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HAMBLETON DISTRICT COUNCIL

AGENDA

Committee Administrator: Democratic Services Officer (01609 767015)

Monday, 1 February 2016

Dear Councillor

NOTICE OF MEETING

Meeting	**CABINET**
Date	**Tuesday, 9 February 2016**
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

as detailed in paragraph 2.2 and attached at Annex ‘A’ of the report; the Capital Programme 2016/17 at £16,758,070 detailed in Annex ‘B’ of the report be approved for implementation; the Treasury Management Strategy attached at Annex ‘C’ of the report be approved; the Minimum Revenue Provision Policy Statement attached in the body of the Treasury Management Strategy Statement Annex ‘C’ of the report be approved; the Prudential and Treasury Indicators attached at Annex ‘C’ of the report in the body of the Treasury Management Strategy Statement be approved; the revised Treasury Management Policy Statement at Annex ‘D’ of the report be approved and the Scheme of Delegation and role of the S151 Officer attached at Annex ‘E’ of the report be approved.

Relevant Ward(s): All Wards

7. REVENUE BUDGET 2016/17 77 - 86

This report presents at a strategic level the revenue budget proposals for the next financial year 2016/17.

In accepting the recommendation, Cabinet will approve and recommend to Council the Revenue Budget for 2016/17 at £7,811,370.

Relevant Ward(s): All Wards

8. COUNCIL TAX 2016/17 87 - 104

This report considers the level of Council Tax for 2016/17 and the policy on reserves. It also provides details of the Council’s formula grant funding settlement for 2016/17 and the Business Rates target for the Retained Business Rates funding mechanism, which is now operated as a pool across North Yorkshire.

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

Relevant Ward(s): All Wards

Policy and Strategy

9. LOCAL PLAN - STRATEGIC HOUSING MARKET ASSESSMENT 105 - 118

This report seeks agreement of the Strategic Housing Market Assessment as part of the Council’s evidence base for the preparation of the new Local Plan and as a basis to inform S106 negotiations in relation to affordable housing and housing type, mix and tenure.

In accepting the recommendations, Cabinet will approve and recommend to Council that that the Strategic Housing Market Assessment is approved for the purposes of evidence base for Hambleton Local Plan; that the Objectively Assessed Need in the Strategic Housing Market Assessment provides the basic requirement for assessing five year supply and considered in the determination of applications for housing until a Housing Target is developed as part of the Local Plan; that additional work is carried out to develop scenarios for economic growth, using the established Objectively Assessed Need as a base, in order to determine the final Local Plan housing target and that this is reported to Cabinet; and that the Strategic Housing Market Assessment will be used as a basis to inform negotiations on planning applications, both with respect to the mix and type of market housing and affordable housing contributions including the type, mix and tenure.

Relevant Ward(s): All Wards

10. CITY OF YORK COUNCIL, NORTH YORK MOORS NATIONAL PARK AUTHORITY AND NORTH YORKSHIRE COUNTY COUNCIL MINERALS AND WASTE JOINT PLAN - PREFERRED OPTIONS CONSULTATION 119 - 126

The Preferred Options consultation document is the third main step in the preparation of the Minerals and Waste Plan, which is being prepared jointly by City of York Council, the North York Moors National Park Authority and North Yorkshire Country Council. The Preferred Options present new draft planning policies for minerals and waste and identifies possible new sites for minerals and waste development which are considered suitable. The purpose of this report is to set out the main implications of the Plan for Hambleton District and seek approval for a formal response.

In accepting the recommendation, Cabinet will give approval for the comments set out in paragraph 3.1 of the report and any other comments raised by Members to be passed onto City of York Council, the North York Moors National Park Authority and North Yorkshire County Council as a formal response to the Preferred Options for the Joint Minerals and Waste Plan.

Relevant Ward(s): All Wards outside the North York Moors National Park

Policy Implementation

11. PUBLIC OPEN SPACE, SPORT AND RECREATION PLANS 127 - 130

This report seeks endorsement of the refreshed Public Open Space, Sport and Recreation Plan for Great Ayton.

In accepting the recommendation, the refreshed Public Open Space, Sport and Recreation Plan for Great Ayton will be endorsed.

Relevant Ward(s): Great Ayton

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 February 2016

Subject: **FINANCIAL STRATEGY 2016/17 TO 2025/26**

All Wards

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

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1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of this report is to consider the Financial Strategy 2016/17 to 2025/26.

Financial Strategy 2016/17 to 2025/26

1.2 The Financial Strategy 2016/17 to 2025/26 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 2016/17 to 2025/26;
- 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 2016/17 there is a collection fund deficit of £77,188 as a result of past appeals and the Government's decision to give Business Rate exemptions to doctors' surgeries, this should not be an issue in future years as legislation is now in place to prevent businesses back dating appeals.
- Reductions in New Homes Bonus Grant to fund Adult Social Care and the current consultation that suggests the scheme will end in 2020/21.
- The impact of the low Bank Base Rate on the ability of the Council to generate investment income from balances.
- Significant income receipt from the Council's loan to Broadacres Housing Association.

1.4 The Council's financial standing has significantly deteriorated as a direct result of the funding settlement announced in December 2015. To maintain a robust Financial Strategy the Council will be required to find £1m of savings in the period of the current Council.

1.5 In achieving these savings it is anticipated that balances will remain stable throughout the Financial Strategy at between £13.6m and £11.4m.

2.0 LINK TO COUNCIL 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 FINANCIAL IMPLICATIONS:

4.1 There are no direct financial implications associated with this report.

5.0 LEGAL IMPLICATIONS:

5.1 There are no legal implications associated with this report.

6.0 EQUALITY/DIVERSITY ISSUES

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

7.0 RECOMMENDATIONS:

7.1 it is recommended that Cabinet approves and recommends to Council the Financial Strategy 2016/17 to 2025/26 at Annex 'A' and 'A'(1)

JUSTIN IVES

Background papers: None

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ANNEX 'A'

FINANCIAL STRATEGY 2016/17 TO 2025/26

1.0 PURPOSE OF THE FINANCIAL STRATEGY 2016/17 TO 2025/26:

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 2016/17 TO 2025/26:

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 2016/17 to 2025/26 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 <u>NATIONAL ECONOMIC CONTEXT:</u>

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 positon 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 <u>GOVERNMENT POLICY AND IMPACT:</u>

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 increased this to almost 25%.

Autumn statement 2015

4.3 The funding settlement announced in December 2015 has significantly deteriorated the Council's financial standing. Within the Financial Strategy it is estimated that the Council will lose 22.4% of its grant funding from Central Government excluding New Homes Bonus Grant over the 4 year period 2016/17 to 2019/20.

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. This base line funding will be made up of a combination of retained Business Rates and new Revenue Support Grant. The provisional financial settlement released in December 2015 indicates that by 2020 Revenue Support Grant will cease. In reality this means that the Council will, over the next 4 years, lose a further £1.6m in funding not taking into account any reduction in New Homes Bonus 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. The Business Rate Pool will continue to operate in 2016/17.

5.4 Under the Business Rate Retention System Business Rate appeals lodged by organisations in Hambleton have a direct impact on the Council. For 2016/17 there is a collection fund deficit of over £77,188 as a result of past appeals and the Government's decision to give Business Rate exemption to doctors' surgeries. 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, recent consultation suggests that the grant will be significantly reduced, tapering off to zero by 2020/21.

6.2 The scheme is designed to pay the Council the average annual value of Council Tax at Band D for a property from the year after its occupancy for a total of 6 years. 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 cessation of New Homes Bonus Grant by 2020/21 represents a further reduction to the Council of £1.8m per year.

7.0 <u>LOCAL INCOME POSITION</u>:

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 The Financial Strategy assumes a prudent increase in Council Tax of £5 on a Band D equivalent property per annum for the duration of the Strategy.

Interest on Balances

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 increased overall by 2% in 2016/17. 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 to be paid in line with the recent consultation;
3) £1m of efficiencies will be found during the period of the Strategy;
4) 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 2016 the Council will have Reserves and Balances of £13.620m. 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, however, a 1% increase has been offered for 2016/17.

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.

Recycling Contract

8.3 The recycling market is currently depressed costing the Council an additional £0.5m per annum. There is a risk that this could deteriorate further which would increase the required efficiency savings.

Energy prices

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

Capital Programme

8.5 The Financial Strategy provides an estimate of the capital resources that will be required between 2016/17 and 2025/26. The Programme has been constructed to ensure that expenditure is not only maintained within existing resources but that there are capital resources available at the end of the Strategy to provide for the future.

