is the mechanism by which the Government allows Local Authorities to borrow at slightly lower interest rates than are available to other institutions. Certainty rates, as detailed in the table, are interest rates available to Local Authorities if they inform the Government of their borrowing requirements at the beginning of the financial year and are 0.02% (or 20 basis points) below Public Works Loans Board rates. This was introduced by the Government in October 2012.

	<b>1 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>25 Year</b>	<b>50 Year</b>
Low	1.12%	1.94%	2.54%	3.24%	3.22%
Date	31/12/2014	16/12/2014	16/12/2014	16/12/2014	16/12/2014
High	1.38%	2.56%	3.24%	3.85%	3.84%
Date	01/10/2014	01/10/2014	01/10/2014	01/10/2014	01/10/2014
Average	1.24%	2.23%	2.91%	3.60%	3.60%

Table 3: Public Works Loan Board (PWLB) certainty rates, half year ended 31 December 2014

- 4.3 **Treasury Borrowing** – the Council remains debt free and undertook no external borrowing for cash flow purposes or capital financing purposes in the first nine months of 2014/15.
- 4.4 **Rescheduling of Borrowing** – the Council has no debt and therefore undertook no rescheduling of debt during 2014/15.
- 4.5 **Repayment of borrowing** – the Council has no external loans and therefore no repayments were necessary.

#### **5.0 COMPLIANCE WITH PRUDENTIAL AND TREASURY INDICATORS:**

- 5.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) were approved in the Treasury Management Strategy Statement by Cabinet on 11 February 2014 and are in compliance with the Council's Treasury Management Practices.
- 5.2 During the financial year to date the Council has operated within the Treasury and Prudential Indicators approved which are attached at Annex 'E'.
- 5.3 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the Quarter ended 31 December 2014.

**1.0 ECONOMIC BACKGROUND**

- 1.1 After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then in 2014 0.7% in Quarter 1, 0.9% in Quarter 2 2014 (annual rate 3.2% in Quarter 2), Quarter 3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.
- 1.2 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The Autumn Statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.
- 1.3 The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Quarter 2 and Quarter 3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently predicted that the first increase in the Fed. rate will occur by the middle of 2015.
- 1.4 The Eurozone is facing an increasing threat from deflation. In November the inflation rate fell to 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB did take some rather limited action in June and September to loosen monetary policy in order to promote growth and is currently expected to embark on quantitative easing early in 2015 to counter this threat of deflation and to stimulate growth.

## 2.0 INTEREST RATE FORECAST:

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

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
5yr PWLB rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%

2.2 Capita Asset Services undertook a review of its interest rate forecasts on 5 January 2015 after a proliferation of fears in financial markets around the plunge in the price of oil had caused a flight from equities into bonds and from exposure to the debt and equities of emerging market oil producing countries to safe havens in western countries. These flows were compounded by further fears that Greece could be heading towards an exit from the Euro after the General Election on January 25 and financial flows generated by the increasing likelihood that the ECB would soon be starting on full blown quantitative easing (QE) purchase of Eurozone Government debt. In addition, there has been a sharp increase in confidence that the US will start increasing the Federal Reserve Rate by the middle of 2015 due to the stunning surge in GDP growth in Quarters 2 and 3 of 2014. This indicated that the US is now headed towards making a full recovery from the financial crisis of 2008.

2.3 The result of the combination of the above factors is that we have seen bond yields plunging to phenomenally low levels, especially in long term yields. These falls are unsustainable in the longer term but just how quickly these falls will unwind is hard to predict. In addition, positive or negative developments on the world political scene could have a major impact in either keeping yields low or prompting them to recover back up again. We also have a UK general election coming up in May 2015; it is very hard to predict what its likely result will be and the consequent impact on the UK economy, and how financial markets will react to those developments.

2.4 This latest forecast includes a move in the timing of the first increase in Bank Rate from Quarter 2 of 2015 to Quarter 4 of 2015 as a result of the sharp fall in inflation due to the fall in the price of oil and the cooling of the rate of GDP growth in the UK, albeit, that growth will remain strong by UK standards, but not as strong as was previously forecast. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only currently increasing marginally as a result of wage inflation now running slightly above the depressed rate of CPI inflation, though some consumers will not have seen that benefit come through for them. In addition, whatever party or coalition wins power in the next General Election, will be faced with having to implement further major cuts in expenditure and / or increases in taxation in order to eradicate the annual public sector net borrowing deficit.

**PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS**

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy Statement by Cabinet on 18 March 2014

The main purpose of the indicators is to control how much a Council needs to borrow and as this Council is debt free, the majority of the prudential indicators are nil.

<b>1. PRUDENTIAL INDICATORS</b>	<b>2014/15</b>	<b>2014/15</b>
<b>Extract from budget and rent setting report</b>	<b>Original Budget</b>	<b>Actual Q3</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure</b>	2,126	2,318
<b>Ratio of financing costs to net revenue stream</b>	Nil	Nil
<b>Net borrowing requirement General Fund</b>		
brought forward 1 April	Nil	Nil
carried forward 31 March	Nil	Nil
in year borrowing requirement	Nil	Nil
<b>Capital Financing Requirement 31 March 2015</b>	Nil	Nil
<b>Incremental impact of capital investment decisions</b>	£	£
Increase in Council Tax (band D) per annum	£0.06	£0.06

<b>2. TREASURY MANAGEMENT INDICATORS</b>	<b>2014/15</b>	<b>2014/15</b>
	<b>original</b>	<b>actual</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised Limit for external debt -</b>		
borrowing	£5,000	£5,000
other long term liabilities	£1,000	£1,000
TOTAL	£6,000	£6,000
<b>Operational Boundary for external debt -</b>		
borrowing	£4,000	£4,000
other long term liabilities	£600	£600
TOTAL	£4,600	£4,600
<b>Actual external debt</b>	£0	£0
<b>Upper limit for fixed interest rate exposure</b>		
Net principal re fixed rate investments	90%	90%
<b>Upper limit for variable rate exposure</b>		
Net principal re variable rate investments	50%	50%
<b>Upper limit for total principal sums invested for over 364 days (per maturity date)</b>	£10,000	£10,000

<b>Maturity structure of fixed rate borrowing during 2014/15</b>	upper limit	lower limit
under 12 months	0%	100%
12 months and within 24 months	0%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	0%	0%

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
10 February 2015

**Subject:** **FUNDING & INVESTMENT OFFICER**

**All Wards**

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

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 To seek approval from Members to create a Funding & Investment Officer post within the Business & Economy Team for an initial period of 2 years to support the implementation of the Councils Economic Strategy.
- 1.2 In December 2014, the Council adopted 'Hambleton – A Place to Grow 2014-24' as a 10 year Economic Strategy for the District. Although the Council has identified £5m in its current financial strategy to support the delivery of the 10 year Investment Plan, it is clear that estimated costs of delivery are considerably higher and the ability to secure external investment from a wide range of sources is critical in the effective delivery of the Strategy.
- 1.3 Securing external investment will enable the Council to achieve maximum value for money for its own financial contribution, using it as mechanism to attract match funding from a range of public and private sources. This will be a major role for the Business & Economy Team moving forward, but it is vital that it does not detract from the delivery of priority initiatives which officers are already working on.
- 1.4 There are a range of funding opportunities becoming available through the Local Enterprise Partnership, Government and European Initiatives, some of which we are aware of, others which require time consuming research. In an environment where public funding is tight we need to take advantage of as many opportunities as possible.
- 1.5 A new role of Funding & Investment Officer is proposed to bring additional knowledge, skills and experience into the Council. In addition to researching opportunities, this post would lead on the range of tasks associated with bidding for and delivering investment, including completing application forms, preparing business plans, green book appraisals, risk assessments, bringing relevant parties together, collating performance monitoring and financial auditing information, and fulfilling publicity and communication requirements. A proposed job description is attached at Annex A to the report.

### **2.0 LINK TO COUNCIL PRIORITIES:**

- 2.1 The Funding & Investment Officer post will assist the Council in delivering its priority Driving Economic Development and supporting local economic growth by securing funding and investment to deliver projects identified in the Councils Economic Strategy.

### **3.0 RISK ASSESSMENT:**

#### **3.1 Risk in not approving the recommendations as shown below:-**

<b>Risk</b>	<b>Implication</b>	<b>Prob*</b>	<b>Imp*</b>	<b>Total</b>	<b>Preventative action</b>
Projects in the Economic Strategy are not delivered	The Council is unable to deliver the level of outputs and outcomes included the Economic Strategy	4	3	12	Bring funding and investment expertise into the Council through the creation of a dedicated post

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

Overall the risk of agreeing with the recommendations is much lower than the risk of not agreeing them and is considered acceptable

**4.0 FINANCIAL IMPLICATIONS:**

4.1 There will be an annual revenue cost to the Council in 2015/16 and 2016/17 for salary and on-costs. It is proposed that this is funded through the Economic Development Fund. Overall the revenue effects of the Funding & Investment Officer will be £39,930pa.