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:-

Risk	Implication	Prob*	Imp*	Total	Preventative action
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

Risk	Implication	Prob*	Imp*	Total	Preventative action
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
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
Inability to find the £2m required efficiency savings	No reduction in expenditure	3	5	15	Work started already to find required savings

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

FINANCIAL STRATEGY **ANNEX A**

ASSUMPTIONS

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Inflation										
	%	%	%	%	%	%	%	%	%	%
Council Tax base	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Government support	-22.30	-7.80	-3.00	-0.30	0.00	0.00	0.00	0.00	0.00	0.00
Interest rates	0.75	1.50	1.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Budget increase	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Council tax										
Retained business rate increase above RPI	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Council tax increase	1.99	1.99	1.99	1.99	1.99	1.99	1.99	1.99	1.99	1.99
Council Tax per household	94.48	99.48	104.48	109.48	114.48	119.48	124.48	129.48	134.48	139.48
Number of band D properties	35,088	35,474	35,865	36,259	36,658	37,061	37,469	37,881	38,298	38,719
Increase in Band D Properties	378	386	390	395	399	403	408	412	417	421
Government Support										
Additional BR	612,470	479,000	523,000	571,000	593,840	617,594	642,297	667,989	694,709	722,497
Retained Business Rates	1,910,000	1,950,000	2,010,000	2,070,000	2,152,800	2,238,912	2,328,468	2,421,607	2,518,472	2,619,210
Revenue Support Grant	1,020,748	620,000	370,000	90,000	0	0	0	0	0	0
Collection Fund Surplus / Deficite Transfer	-77,188	-124,000	68,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000
New Homes Bonus	1,832,136	1,460,000	1,065,000	958,000	804,000	0	0	0	0	0
Council Tax	3,315,158	3,528,997	3,747,139	3,969,653	4,196,609	4,428,078	4,664,132	4,904,843	5,150,285	5,400,533
	8,613,324	7,913,997	7,783,139	7,776,653	7,865,249	7,402,584	7,752,898	8,112,439	8,481,465	8,860,241

REVENUE BUDGET and COUNCIL TAX

		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Operational budget	501954	8,111,370	7,967,597	6,902,949	6,735,008	6,869,708	7,007,102	7,147,244	7,290,189	7,290,189	7,435,993
		8,111,370	7,967,597	6,902,949	6,735,008	6,869,708	7,007,102	7,147,244	7,290,189	7,290,189	7,435,993
Less :											
Investment Income		300,000	200,000	300,000	0	0	0	0	0	0	0
Budget Savings		0	(1,000,000)	0	0	0	0	0	0	0	0
NET REVENUE BUDGET		7,811,370	6,767,597	6,602,949	6,735,008	6,869,708	7,007,102	7,147,244	7,290,189	7,290,189	7,435,993
FINANCED BY :											
External support		5,298,166	4,385,000	3,513,000	3,807,000	3,668,640	2,974,506	3,088,766	3,207,596	3,331,180	3,459,708
Council tax		3,315,158	3,528,997	3,747,139	3,969,653	4,196,609	4,428,078	4,664,132	4,904,843	5,150,285	5,400,533
Contribution (to)/from Council Taxpayer Reserve		(801,954)	(1,146,399)	(657,190)	(1,041,645)	(995,541)	(395,482)	(605,653)	(822,250)	(1,191,276)	(1,424,248)
		7,811,370	6,767,597	6,602,949	6,735,008	6,869,708	7,007,102	7,147,244	7,290,189	7,290,189	7,435,993

STATEMENT of RESERVES

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Council Taxpayer										
Opening balance	3,336,524	4,138,478	5,284,877	5,942,067	5,983,712	5,979,253	6,374,735	4,980,388	5,802,638	5,993,914
Add : New homes bonus	0	0	0	0	0	0	0	0	0	0
Add : Interest on balances	0	0	0	0	0	0	0	0	0	0
	3,336,524	4,138,478	5,284,877	5,942,067	5,983,712	5,979,253	6,374,735	4,980,388	5,802,638	5,993,914
Less: Transfers to support Council Tax	(801,954)	(1,146,399)	(657,190)	(1,041,645)	(995,541)	(395,482)	(605,653)	(822,250)	(1,191,276)	(1,424,248)
Less: Transfers to One Off Fund	0	0	0	0	0	0	0	0	0	0
Less: Transfers to R&M Fund	0	0	0	0	1,000,000	0	1,000,000	0	1,000,000	0
Less: Transfers to Computer Fund	0	0	0	1,000,000	0	0	1,000,000	0	0	1,000,000
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	0	0
	4,138,478	5,284,877	5,942,067	5,983,712	5,979,253	6,374,735	4,980,388	5,802,638	5,993,914	6,418,161
Repairs and Renewals Fund										
Opening balance	2,956,785	2,393,790	1,855,790	1,326,790	748,790	1,204,790	619,790	992,790	391,790	804,790
Add: Transfers from Taxpayers Reserve	0	0	0	0	1,000,000	0	1,000,000	0	1,000,000	0
Add: Transfers to Computer Fund										
	2,956,785	2,393,790	1,855,790	1,326,790	1,748,790	1,204,790	1,619,790	992,790	1,391,790	804,790
Less : Repairs	421,000	428,000	438,000	448,000	458,000	470,000	481,000	491,000	501,000	511,000
Less: Renewals - Housing and Planning	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Less: Renewals - Leisure	0	24,000	0	44,000	0	24,000	0	24,000	0	0
Less: Renewals - Corporate	91,995	36,000	41,000	36,000	36,000	41,000	96,000	36,000	36,000	36,000
	2,393,790	1,855,790	1,326,790	748,790	1,204,790	619,790	992,790	391,790	804,790	207,790
Computer Fund										
Opening balance	1,068,023	594,270	399,770	190,070	699,540	453,640	192,540	916,240	624,740	319,140
Add: Transfers from Council Taxpayers Reserve	0	0	0	1,000,000	0	0	1,000,000	0	0	1,000,000
Add: Transfers from Repairs and Renewals Fund										
	1,068,023	594,270	399,770	1,190,070	699,540	453,640	1,192,540	916,240	624,740	1,319,140
Less : Payments in year - CAPITAL & REVENUE	473,753	194,500	209,700	490,530	245,900	261,100	276,300	291,500	305,600	319,140
	594,270	399,770	190,070	699,540	453,640	192,540	916,240	624,740	319,140	1,000,000
Grants Fund										
Opening balance	348,762	248,762	148,762	68,762	0	0	0	0	0	0
Add: Transfers from Council Taxpayers Reserve	0	0	0	0	0	0	0	0	0	0
	348,762	248,762	148,762	68,762	0	0	0	0	0	0
Less : Payments in year	100,000	100,000	80,000	68,762	0	0	0	0	0	0
	248,762	148,762	68,762	0	0	0	0	0	0	0
Economic Development Fund										
Opening balance	2,817,019	331,901	0	0	1,760,000	1,320,000	880,000	440,000	0	0
Add: Capital Receipt from Sale of Prison Site	0	0	0	2,200,000	0	0	0	0	0	0
Repaid borrowing from Business Improvement District		300,000	300,000	300,000	300,000	300,000				
	2,817,019	631,901	300,000	2,500,000	2,060,000	1,620,000	880,000	440,000	0	0
Less :Payments	2,485,118	631,901	300,000	740,000	740,000	740,000	440,000	440,000		
	331,901	0	0	1,760,000	1,320,000	880,000	440,000	0	0	0
One Off Fund										
Opening balance	1,252,912	1,252,912	1,252,912	1,252,912	1,112,912	1,112,912	1,112,912	1,112,912	972,912	972,912
Add: Transfers	0	0	0	0	0	0	0	0	0	0
	1,252,912	1,252,912	1,252,912	1,252,912	1,112,912	1,112,912	1,112,912	1,112,912	972,912	972,912
Less : Payments in year	0	0	0	140,000	0	0	0	140,000	0	0
	1,252,912	1,252,912	1,252,912	1,112,912	1,112,912	1,112,912	1,112,912	972,912	972,912	972,912

General Fund Working Balance	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Resources brought forward	2,324,532	1,071,741	1,321,198	1,334,984	1,296,102	1,259,553	1,284,339	788,461	784,421	794,721
PLUS : New Receipts										
Sale of land - Leaming Bar	558,500	400,000	0	0	0	0	0	0	0	0
Sale of Assets	194,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Add: Transfers from Council Taxpayers Reserve			0	0	0	0	0	0	0	0
Waste Reciprical Cont.	65,629	65,957	66,286	66,618	66,951	67,286	67,622	67,960	68,300	68,641
Grants	435,000	113,500	113,500	116,500	113,500	113,500	116,500	100,000	100,000	100,000
	1,253,629	589,457	189,786	193,118	190,451	190,786	194,122	177,960	178,300	178,641
LESS : Capital Expenditure	2,506,420	340,000	176,000	232,000	227,000	166,000	690,000	182,000	168,000	160,000
Total resources available	1,071,741	1,321,198	1,334,984	1,296,102	1,259,553	1,284,339	788,461	784,421	794,721	813,362
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2022/24**	**2022/25**	**2022/25**
Revenue reserves										
Council taxpayers	4,138,478	5,284,877	5,942,067	5,983,712	5,979,253	6,374,735	4,980,388	5,802,638	5,993,914	6,418,161
Repairs and Renewals Fund	2,393,790	1,855,790	1,326,790	748,790	1,204,790	619,790	992,790	391,790	804,790	207,790
Computer Fund	594,270	399,770	190,070	699,540	453,640	192,540	916,240	624,740	319,140	1,000,000
Grants Fund	248,762	148,762	68,762	0	0	0	0	0	0	0
Economic Development Fund	331,901	0	0	1,760,000	1,320,000	880,000	440,000	0	0	0
One Off Fund	1,252,912	1,252,912	1,252,912	1,112,912	1,112,912	1,112,912	1,112,912	972,912	972,912	972,912
	8,960,113	8,942,111	8,780,601	10,304,954	10,070,595	9,179,977	8,442,330	7,792,080	8,090,756	8,598,863
Capital Receipts										
Resources available	1,071,741	1,321,198	1,334,984	1,296,102	1,259,553	1,284,339	788,461	784,421	794,721	813,362
	1,071,741	1,321,198	1,334,984	1,296,102	1,259,553	1,284,339	788,461	784,421	794,721	813,362
General Fund Working Balance	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Balances	12,031,854	12,263,309	12,115,585	13,601,056	13,330,148	12,464,316	11,230,791	10,576,501	10,885,477	11,412,225

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 February 2016

Subject: **2015/16 QUARTER 3 CAPITAL PROGRAMME AND TREASURY MANAGEMENT MONITORING**

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 provide Members with the Quarter 3 update at 31 December 2015 on the progress of the Capital Programme 2015/16 and the Treasury Management position. A full schedule of the Capital Programme 2015/16 schemes is attached at Annex 'A', together with the relevant update on progress of each scheme.

1.2 Capital expenditure is intrinsically linked with Treasury Management as the way that the Capital Programme is funded, directly effects the Treasury Management arrangements of the Council. This Council currently has no borrowing for a capital purpose at Quarter 3; instead capital expenditure to date is funded by grants, receipts and reserves. The use of the Council's funds affects the daily Treasury Management cash flow position, as well as the requirement to investment these surplus funds.

2.0 CAPITAL PROGRAMME SUMMARY:

2.1 The 2015/16 Capital Programme was approved by Cabinet at Quarter 2 on 1 December 2015 at £17,284,838. This can be divided between the investment to be made with Broadacres Housing Association of £10,000,000 and the rest of the capital programme at £7,284,838.

2.2 A net decrease to the overall Capital Programme of £3,047,435 is detailed in this Quarter 3 monitor that results in a revised Capital Programme budget of £14,237,403. The main decrease is in relation to the re-profiling of capital expenditure projects to future years. The Capital Programme is attached at Annex 'A'.

2.3 The net decrease of £3,047,435, to be approved in this report is detailed in Annex 'B' and is made up of:-

(a) increase in expenditure of £168,996 supported from Council reserves;
(b) transfer of funds between schemes, with overall effect being zero;
(c) decrease in expenditure of £3,187,411 where schemes have been carried forward to future years;
(d) reduction in expenditure of £29,020 where funding is no longer required.

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

Portfolio	Current Approved Expenditure £	Revised Expenditure Q3 £	Variance Increase/ (decrease) £	Request for additional funding £	Funding no longer required in 2015/16 £	Schemes re-profiled to future years £
Environmental & Planning Services	1,067,038	1,033,238	(33,800)	0	(12,000)	(21,800)
Customer & Leisure	1,131,469	590,954	(540,515)	0	(17,020)	(523,495)
Support Services	1,537,963	965,961	(572,002)	0	0	(572,002)
Economic Development Fund	3,548,368	1,647,250	(1,901,118)	168,996	0	(2,070,114)
Sub Total	**7,284,838**	**4,237,403**	**(3,047,435)**	**168,996**	**(29,020)**	**(3,187,411)**
Loan to Broadacres	10,000,000	10,000,000	0	0	0	0
Total	**17,284,838**	**14,237,403**	**(3,047,435)**	**168,996**	**(29,020)**	**(3,187,411)**

Table 2: Capital Programme Q3 2015/16

2.5 To 31 December 2015 capital expenditure of £2,700,254 had been incurred or committed representing 64% of the revised Quarter 3 Capital Programme position of £4,237,403 - excluding the loan to Broadacres capital expenditure. It is expected at Quarter 3 that the Capital Programme will come in on target at the end of the financial year and all schemes will be closely monitored.

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

3.0 <u>FUNDING THE CAPITAL PROGRAMME</u>:

3.1 For 2015/16, at Quarter 3, the Capital Programme of £14,237,403 is being funded from £314,315 external grants/contributions, £10,000,000 reserve funds to finance the Broadacres Loan, £1,647,250 economic development reserve funding, £285,082 from the computer fund, £168,499 from the repairs & renewal fund and £1,822,257 from capital receipts or capital reserves.

3.2 The external grant contributions of £314,315 are £219,821 Government Grant for Disabled Facilities grant, £6,748 S106 for Thirsk & Sowerby Sports Village, £22,710 S106 for North Northallerton Road & Bridge project, £35,036 S106 for the Dalton Bridge project and £30,000 from the LEP for the Central Northallerton project.

3.3 The capital receipts estimated to be received during 2015/16 is £107,000, with further capital receipts being re-profiled to be received in 2016/17 at £743,000.

3.4 Therefore at year end in accordance with accounting practice the Capital Programme will be financed using all available in year funding prior to using the Council's capital reserves.

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 2016/17, for approval at this February 2015 Cabinet prior to the beginning of the new financial year.

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

4.0 TREASURY MANAGEMENT POSITION 2015/16:

4.1 The Treasury Management review at Quarter 3 2015/16 is attached at Annex 'C' and provides Members with an update on the:

(a) treasury management position
(b) economy and interest rates
(c) investment policy and counterparty criteria
(d) investment performance
(e) borrowing position
(f) compliance with prudential and treasury indicators

4.2 The investment position at Quarter 2 was £24,660,000 with an average amount invested in the first six months of £31,862,145; the average interest rate of return was 0.61%. For surplus funds invested for 3 months or more, a return of 0.81% was achieved which was 0.37% greater than the 3 month benchmark at 0.44%. For funds invested short term 0.40% was achieved compared to the 7 day benchmark of 0.36%.

4.3 The interest rate environment continues to offer investment market rates of return around the Base Rate level of 0.5%. There is some volatility in the market due to the uncertainty as to when the Base Rate will rise which is now expected to be early quarter 3 2016. This market volatility offers opportunities to seek out higher rates of investment return above Base Rate. The interest earned to date at Quarter 3 is £146,982 against a budget for the year of £170,390; this is expected to be achievable by quarter 4. Further information on the economic environment and interest rates is attached at Annex 'D'.

4.4 The Council undertook no borrowing at Quarter 3 2015/16 and remained debt free.

4.5 The Council has operated within the treasury and prudential indicators set out at Annex 'E'. The approved limits within the Annual Investment Strategy were not breached during the first nine months of 2015/16.

5.0 LINK TO COUNCIL PRIORITIES:

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

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

6.0 RISK ASSESSMENT:

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

7.0 FINANCIAL IMPLICATIONS:

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

8.0 LEGAL IMPLICATIONS:

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

9.0 EQUALITY/DIVERSITY ISSUES:

9.1 The Capital Programme seeks to address key equality issues that affect the Council and the public. The main scheme that specifically addressed equalities in the third quarter of 2015/16 is the disabled facilities grant Scheme and the disabled access doors to the civic centre.

10.0 RECOMMENDATIONS:

10.1 That Cabinet approves and recommends to Council:-

(1) the net decrease of £3,047,453 in the Capital Programme to £14,237,403 as detailed in Annex 'B' and also in the Capital Programme attached at Annex 'A';

(2) the increase of capital expenditure funded from the Economic Development Fund of £168,996;

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

(4) the Treasury Management position and prudential indicators at Annex 'E'.

JUSTIN IVES

Background papers: Capital programme working papers Q3
Treasury management working papers Q3

Author ref: LBW

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Head of Resources
Direct Line No: 01609 767024