**5.0 LEGAL IMPLICATIONS:**

5.1 There are no legal implications in relation to this report.

**6.0 EQUALITY/DIVERSITY ISSUES**

6.1 Recruitment to the post will take account of equality and diversity issues as outlined in the Councils Policies.

**7.0 RECOMMENDATIONS:**

7.1 It is recommended that:

- (1) funding of £39,930 from the Economic Development Fund in 2015/16 and £40,730 in 2016/17 for a post of Funding & Investment Officer is approved;
- (2) the effectiveness of the role is reviewed towards the end of 2016/17; and
- (3) subject to the outcome of the review a further report is brought to Cabinet regarding funding the post beyond 2016/17.

DAVE GOODWIN

**Background papers:** Funding & Investment Officer Job Description

**Author ref:** SS

**Contact:** Sam Swinbank  
Business & Economy Manager  
Direct Line No: 767233

240215 Funding Officer



**HAMBLETON DISTRICT COUNCIL**

**JOB DESCRIPTION**

<b>POST NO:</b>	0000
<b>POST TITLE:</b>	Funding & Investment Officer
<b>SALARY GRADE:</b>	Grade £28k – £30k depending on job evaluation
<b>RESPONSIBLE TO:</b>	BUSINESS and ECONOMY MANAGER

**JOB PURPOSE:**

To lead on maximising external funding into the District (UK Government, European and other funding streams) through the identification, development, securing, administration and performance monitoring (including audits) of funding to ensure the authorities financial ability to deliver the Economic Strategy Investment Plan.

To provide support to the business and economy team through the development and implementation of the team's communication and marketing strategy and maximising publicity associated with the delivery of the Investment Plan.

**PRINCIPAL DUTIES AND RESPONSIBILITIES:**

**External Funding & Investment**

1. Searching and identifying suitable sources of funding (UK Government, European and other funding streams). Examining the background of each potential funding opportunity to determine its ability to deliver projects identified within the Economic Strategy Investment Plan - criteria, timescales, submission content and other requirements.
2. To undertake the preparation of business cases to support funding applications based on the Green Book Appraisal.
3. Completion and submission of high quality grant applications. Completing application forms and drafting comprehensive, well-structured and logical funding proposals/bids that present a convincing case for support.
4. Gathering information from colleagues / partners and tailoring projects to match funding and / or developing funding packages to match projects. Ensuring all necessary documentation is forwarded to the funding body as requested and applications are submitted with deadline.
5. Liaising with colleagues internally, and if necessary any external stakeholders, about potential funding opportunities. Building positive relationships with grant funding organisations / partners

6. Contributing to the development of effective financial management procedures to ensure timely processing and maintenance of appropriate documents, evidence and invoices of project activity.
7. Ensuring proper project record keeping suitable for local government, other funding bodies is undertaken and local and national and European audit requirements are met to ensure compliance with all aspects of the grant conditions on which the grant was awarded, including monitoring requirements.
8. Establish and maintain a library of funding information including application forms, guidance notes, policy and technical source material.

### **Communications & Marketing**

1. To lead on the development and maintenance of the Business & Economy section of the Authorities web site, ensuring it is relevant to the audiences who use it.
2. To lead on the development of the communications and marketing plan, developing clear messages that support our objectives, co-ordinating internal and external communications to maximise stakeholder awareness of our economic activity through all media types to maximise coverage.
3. Develop and manage the social media presence of the Business & Economy Team
4. To support the effective delivery of the Hambleton “A Place to Grow” brand, to deliver economic growth in accordance with the Economic Strategy Investment Plan.

### **Other**

1. Maintaining a thorough understanding of the projects / initiatives to be delivered through the Economic Strategy Investment Plan.
2. To support the Business & Economy Team and related functions including: the collection/collation/input/analysis and dissemination of information, assisting in the compilation of reports.
3. Be an initial point of contact and provide advice and information for individuals/businesses/ who are proposing to apply for grants under the various Council initiatives.
4. Assist in the organisation of seminars, training events and promotional activities including the preparation and delivery of materials and presentations at such events.
5. Measure the impact of communications and external funding activity, compile regular reports on progress against the planned objectives.
6. Undertake any other duties which may be required commensurate with the grade of the post observing and fulfilling all responsibilities in respect of data protection.