Capital Programme Schemes 2015/16													Annex A
Councillor / Officer	**Capital Scheme**	**Fund**	**Budget 2015/16 Approved at Q2**	**Qtr 3**	**Qtr 3 + 2015/16**	**Third Party Contn**	**Cost to the Council £**	**Expenditure at 31/12/15**	**Anticipated Expenditure Year End**	**Variance**	**Change in Funding Taken / (Returned) Capital Reserve**	**Estimated complete date**	**Explanation**
			£	£	£	£	£	£	£	£	£		
Cllr Phillips	**Environmental & Planning Services**												
MJ	Purchase of bins and boxes for refuse and recycling	R&R	36,000		36,000		36,000	21,051	36,000	0		Mar-16	This scheme is on target and budget will be spent by end of year
MJ	Disabled Facilities Grant	CR	271,101		271,101	219,821	51,280	151,721	271,101	0		Mar-16	Grant allocation on going - budget will be spent by end of March 16
MJ	Waste and Street Scene - Telematics	CR	30,000	(12,300)	17,700		17,700	17,700	17,700	(12,300)	(12,300)	Jan-17	Linked to Waste & Recycling review, and North Yorkshire Waste Parnership. Initial spend of £17,700 is on software and the additional £12,300 will be spent in Jan 2017 - Roll forward to 2016/17.
MJ	Waste and Street Scene - Training Room	CR	9,500	(9,500)	0		0	0	0	(9,500)	(9,500)	Mar-17	Delay due to Asbestos - Roll forward of £9,500 to 2016/17
MJ	Waste and Street Scene, Central Depot - Dog, Litter Bins	CR	14,000		14,000		14,000	14,000	14,000	0		Dec-15	Scheme complete.
MJ	Waste Strategy - new kerbside collection bins	CR	671,250		671,250		671,250	0	671,250	0		Mar-16	10 years Waste Strategy, January 2016 - delivery of new bins.
MJ	Central Depot - Additional Parking	CR	8,000		8,000		8,000	2,423	8,000	0		Mar-16	Scheme in development and procurement in progress
MJ	Central Depot - Fuel Safety system		6,000		6,000		6,000	0	6,000	0		Feb-16	Safety reels on hoses completed and software will be installed in February, awaiting invoices
MJ	Stokesley Depot - Security Fencing	CR	8,000		8,000		8,000	0	8,000	0		Mar-16	Contractor appointed, programmed to start February 2016
MJ	HGV Workshop and Storage Area Asbestos removal	CR	12,000	(12,000)	0		0	0	0	(12,000)	(12,000)	Mar-16	Asbestos removal works now funded from one-off fund, £12,000 return to funds.
MJ	Central Depot - Security Fencing	CR	1,187		1,187		1,187	0	1,187	0		Feb-16	Scheme almost complete, final element of works being agreed with WaSS
	Total Scheme Value Environmental & Planning Services		**1,067,038**	**(33,800)**	**1,033,238**	**219,821**	**813,417**	**206,895**	**1,033,238**	**(33,800)**	**(33,800)**		
Cllr Mrs Fortune	**Customer & Leisure Services**												
DG	Gym equipment refresh	R&R	24,000	(15)	23,985		23,985	23,985	23,985	(15)	(15)	Jun-15	Works completed and £15 to be returned to funds.
DG	Leisure Equipment Lease Buy	Rev	200,000	(200,000)	0		0	0	0	(200,000)	(200,000)	Mar-16	Project is linked to HLC Improvements - awaiting in principle decision in Qtr3. £200,000 to be roll forward to 2017/18
DG	Web / Intranet Development	CF	33,090	2,440	35,530		35,530	35,530	35,530	2,440		Jul-15	The website went live in July and the project has been finalised in November 2015 and has overspent by £2,440.
DG	Hambleton Leisure Centre - Fire Alarm System	CR	15,000	(6,040)	8,960		8,960	8,960	8,960	(6,040)	(6,040)	Dec-16	Part of scheme of £6,040 to be rolled forward to 2016/17.
DG	Hambleton Leisure Centre - External Render	CR	8,000	(8,000)	0		0	0	0	(8,000)	(8,000)	Mar-16	£8,000 to be rolled forward to 2016/17
DG	Hambleton All Weather Pitch Refurbishment	CR	131,000	(3,750)	127,250		127,250	17,200	127,250	(3,750)		Nov-15	Works complete, awaiting invoices but there will be an underspend. Request to transfer £3750 from this scheme to BLC Improvement Scheme
DG	Hambleton Leisure Centre Improvement Scheme	CR	275,000	(232,765)	42,235		42,235	42,235	42,235	(232,765)	(232,765)	Mar-16	Initial design work and utility services location works completed and fully invoiced. Remaining funds of £232,765 to be roll forward to 2016/17
DG	Bedale Leisure Centre - Boiler and Air Handling Unit	CR	17,000		17,000		17,000	15,838	17,000	0		Dec-15	Work complete awaiting final invoice
DG	Bedale Leisure centre improvement scheme	CR	9,478	3,750	13,228		13,228	13,228	13,228	3,750		Dec-15	Scheme completed. Request to transfer £3750 from underspend at Hambleton All Weather pitch refurbishment scheme
DG	Thirsk & Sowerby Leisure Centre - Roof & Ceiling Repairs	CR	11,000		11,000		11,000	0	11,000	0		Mar-16	The work for this scheme will be delivered during March 2016 as part of the poolside development scheme
DG	Thirsk & Sowerby leisure centre improvement scheme	CR	25,969		25,969		25,969	5,000	25,969	0		Mar-16	Remedial works currently being programmed for delivery in March 2016 during the closedown for poolside redevelopments
DG	Thirsk & Sowerby Leisure Centre - Pool tank and surround tiling	CR	90,000		90,000		90,000	0	90,000	0		Mar-16	The works to the pool tank are critical, External survey identified imminent need to repair tiles / grouting in pool tank. This project will coincide with the "Leisure Centre Improvement Scheme" remidial works which will lessen the impact on 'down-time' for customers and loss of income to the centre. Complete March
DG	Thirsk & Sowerby Sports Village	S106	6,748		6,748	6,748	0	6,748	6,748	0		Sep-15	This scheme is being funded from section 106 money from Sowerby Housing Developments and to date £6,748 has been spent.
DG	Stokesley Leisure Centre improvement scheme	CR	2,730	(5)	2,725		2,725	2,725	2,725	(5)	(5)	Sep-15	Scheme complete and £5 returned to fund.
DG	Stokesley All Weather Pitch Refurbishment	CR	9,925		9,925		9,925	9,117	9,925	0		Oct-15	Works complete, waiting final invoice
DG	Forum - Capital Repairs	CR	41,300	(41,300)	0		0		0	(41,300)	(41,300)	Mar-16	Work to be agreed with external party. Roll forward of £41,300 to 2016/17
DG	CCTV Camera Replacement Programme / wireless network & upgrade	CR	164,000	(34,000)	130,000		130,000	1,743	130,000	(34,000)	(34,000)	Mar-16	Tender process complete and contract awarded to Openview, work programme to start mid January. Roll forward of £34,000 to 2016/17.
DG	Workspaces - Decoration and Furniture	CR	17,000	(17,000)	0		0	0	0	(17,000)	(17,000)	Jan-16	This has moved to revenue, some works have started, quotes obtained in other areas and some works are weather dependent.
DG	Workspaces Air Con Refurbishments	CR	6,000	(3,830)	2,170		2,170	2,170	2,170	(3,830)	(3,830)	Ongoing	Budgeted for periodically in 10yr capital programme for regulation changes. Rolled forward of £3,830 to 2016/17 requested.
DG	Car Park Creation Leeming Bar LBFEC	CR	42,400		42,400		42,400	37,647	42,400	0		Oct-15	Car park now operational, fencing still to complete. Awaiting scheme invoices. 95% of the works now complete, should be complete by March 2016
DG	17 Market Place Bird Netting	CR	1,829		1,829		1,829	1,829	1,829	0		Sep-15	Scheme completed.
	Total Scheme Value Customer & Leisure Services		**1,131,469**	**(540,515)**	**590,954**	**6,748**	**584,206**	**223,954**	**590,954**	**(540,515)**	**(542,955)**		

Capital Programme Schemes 2015/16													Annex A
Councillor / Officer	Capital Scheme	Fund	Budget 2015/16 Approved at Q2	Qtr 3	Qtr 3 + 2015/16	Third Party Contn	Cost to the Council £	Expenditure at 31/12/15	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Estimated complete date	Explanation
			£	£	£	£	£	£	£	£	£		
Cllr Knapton	**Support Services**												
JI	Public lighting replacement	R&R	98,714		98,714		98,714	50,643	98,714	0		Mar-16	Project scheduled to be completed in March 2016
JI	Public lighting energy reductions	CR	11,060		11,060		11,060	55	11,060	0		Mar-16	Project scheduled to be completed in March 2016
JI	Air Conditioning - Legislation requirement Corporate	R&R	28,000	(18,200)	9,800		9,800	1,604	9,800	(18,200)	(18,200)	Mar-16	Works agreed, £18,200 to roll forward to 2016/17 due to rescheduling of related schemes. Roll forwards, £18,200 made up of £4,200 - Depot training room, £6,000 - Springboard server room, £8,000 Civic Centre server room
JI	Civic Centre - Toilet Refurbishment	CR	50,000		50,000		50,000	40,640	50,000	0		Oct-15	Scheme Complete, awaiting final invoices.
JI	Civic Centre - Disabled Access Doors and Ramp	CR	35,000		35,000		35,000	3,686	35,000	0		Mar-16	Power assist doors complete, ramp scheme design and procurement in progress
DG	Solar Panels - Civic Centre	CR	87,000	(87,000)	0		0	0	0	(87,000)	(87,000)		Scheme not now financially beneficial, scheme will not now progress, roll forward £87,000 to 2016/17 requested for new LED public lighting scheme.
JI	ICT Improvements	CF	309,552	(70,220)	239,332		239,332	165,290	239,332	(70,220)	(70,000)	Mar-16	ICT projects ongoing with £70,000 being roll forward to 2016/17 and £220 to cover ICT Information Security
JI	ICT Server Room Civic Centre & Springboard	CR	75,820	(64,600)	11,220		11,220	0	11,220	(64,600)	(64,600)	Mar-16	ICT server room at the Civic Centre and Springboard Business Centre need to ensure future viability. £11,220 is required at Springboard and £64,600 is required at Civic Centre. The server room for Springboard is completed in 2015/16 whilst the server room for the Civic Centre of £64,600 is to be rolled forward to 2016/17
JI	All Leisure Centres - Digital Transaction Software	CR	5,901	(5,901)	0		0	0	0	(5,901)	(5,901)	Mar-16	Scheme of £5,901 to be rolled forward to 2016/17
JI	ICT Leisure Improvements	CF	69,560	(64,560)	5,000		5,000	0	5,000	(64,560)	(64,560)	Mar-16	Part of scheme of £64,560 to be rolled forward to 2016/17
JI	ICT Information Security/Compliance	CF	0	220	220		220	220	220	220		Mar-16	ICT projects on target
JI	ICT Customer Excellence	CF	70,000	(65,000)	5,000		5,000	1,950	5,000	(65,000)	(62,560)	Mar-16	ICT project has commenced. Roll forward of £62,560 to 2016/17 and £2,440 to be moved to webproject to cover overspend.
JI	CIVICA Icon upgrade	CR	10,000		10,000		10,000	0	10,000	0		Dec-15	Cash receipting software to be upgraded in December with a go live date in February 2016.
JI	Car Park Restatements	CR	71,934	(25,450)	46,484		46,484	46,484	46,484	(25,450)	(22,741)	Dec-15	2015/16 elements of scheme complete, roll forward £22,741 to 2016/17 and movement of £2,709 to cover overspend in Thirsk Cobbles
JI	Adoptions - Electric Bollards - Thirsk & Northallerton	CR	40,000		40,000		40,000	0	40,000	0		Mar-16	Scheme design and procurement in progress.
JI	Bedale Cycle Scheme	S106	30,000	(24,000)	6,000	0	6,000	0	6,000	(24,000)	(24,000)	Mar-16	Scheme funded from S106 £316,000, £19,000 S106 from Aiskew PC, plus £63,000 received previously from NYCC (taken from capital receipts). A further £173,000 is in the pipeline from S106. This scheme will be investigated in 2015/16 with the majority of funds being forward to 2016/17. roll forward of £24,000.
JI	Adoption of Roads - Leeming Bar	CR	150,000	(150,000)	0		0	0	0	(150,000)	(150,000)		Sewerage adopted by Yorkshire Water, Street lighting now adopted by NYCC. Highway inspection due January 2016, site works planned start April 2016. Roll forward £150,000 to
JI	Car Parks - Thirsk Cobbles	CR	2,726	2,709	5,435		5,435	5,435	5,435	2,709		Dec-15	Scheme remedial work complete. Scheme overspend covered by underspend in £2,709 Car Park reinstatement.
JI	Bedale Gateway Car Park	CR	60,000		60,000		60,000	0	60,000	0		Mar-16	Consultant procurement in progress, appointment in January 2016. Scheme is likely to span more than one year, with construction being undertaken during Q1 and Q2 of 2016/17.
JI	Adoptions - Thirsk Phases 2 & 3	CR	332,696		332,696		332,696	332,696	332,696	0		Sep-15	Scheme completed.
	Total Scheme Value Support Services		**1,537,963**	**(572,002)**	**965,961**	**0**	**965,961**	**648,703**	**965,961**	**(572,002)**	**(569,562)**		
Cllr Wilkinson	**Economic Development Fund**												
DG	Market Towns Investment Plans - Bedale	EDF	15,000	(15,000)	0		0	0	0	(15,000)	(15,000)	Ongoing	Roll forward of £15,000. Work to be commenced in 2016/17.
DG	Market Towns Investment Plans - Easingwold	EDF	15,000	(15,000)	0		0	0	0	(15,000)	(15,000)	Ongoing	Roll forward of £15,000. Work to be commenced in 2016/17.
DG	Market Towns Investment Plans - Northallerton	EDF	15,000	(15,000)	0		0	0	0	(15,000)	(15,000)	Ongoing	Roll forward of £15,000. Work to be commenced in 2016/17.
DG	Market Towns Investment Plans - Stokesley	EDF	15,000	(15,000)	0		0	0	0	(15,000)	(15,000)	Ongoing	Roll forward of £15,000. Work to be commenced in 2016/17.
DG	Market Towns Investment Plans - Thirsk	EDF	15,000	(15,000)	0		0	0	0	(15,000)	(15,000)	Ongoing	Roll forward of £15,000. Work to be commenced in 2016/17.
DG	Industrial Park Review - Leeming	EDF	30,000	(30,000)	0		0	0	0	(30,000)	(30,000)	Ongoing	
DG	Industrial Park Review - Dalton	EDF	30,000	(30,000)	0		0	0	0	(30,000)	(30,000)	Ongoing	Work to be commenced and funds to be reduce for Industrial Park review as not required and transfer to the Improvement Infrastructure Central Northallerton Scheme. Roll forward of £30,000 per scheme (total £150,000) to 2016/17
DG	Industrial Park Review - Stokesley	EDF	30,000	(30,000)	0		0		0	(30,000)	(30,000)	Ongoing	
DG	Industrial Park Review - Thirsk	EDF	30,000	(30,000)	0		0	0	0	(30,000)	(30,000)	Ongoing	
DG	Industrial Park Review - Northallerton	EDF	30,000	(30,000)	0		0	0	0	(30,000)	(30,000)	Ongoing	
DG	Industrial Estates/Employment land	EDF/LDF	75,000	(75,000)	0	0	0	0	0	(75,000)	(75,000)	Ongoing	Roll forward of £75,000. Work to be commenced in 2016/17.
DG	WIFI Market Towns	EDF	9,115	(5,115)	4,000		4,000	0	4,000	(5,115)	(5,115)	Ongoing	Work underway with £5,115 to be rolled forward to 2016/17.
DG	ED Improve Infrastructure North Northallerton	EDF	25,000		25,000	22,710	2,290	22,710	25,000	0	0	Ongoing	Work underway and full budget estimated to be spent
DG	North Northallerton Recreation Element	EDF	0		0		0	0	0	0	0	Ongoing	
DG	ED Improvement Infrastructure Central Northallerton	EDF	1,529,400	(35,000)	1,494,400	30,000	1,464,400	1,486,542	1,494,400	(35,000)	(35,000)	Ongoing	Demolition consultant work underway, however £35,000 of this work is to be rolled forward to 2016/17.
DG	ED Improvement Infrastructure Dalton Bridge	EDF	1,684,853	(1,561,003)	123,850	35,036	88,814	111,450	123,850	(1,561,003)	(1,561,003)	Ongoing	Additional £168,996 requested for the Dalton Bridge project in December's cabinet, however this will be mainly spent in 2016/17. Roll forward of £1,561,003 to 2016/17.
	Total Scheme Value EDF		**3,548,368**	**(1,901,118)**	**1,647,250**	**87,746**	**1,559,504**	**1,620,701**	**1,647,250**	**(1,901,118)**	**(1,901,118)**		

Capital Programme Schemes 2015/16 **Annex A**

Councillor / Officer	Capital Scheme	Fund	Budget 2015/16 Approved at Q2	Qtr 3	Qtr 3 + 2015/16	Third Party Contn	Cost to the Council £	Expenditure at 31/12/15	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Estimated complete date	Explanation
			£	£	£	£	£	£	£	£	£		
Cllr Knapton	**Support Services**												
JI	Loan to Broadacres	BOR	10,000,000		10,000,000		10,000,000	6,000,000	10,000,000	0		Mar-16	Profile of £10m confirmed to be lent to Broadacres Housing Association in 2015/16 with th remaining expenditure being transferred to 2016/17
	Total Scheme Value Loan to Broadacres		**10,000,000**	**0**	**10,000,000**	**0**	**10,000,000**	**6,000,000**	**10,000,000**	**0**	**0**		
	Total Capital Programme 2015/16		**17,284,838**	**(3,047,435)**	**14,237,403**	**314,315**	**13,923,088**	**8,700,253.70**	**14,237,403**	**(3,047,435)**	**(3,047,435)**		

ANNEX B

PROPOSED CHANGES TO THE CAPITAL PROGRAMME:

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

1.2 Environmental & Planning Services - 3 schemes require adjustment at Quarter 3:

a) Waste & Street Scene Telematics – this scheme is linked to the Waste & Recycling review, and North Yorkshire Waste Partnership. Initial spend of £17,700 is on software and the additional £12,300 will be spent in Jan 2017 - Roll forward to 2016/17.

b) Waste & Street Scene Training Room – Due to the recent work at the depot in regards to asbestos, the new training room for the Waste and Street scene of £9,500 has been rolled forward to 2016/17.

c) HGV Workshop and Storage Area Asbestos Removal – this scheme of £12,000 requested in Quarter 2 is no longer needed as the work is now funded from the one off reserve in revenue.

1.4 Customer & Leisure Services - 13 schemes require adjustment at Quarter 3:

(a) Gym equipment refresh: Scheme is completed and £15 is returned to fund.

(b) Leisure Equipment Lease Buy: Project is linked to the Hambleton leisure centre Improvement Scheme which is due to take place in 2016/17. Therefore, this scheme of £200,000 is not proceeding and is being returned to the reserve.

(c) Web/Intranet Development: Scheme completed and overspent by £2,440. Overspend to be funded from underspend from the ICT Customer Excellence scheme.

(d) Hambleton Leisure Centre Improvement scheme, Fire Alarm System and External Render –The Improvement scheme at Hambleton is now due to take place in 2016/17, except the utility service location and design work that has already taken place. Roll forward of £232,765 requested to 2016/17. The remaining works on the other two schemes at £6,040 and £8,000 respectively will be done at the same time as the improvement works and therefore have been rescheduled to complete in 2016/17.

(e) Hambleton All Weather Pitch Refurbishment: Work has been completed and underspend of £3,750 is used to cover overspend at Bedale Leisure Centre.

(f) Bedale Leisure Centre Improvement: Scheme completed and overspend of £3,750 to be funded by underspend in the All Weather Pitch refurbishment at Hambleton.

(g) Stokesley Leisure Centre improvement scheme: Scheme is completed and £5 is to be returned to fund.

(h) Forum Capital Repairs: The scope of the work still to be agreed with external party. Roll forward of £41,300 to 2016/17.