December 2014

**HAMBLETON DISTRICT COUNCIL**

**PERSON SPECIFICATION – Funding & Investment Officer**

**POST NO: 000**

QUALITIES	ESSENTIAL	DESIRABLE
<b>EDUCATION AND PROFESSIONAL QUALIFICATIONS</b>	<ul style="list-style-type: none"> <li>• A bachelor’s degree or equivalent qualification.</li> </ul>	
<b>EXPERIENCE</b>	<ul style="list-style-type: none"> <li>• Demonstrable experience of working within regeneration, economic development or an external funding role.</li> <li>• Knowledge of the national funds from government departments - criteria, eligibility, costing regime, monitoring and evaluation requirements.</li> <li>• Experience of European Regional Development Funding.</li> <li>• Experience of preparing successful funding bids, business plans, financial and performance monitoring information</li> <li>• Experience of marketing and communications across a broad range of media including digital, social and print.</li> </ul>	<ul style="list-style-type: none"> <li>• Familiarisation of working with external bodies such as government departments, local enterprise partnerships and district councils.</li> <li>• Experience of partnership and multi-agency working</li> <li>• Experience of participating in multi-disciplinary teams</li> </ul>
<b>PERSONAL COMPETENCIES</b>	<ul style="list-style-type: none"> <li>• Able to comprehend sometimes complex regulations and guidance documents.</li> <li>• Excellent communication skills with the ability to write clear and concise reports, letters, creative funding applications and PR communications showing a meticulous attention to detail.</li> <li>• High standard of computer literacy (Excel, Word and Outlook).</li> <li>• Able to plan own workload and influence others to ensure deadlines are met.</li> <li>• The ability to identify problems, analyse/ research complex information and use judgement to reach informed decisions or help others to do so.</li> <li>• The ability to work collaboratively and to develop excellent working relationships with colleagues, senior officers, elected members , service users and other external partners</li> </ul>	<ul style="list-style-type: none"> <li>• Some knowledge of local government policies and procedures.</li> <li>• Experience of developing and delivering a PR and Communications Strategy.</li> </ul>

<b>OTHER REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• Able to attend external meetings both locally and nationally on occasions.</li> <li>• Flexibility to work across all locations within the Hambleton District with occasional out of normal hours working</li> <li>• Need to have a clean driving license and access to a car.</li> </ul>	
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(1 = Application Form 2 = Interview 3 = Proof of Qualification 4 = Practical Exercise)

December 2014

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
10 February 2015

**Subject:** PUBLIC OPEN SPACE, SPORT AND RECREATION ACTION PLANS

**Brompton and Stillington Wards**  
**Portfolio Holder for Leisure and Customer Services: Councillor Mrs B S Fortune**

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### **1.0 PURPOSE AND BACKGROUND:**

1.1 The Council's policy is to endorse Public Open Space, Sport and Recreation Sub Area Action Plans to provide a more strategic and efficient process for allocating future Section 106 monies (see Annex A) either from Local Development Framework allocations or windfall sites.

1.2 The purpose of this report is to endorse the Public Open Space, Sport and Recreation Action Plans for Brompton (refresh) and Stillington (refresh).

1.3 The Council's policy states that each Action Plan must comply with the following:

- Ascertain what is already provided
- Consider public open space, sport and recreation projects that are included in the local Community or Parish Plan to identify existing need
- Includes consultation with community groups that manage public open space, sport or recreation facilities to identify future need
- Includes consultation with the District Council Elected Member(s) and the local Area Partnership
- Meet the obligations of Public Open Space, Sport and Recreation Supplementary Planning Document
- Is signed off by a Council Director

The Action Plan detailed in 1.2 meet this criterion.

1.4 Copies of the Action Plans detailed in 1.2 are available at Annex B.

### **2.0 LINK TO COUNCIL PRIORITIES:**

2.1 This links primarily to the Health priority of the Council.

### **3.0 RISK ASSESSMENT**

3.1 Risk has been considered as part of this report and there are no risks identified as a result.

### **4.0 FINANCIAL IMPLICATIONS:**

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

4.2 Action Plans will be subject to 12 monthly reviews to determine progress to ensure that the projects are still relevant and viable.