(i) CCTV Camera Replacement Programme/wireless network & upgrade: Tender process completed and contract has been awarded. Bulk of the scheme to be completed in 2015/16 with a roll forward of £34,000 to 2016/17.

(j) Workspaces – Decoration and Furniture: Works is now to be funded from the Repairs and Renewals reserve in revenue due to the nature of the work. £17,000 to be returned to fund.

(k) Workspaces Air Conditioning Refurbishments: Scheme on-going and £3,830 to be roll forward to 2016/17.

1.5 Support Services – 11 schemes require adjustment at Quarter 3:

(a) Air Conditioning – Legislation Requirement Corporate – This scheme is ongoing as it is a legislative requirement to ensure air condition units meet health and safety standards. Therefore this work is on a rolling programme and it is recognised that £18,200 will be utilised next year.

(b) Civic Centre – Solar Panels – this scheme has now been assessed as not financially beneficial and will not progress. The funds of £87,000 is requested instead for a new scheme, LED Public Lighting in 2016/17. This scheme is also an invest to save scheme and will pay back over a period of six years. The funds will be returned to the reserve in 2015/16.

(c) ICT Improvements and ICT Customer Excellence – projects on-going, however with spend allocated to current year and next year and approval is sort for £70,000 and £62,560 respectively to be rolled forward to 2016/17.

(d) ICT Server Rooms at Civic Centre and Springboard – Civic Centre Server room project is to be completed in 2016/17 now due to combining two other capital schemes that have been approved for 2016/17. Roll forward of £64,600 requested.

(e) ICT Leisure Improvements and All Leisure Centres - Digital Transaction Software – schemes are on-going with spend allocated in both 2015/16 and 2016/17. Roll forward of £64,560 and £5,901 to 2016/17.

(f) Car Park Reinstatement: In the current year part of the scheme is completed and roll forward of £22,741 to 2016/17 is requested. Underspend of £2,709 to be used to cover overspend in Thirsk Cobbles.

(g) Bedale Cycle scheme: the initial works are being prepared in 2015/16 with the majority of the work taking place in 2106/17. Roll forward of £24,000 to 2016/17 requested in addition to quarter 2 roll forward of £368,000 already approved.

(h) Adoption of Roads – Leeming Bar sewerage adoption by Yorkshire Water, street lighting adoption by NYCC and highway inspection due to take place in January 2016 enables site works to start in April 2016. Roll forward of £150,000 to 2016/17.

(i) Car Parks – Thirsk Cobbles: Scheme completed and overspend of £2,709 is funded from underspend in Car Park Reinstatement scheme.

1.6 Economic Development Fund – £5,000,000 was originally approved by Cabinet for the economic development fund, of which £3,548,368 was allocated at Quarter 2 2015/16. At Quarter 3, this has decreased by £1,901,118 which has seen an increase of £168,996 for the design work for the Dalton Bridge project by Cleveland Steel & Tube and increased legal advice cost for the same project. £2,070,114 of the allocated expenditure for the economic development fund is to be roll forward to 2016/17.

1.7 Loan to Broadacres – £10,000,000 has been confirmed to be invested with Broadacres Housing Association by 31 March 2016. The remainder of the funds have been re-profiled to future years.

1.8 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.

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

ANNEX C

TREASURY MANAGEMENT POSITION 2015/16 – 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 main body of the report are not financed by borrowing and therefore there is no affect on the Council's underlying need to borrow.

1.4 The council undertook no borrowing at Quarter 3 2015/16 and remained debt free. This is expected to be the position at 31 March 2016.

1.5 The capital financing requirement, which is the amount of borrowing required to support the capital expenditure programme, is set at £35,000,000. This is due to the Council's approval to invest in Broadacres Housing Association, which is classed as capital expenditure. In 2015/16, £10,000,000 will be invested but this will be financed from the Council's reserves and no long term borrowing will occur. All other 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 2015:-

	31 Dec 15 £000's	Rate %
Capital Financing Requirement	35,000	-
Borrowing	0	0.0
Investments	24,660	0.61

Table 1: Borrowing and Investment position at 31 December 2015

1.6 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 2015/16 – 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 2015/16, and includes the Annual Investment Strategy approved by Cabinet on 10 February 2015. 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 provided by Capita Asset Services.

3.3 **Investments held by the Council** – As set out in Annex D, 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. The continuing potential for a re-emergence of a 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 The average level of funds available for investment purposes during quarter 3 – 31 December 2015 - was £31,862,145. 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 of £23,400,000 at Quarter 3 and £1,260,000 cash flow movement balances. Total investment balance at 31 December 2015 was £24,660,000. The first payments to Broadacres Housing Association have been made during Quarter 3 out of the Council's reserves, therefore the funds available for investments relating to Treasury Management have reduced, this will continue in Quarter 4.

3.5

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.36%	0.40%	£46,198
3 month	0.44%	0.81%	£100,784

Table 2: Investment performance for quarter 3 – latest information 31 December 2015

3.6 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 0.37% and the 7 day benchmark by 0.04%.

3.7 The Council's budgeted investment return for 2015/16 was approved at £139,510 at Quarter 1. However at quarter 3, the estimate of interest to be earned during the year has been revised to £170,390. Further detail is available in the 2015/16 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 2015/16 has decreased from the original estimate in February 2014 for 25 years by 0.4% to 3.60%, and for 5 years has decreased by 0.4% to 2.30%.

4.2 As outlined below, the general trend in PWLB rates has been an increase in interest rates during the first quarter followed by a fall during the second quarter: in the third quarter rates have been volatile with no overall direction. The 50 year PWLB target (certainty) rate for new long term borrowing, for the quarter ending 31st December, fell slightly during the quarter from 3.60% to 3.50% after the November Bank of England Inflation report.

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.

	1 Year	**5 Year**	**10 Year**	**25 Year**	**50 Year**
Low	1.17%	1.90%	2.55%	3.28%	3.10%
Date	23/10/2015	15/10/2015	05/10/2014	02/10/2015	03/12/2015
High	1.33%	2.33%	2.88%	3.57%	3.43%
Date	09/11/2015	09/11/2015	09/11/2015	09/11/2015	09/11/2015
Average	1.23%	2.05%	2.69%	3.41%	3.27%

Table 3: Public Works Loan Board (PWLB) certainty rates, quarter ended 31 December 2015

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 2015/16.

4.4 **Rescheduling of Borrowing** – the Council has no debt and therefore undertook no rescheduling of debt during 2015/16.

4.5 **Repayment of borrowing** – the Council has no external loans and therefore no repayments were necessary.

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

5.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) were approved in the Treasury Management Strategy Statement by Council on 24 February 2015 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 2015.

ANNEX D

Economic Update

1.1 ECONOMIC BACKGROUND

UK Gross Domestic Product (GDP) growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a slight increase in quarter 2 to +0.5% (+2.3% y/y) before falling back to +0.4% (+2.1% y/y) in quarter 3. Growth is expected to improve to about +0.6% in quarter 4 but the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the November autumn statement.

Despite these headwinds, the Bank of England November Inflation Report included a forecast for growth over the three years of 2015, 2016 and 2017 to be around 2.7%, 2.5% and 2.6% respectively, although statistics since then would indicate that an actual outturn for 2015 is more likely to be around 2.2%. Nevertheless, this is still moderately strong growth which is being driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth.

The November Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

There are, therefore, considerable risks around whether inflation will rise in the near future as strongly as previously expected; this will make it more difficult for the Bank of England to make a start on raising Bank Rate as soon as had been expected in early 2015, especially given the subsequent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets during 2015, which could potentially spill over to impact the real economies rather than just financial markets.

The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015 before easing back to +2.0% in quarter 3. While there had been confident expectations during the summer that the Fed. could start increasing rates at its meeting on 17 September, downbeat news during the summer about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision to pull back from making that start. The nonfarm payrolls figures for September and revised August, issued on 2 October, were also disappointingly weak. However, since then concerns on both the domestic and international scene have abated and so the Fed made its long anticipated start in raising rates at its December meeting.

In the Eurozone, the European Central Bank (ECB) fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected Euro Zone countries. This programme of €60bn of monthly purchases started in March 2015 and it was intended to run initially to September 2016. At the European Central Bank's (ECB's) December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. The ECB also cut its deposit facility rate by 10bps from -0.2% to -0.3%. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. Gross Domestic Product growth rose to 0.5% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and to +0.3% (+1.6%) in quarter 3. Financial markets were disappointed by the European Central Bank's lack of more decisive action in December and it is likely that it will need to boost its Quantitative Easing programme if it is to succeed in significantly improving growth in the Euro Zone and getting inflation up from the current level of around zero to its target of 2%.