**5.0 LEGAL IMPLICATIONS:**

5.1 There is a legal responsibility upon the Council to ensure this funding is used in a way consistent with the individual Section 106 Agreements.

**6.0 SECTION 17 CRIME AND DISORDER ACT 1998:**

6.1 Some of these projects have the potential to reduce crime and disorder through providing diversionary activity for young people.

**7.0 EQUALITY/DIVERSITY ISSUES:**

7.1 All projects in receipt of this funding should have equal access and be available for the general public to use.

**8.0 RECOMMENDATION(S):**

8.1 It is recommended that the Public Open Space, Sport and Recreation Action Plans in Annex B be endorsed.

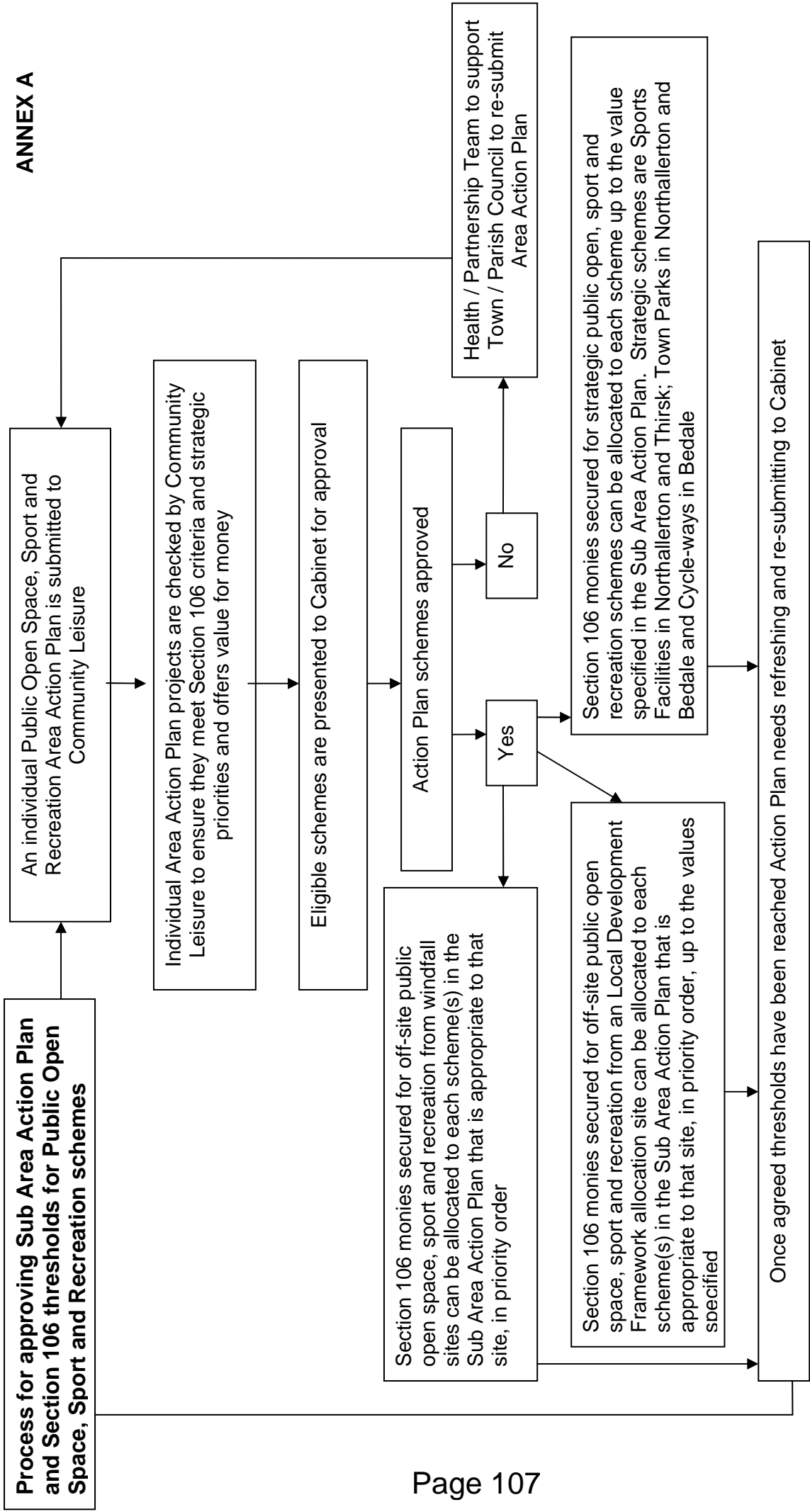
DAVE GOODWIN

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

**Author ref:** DRG

**Contact:** Dave Goodwin  
Director – Customer and Leisure Services  
01609 767147

100215 Public Open Space Brompton Stillington



**PUBLIC OPEN SPACE, SPORT AND RECREATION ACTION PLAN – BROMPTON (REFRESH)**

What POS / Sport / Recreation facilities do you have already?	Managing organisation	Future actions	How do you know there is a need for this project?	Estimated cost (£)	Community Priority (1 = highest priority)
Village Greens; 2 x children's play area, recreation areas (football, rugby) & allotments	Brompton Flood Prevention Group	Installation of natural flood defences in tributaries to reduce the flow times of flooding to protect Water End green	Through previous flooding incidents.	£20,000.00	1
	Brompton Recreation Association	Refurbishment of existing equipment and renew fencing	Annual inspection and ongoing public consultation with regular users	£10,000.00	2
	Brompton Recreation Association	Installation of new play equipment	Ongoing public consultation with regular users	£20,000.00	3
	Brompton Recreation Association	Installation of a 0.5 mile 1.4m wide dual use cycle and running track with fitness stations	Ongoing public consultation with regular users	£25,000.00	4
	Brompton Allotment Grows	Installation of a borehole so that water can be accessed on site	Through consultation with allotment owners	£20,000.00	5
	Brompton Recreation Association	Minimum FA requirement floodlight system, benches and shelters	Consultation and feedback from Brompton Juniors Football Club	£40,000.00	6
	Brompton Flood Prevention Group	Installation of natural flood defences in tributaries to reduce the flow times of flooding to protect the properties and people of Brompton	Through previous flooding incidents.	£40,000.00	7