1.2 INTEREST RATE FORECAST

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

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Bank rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
5yr PWLB rate	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
10yr PWLB rate	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
25yr PWLB rate	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
50yr PWLB rate	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%

Capita Asset Services undertook a review of its interest rate forecasts on 9 November after the August Bank of England Inflation Report. This latest forecast includes no change in the timing of the first increase in Bank Rate as being quarter 2 of 2016. With CPI inflation now likely to be at or near zero for most of 2015 and into early 2016, it is currently very difficult for the MPC to make a start on increasing Bank Rate. In addition, the Inflation Report forecast was also notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. Despite average weekly earnings excluding bonuses hitting 2.5% in quarter 3, this has subsided to 1.9% and is unlikely to provide ammunition for the MPC to take action to raise Bank Rate soon as labour productivity growth would mean that net labour unit costs are still only rising by less than 1% y/y. The significant appreciation of Sterling against the Euro in 2015 has also acted to dampen UK growth while volatility in financial markets since the Inflation Report has resulted in volatility in equity and bond prices and bond yields (and therefore PWLB rates). But CPI inflation will start sharply increasing around mid-year 2016, once initial falls in fuel and commodity prices fall out of the 12 month calculation of inflation; this will cause the MPC to take a much keener interest in the forecasts for inflation over their 2-3 year time horizon from about mid-year.

The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual after they do start. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only just starting a significant recovery as a result of recent increases in the rate of wage inflation, though some consumers will not have seen that benefit come through for them.

ANNEX 'E'

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy Statement by Cabinet on 10 February 2015

The main purpose of the indicators is to control how much a Council needs to borrow. In 2015/16, the Council will invest in a loan to Broadacres of £10,000,000. In the Strategy, the agreement was to invest with Broadacres £35,000,000 by either using surplus funds or borrowing from the Public Works Loan Board. Therefore in the table below, the Original Budget Prudential Indicators are calculated on the Council borrowing £35,000,000 from the Public Works Loan Board (PWLB) but at Quarter 3 it shows that no borrowing will occur as the £10,000,000 will be provided to Broadacres Housing Association by using surplus funds for the investment.
The capital Financing Requirement has therefore been reduced to £10,000,000.

1. PRUDENTIAL INDICATORS	**2015/16**	**2015/16**
Extract from budget and rent setting report	**Original Budget**	**Actual Q3**
	£'000	**£'000**
Capital Expenditure	37,937	14,237
Ratio of financing costs to net revenue stream	Nil	Nil
Net borrowing requirement General Fund		
brought forward 1 April	Nil	Nil
carried forward 31 March	Nil	Nil
in year borrowing requirement	35,000	0
Capital Financing Requirement 31 March 2015	35,000	10,000
Incremental impact of capital investment decisions	£	£
Increase in Council Tax (band D) per annum	£0.00	£0.00

2. TREASURY MANAGEMENT INDICATORS	**2015/156**	**2015/15**
6	**original**	**actual**
	£'000	**£'000**
Authorised Limit for external debt -		
borrowing	£40,000	£40,000
other long term liabilities	£1,000	£1,000
TOTAL	£41,000	£41,000
Operational Boundary for external debt -		
borrowing	£39,000	£39,000
other long term liabilities	£600	£600
TOTAL	£39,600	£39,600

Actual external debt	£0	£0
Upper Limit on fixed interest rates based on net debt	108%	108%
Upper Limit on variable interest rates based on net debt	-8%	-8%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£9,000	£9,000

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

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Agenda Item 5

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 February 2016

Subject: **2015/16 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 2015.

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

1.3 This report focuses on three key areas:-

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

2.0 REVENUE BUDGET:

2.1 The Council set its budget on 10 February 2015 for 2015/16 at £6,918,280 in line with the approved Financial Strategy 2015/16 to 2024/25.

2.1 At Cabinet on 1 December 2015, the Quarter 2 revenue monitoring report revised the budget to £7,386,540. The approved budget at Quarter 2 in accordance with the Council portfolio themes is detailed below:

	£
Customer & Leisure Services	1,610,990
Environmental Services	4,120,790
Support Services	1,549,380
Drainage Board levies	105,380
Net Revenue Expenditure	**7,386,540**

3.0 BUDGET POSITION TO DECEMBER 2015:

3.1 Since the budget for 2015/16 was set in February 2015, adjustments to the budget outlook have occurred. The table below details the changes that have been approved through separate reports to Cabinet and also those that have been identified and are recommended to this Cabinet for approval at budget monitoring Quarter 3:

	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Budget Outlook approved at Q2 01 December 2015	7,386,540	6,953,287	7,100,649	7,223,655
Changes to budget outlook:				
Interest from Broadacres and surplus funds	301,780			
10 year waste strategy - fall in global prices	101,720			
Court costs and civil penalties charges reduced	41,840			
Thirsk Leisure Centre Capital works – loss in Income	37,770			
Communal bin sales and increased leasing costs	24,460			
Reprographics finalisation of Service Level Agreement	17,500			
Insurance	4,470			
Planning fees - net of costs	(59,550)			
Street naming income	(20,980)			
Electricity saving from Part night lighting	(10,280)			
Staff Vacancies –overall net movement	(920)			
Budget Outlook Q3	7,824,350	6,953,287	7,100,649	7,223,655
Financial Strategy 10 Feb 2015	6,918,280	7,056,646	7,197,779	7,041,734
Budget Outlook Q3 Surplus / (Shortfall)	(906,070)	103,359	97,130	(181,921)

3.2 In 2015/16 the budget started at £6,918,280 as stated in the Financial Strategy and illustrated in the table above. At Quarter 2, the budget was £7,386,540 and had increased by £468,260 where the changes were detailed at Cabinet on 1 December 2015. At Quarter 3, the budget has increased by a further £437,810, resulting in a total increase of £906,070 to £7,824,350 compared to the original 2015/16 budget and financial strategy position.

3.3 The recommended changes to the 2015/16 budget in Quarter 3 total an increase of £437,810 and an explanation of this movement, to be approved in this Cabinet report, are detailed below.

3.4 There are two main areas of changes to the 2015/16 budget at Quarter 3 totalling £437,810:

(a) Corporate cost increase of £306,250
(b) Department movements - an increase of £131,560

3.5 There are two corporate movements in the budget:

(i) A decrease in interest income to be received of £301,780. There has been a delay in the Council's surplus funds being loaned to Broadacres Housing Association and interest rates are lower - net movement than estimated, therefore there is a reduction in the income to be received. Although this will impact upon the in-year financial position the overall interest generated from the Broadacres loan agreement will remain the same. Therefore there is no impact on the Council's overall financial position.

(ii) The costs relating to insurance cover for the Council has increased by £4,470.

3.6 The changes at Quarter 3 in relation to the service areas show an overall increase in the budget £131,560. This is represented by an increase in Support Services budget of £44,670, an increase in Environmental Services budget of £49,120 and an increase to Customer & Leisure Services budget of £37,770.

3.7 Support Services – the over spend on the budget of £44,670 is due to a combination of factors. There has been a reduction in the budget from staff vacancies in Revenues & Benefits of £10,000 and ICT of £10,000, also a reduction in the electricity budget from the part night lighting scheme of £10,280. However, budgets have increased due to a loss of income from a reduced number of ratepayers being taken to court by £20,000, less people have paid civil penalty charges of £21,840 as more people are complying with the Housing Benefit notification requirements, the finalisation of the reprographics service level agreement with Richmondshire District Council at a cost of £17,500 and there are increased agency costs of £15,610 due to long term staff sickness in legal services.

3.8 Environmental Services – the increase in the budget of £49,120 is mainly due to the introduction of the new 10 year Waste Strategy and the effect of global falling market prices on waste at £101,720. Other increases to the budget include £10,000 for staffing costs in environmental health to complete food safety inspections, £18,980 for a reduction in income for the sale of communal bins and an increased cost of £5,480 for revised leasing arrangement for some vehicles. These costs are partially off-set by increased planning fees to be received in 2015/16 at £59,550 net of associated costs, increase of £20,980 from street naming income due to additional developments in the district and a reduction of £6,530 from staffing costs in planning and housing services.

3.9 Customer & Leisure Services - the increased budget of £37,770 relates to the closure of Thirsk Leisure Centre for 4 weeks and is as a result of lost income. The capital improvement works were originally scheduled to be completed in 2016/17 but are being completed in March 2015 to minimise the loss in income.

3.10 The revised changes to the budget at Quarter 3 of £437,810 are listed above and detailed in the recommendations section of this report for approval by Cabinet and Council. The budget increase affects 2015/16 and no further revisions are required to the 2016/17 budget. It should be noted that it is anticipated that the shortfall will be financed at year end by either underspends in the Council's overall budget, a transfer from reserves or income received from increased business rates.

4.0 OTHER MATTERS - GRANTS

4.1 The following grants and contributions have been allocated to the Council and paid into the One-Off Fund Reserve since the quarter 3 budget was approved in December 2015

Description	Amount £
Department for Works & Pensions (DWP) Local Authority Data Share IT	1,582
City of York -contribution to private sector additional hours 15/16 & 16/17	5,000
Total	**6,582**

5.0 SENSITIVITY ANALYSIS

5.1 Further to the recommendations for changes to the budget in this Quarter 3 monitoring report, this report also highlights where there are areas of budget uncertainty. This can give Members early warning of possible issues in the future. All areas will be monitored closely and an update provided for Quarter 3 as at this time there is too much uncertainty surrounding these figures to include them as an adjustment to the budget. Annex 'A' attached details the sensitivity analysis.