	Brompton Village Hall	Renovation and refurbishment of the hall and its facilities – phase 1 - building and structure; to replace and re-build the back/rear area of the hall.	Feedback from current users and village survey completed in early 2014	£25,000.00	8



What POS / Sport / Recreation facilities do you have already?	Managing organisation	Future actions	How do you know there is a need for this project?	Estimated cost (£)	Community Priority (1 = highest priority)
	Brompton Village Hall	Renovation and refurbishment of the hall and its facilities – phase 2 - to build a new kitchen and toilet facilities with changing area. To create a new meeting area/internet cafe. To re-build the outside building.	Feedback from current users and village survey completed in early 2014	£25,000.00	9

**PUBLIC OPEN SPACE, SPORT AND RECREATION ACTION PLAN – STILLINGTON (REFRESH)**

What POS / Sport / Recreation facilities do you have already?	Managing organisation and contact details	Future actions	How do you know there is a need for this project?	Estimated cost (£)	Community Priority (1 = highest priority)
Children's Play area at Stillington Sports & Social ground	Stillington Playing Fields Association	New play equipment	Parish Plan/ Children's comments Users & visitors have identified. No current equipment for older children	£10,000 (£2,098 allocated to date)	1
Cricket Pitch and grounds at Stillington Sports & Social Club	Stillington Cricket Club	New cricket cage & nets to standard height and flooring	Users & visitors have identified; existing cage & flooring no longer adequate	£25,000	2
Sports and Social Club indoor facilities	Stillington Sports and Social Club	Updated changing rooms, showers and toilets, and kitchen facilities	Users: Parish Plan review 2013 – outdated facilities	£100,000	3
Village Green	Stillington Parish Council	Improved car parking and planting	Users: Parish Plan review 2013	£3,000	4
Pond areas and surrounding common land	Stillington Parish Council	Management of the Village pond and tree planting on both sides	Users: Parish Plan review 2013 – outdated facilities	£3,000	5
Car park at Sports and Social Club	Stillington Playing Fields Association	Resurfacing of car park	Users: feedback	£5,000	6

What POS / Sport / Recreation facilities do you have already?	Managing organisation and contact details	Future actions	How do you know there is a need for this project?	Estimated cost (£)	Community Priority (1 = highest priority)
Woodland strip at Stillington Sports and Social Club	Stillington Playing Fields Association	Periodic tree felling & replanting schemes for a healthy woodland	Mature trees will need attention for health & safety; and also good woodland management	£3,000	7

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