6.0 RESERVE FUNDING

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

Reserve Fund	Balance at 30 Sept 2015 £	Q3 Movement (from) / to Reserves £	Balance at 31 Dec 2015 £
General Fund	2,000,000	0	2,000,000
Council Taxpayers Reserve	4,150,789	0	4,150,789
Grants Fund	383,062	(21,050)	362,012
Economic Development Fund	1,016,261	(100,360)	915,901
One Off Fund	1,376,075	(83,563)	1,292,512
Computer Fund	1,010,463	57,560	1,068,023
Repairs & Renewal Fund	2,774,058	182,727	2,956,785
Community Safety Partnership	69,568	0	69,568
Strategic Forum Reserve	10,046	0	10,046
Arts Grants Reserve	5,187	0	5,187
Take That Step	21,139	0	21,139
Winter Weather Campaign	3,330	0	3,330
Total	**12,819,978**	**35,314**	**12,855,292**

6.2 Economic Development Fund – In Quarter 3, the opening balance was £1,016,261 with the net movement of £100,360 split between capital and revenue. Income has been received for S106 funding £55,036 from North Yorkshire County Council in regards to Dalton Bridge and £25,000 for Employment Land which is part of the Local Development Framework. Expenditure that has been allocated from the Economic Development Fund in previous Cabinet reports totals £180,360. The balance of the Economic Development Fund at year end is estimated at Quarter 3 to be £915,901.

Expenditure in 2015/16 from the Economic Development Fund	Amount
Design work by Cleveland Steel for the Dalton Bridge project	102,960
Legal advice in regards to Dalton Bridge	11,000
S106 Funding from NYCC in regards to Dalton Bridge – expenditure	55,036
Develop potential of Wensleydale Railway - Phase II	11,400
Total expenditure already approved at Q3	**180,360**

6.3 The Economic Development Fund has allocated £4,084,099 to projects in the district leaving £915,901 for future projects. It is worth noting that £1,901,118 of the allocated spend for capital schemes has been roll forward to be spent in 2016/17, as detailed in the Quarter 3 Capital report also included on this Cabinet agenda. .

6.4 One Off Fund - In Quarter 3, the initial balance is £1,376,075 and additional income of £6,582 was received which can be seen in paragraph 4.1 above. Expenditure that has been allocated from the One-off Fund in previous Cabinet reports totals £863,692 and further expenditure to be allocated from the One-off Fund is detailed in the table below at £90,145. The balance on the One-off Fund at year end is estimated at Quarter 3 to be £1,292,512.

Expenditure in 2015/16 from the One-Off Fund	**Amount**
Empty Homes Review	5,067
Members Regalia	78
City of York -contribution to private sector additional hours 15/16 & 16/17	5,000
Asbestos works at the Depot	50,000
Tour De Yorkshire contribution 2016	30,000
Total expenditure recommended for approval at Q3	**90,145**

6.5 At Quarter 3, is it recommended to Cabinet and Council that the allocation from the One-off Fund at £90,145 is approved.

6.6 Computer Fund – in accordance with the Financial Strategy approved by Council in February 2015, the reserve is being used to fund ICT projects to ensure technology is maintained to an acceptable standard in the current ICT market environment.

6.7 Repairs & Renewal Fund – in accordance with the Financial Strategy approved by Council in February 2015, the funds have been allocated from the repairs & renewals for general revenue maintenance repairs at £425,000, with the remainder being allocated to capital schemes. During Quarter 3 capital schemes have be re-profiled into future years - detailed in the Quarter 3 Capital report also included on this agenda – and therefore funding for Repairs and Renewals fund has increased.

6.8 Other Reserves - There is a movement on the grants reserve to allocate funds of £21,050. The grant fund provides assistance to community groups to benefit the district as a whole. Approval was given to provide these grants to the community during 2014/15. There was no further movement on any of the other reserves.

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 balance 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 increase at paragraph 3.2 in quarter 3 of £437,810 which results in a budget of £7,824,350

(2) the allocation from the one-off fund at paragraph 6.5 of £90,145

JUSTIN IVES

Background papers: Budget Monitoring Q3 working papers

Author ref: LBW

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

Annex A

Budget 2015/16 Sensitivity Analysis – potential savings / costs

Portfolio Area	Area of Sensitivity	Commentary
Support Services	Provision for Bad debt	The Council makes a provision every year for debts that will potentially not be paid. The overall level of debt is currently reducing but an increase provision may be necessary for older aged debts.
Customer & Leisure Services	Workspace Management – 'buy out' of partnerships payments agreement	The council has been contacted by Homes and Communities Agency (HCA) to potentially buy out from the partnership payments agreement for Leeming Bar, Evolution and Bedale Craft yard. If the terms are agreed by both parties, Hambleton will make a one off revenue payment to HCA, however any future partnership payments for these three units will no longer occur. Currently a three year payback period is estimated.

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 February 2016

Subject: **2016/17 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 2016/17 to 2025/26, the 2016/17 Capital Programme and the Treasury Management Strategy Statement; including the Annual Investment Strategy and Minimum Revenue Provision Policy Statement.

1.2 The 10 year Capital Programme is set within the fiscal parameters of the Financial Strategy, a key feature of which is to ensure that at the end of the 10 year Strategy sufficient reserve funds – grants, contribution and capital receipts – remain available so that the Council's capital plans are affordable, sustainable and prudent. In 2016/17 one capital scheme will be funded from external borrowing – the loan to Broadacres Housing Association. This scheme will generate income to repay the borrowing costs and no other schemes will be funded from external debt. The Financial Strategy which supports the Capital Programme 2016/17 to 2025/26 is being approved at this February 2016 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 2016/17 to 2025/26 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 2016/17 Capital Programme is detailed in this report.

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

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

1.7 This report seeks approval for:-

(a) the 10 year Capital Programme 2016/17 to 2025/26
(b) the Capital Programme for the coming financial year 2016/17, which is informed by the 10 year Capital Programme

(c) the Treasury Management Strategy Statement 2016/17
(d) the Minimum Revenue Policy Statement 2016/17
(e) the Prudential and Treasury Indicators 2016/17

2.0 10 YEAR CAPITAL PROGRAMME 2016/17 to 2025/26:

2.1 The 10 year Capital Programme 2016/17 to 2025/26 shows capital expenditure of £39,037,717 funded by reserves, contributions, capital receipts, borrowing and surplus funds of £47,202,609, which leaves a balance of funding of £8,164,892. £6,143,740 of this funding balance is allocated for a revenue purpose, leaving £2,021,152 to be used on capital projects in future years. The Financial Strategy supports this 10 year Capital Programme which shows it is affordable, sustainable and prudent over the long term.

2.2 The 10 Year Capital Programme 2016/17 to 2025/26 is financed from four earmarked reserves as well as borrowing or reduction in surplus funds:

	£
Repairs and Renewals Fund	1,101,995
Computer Fund	1,571,283
Capital Receipts Reserve (including third party contributions)	4,847,420
Economic Development Fund	6,517,019
Borrowing / Surplus Funds	25,000,000
	39,037,717

In essence, the Capital Programme is split into these five sections; the detailed Capital Programme is shown in Annexes A1, A2, A3, A4, A5, with A6 illustrating the capital expenditure of £39,037,717.

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, which are not included in this report. 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 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 third party contributions. The detailed schemes to be financed from the Reserve over the next 10 years are also listed. 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 in accordance with the Plan expenditures. Additional funding of £2,200,000 is allocated to the Economic Development Fund in 2019/20, for the estimated sale of the prison site in Northallerton after development. Repayment of the loan from the Business Improvement District scheme (BID) for the Dalton Bridge project is due to be repaid over five consecutive years of £300,000 per year, totalling £1,500,000 starting in 2017/18.

2.8 **Borrowing / Surplus funds** – Annex A5 refers to borrowing or the use of surplus funds and 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 2016/17. There is still the flexibility that surplus funds contribute to the funding of the loan and both options will be considered on an ongoing basis in light of the treasury management economic and interest rate environment. This borrowing in 2016/17 is reflected in the Treasury Management section of this report.

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 2016/17 CAPITAL PROGRAMME BUDGET:

3.1 The Capital Programme 2016/17 totals £16,758,070 and is funded as follows:

	£
Repairs and Renewals Fund	116,000
Computer Fund	199,330
Capital Receipts Reserve	858,740
Economic Development Fund	584,000
Borrowing / Surplus Funds	15,000,000
	16,758,070

3.2 The Capital Programme 2016/17 is attached at Annex 'B'. This details the capital expenditure cost and also the total cost to the Council, along with associated funding received from third parties in respect of the schemes. In addition, where a scheme appears for a number of years, an estimation of the costs in future years is also given.

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

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

3.4 A proposal form for each scheme giving evidence of how value for money has been obtained has been reviewed by the Corporate Capital Monitoring Group, which is chaired by the Executive Director & Deputy Chief Executive and attended by the other two Council Executive Directors.

3.5 The 10 year Capital Programme and the 2016/17 Capital Programme will be used to inform the Treasury Management Strategy Statement, the Minimum Revenue Provision Policy Statement and the calculation of the Prudential Indicators as detailed in Paragraph 4.0 and subsequent paragraphs.

4.0 <u>2016/17 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS:</u>

4.1 The Treasury Management Strategy sets out a framework for how the Council will manage its investments, cash flows and borrowings for 2016/17. 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 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.

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

4.3 The Treasury Management Strategy Statement for 2016/17 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 relates 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 loan to Broadacres Housing Association;

- 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;

- The balance of surplus funds available for investment will be reduced in 2016/17 due to surplus funds being used to invest in the loan to Broadacres Housing Association, therefore limits on investments will focus on ensuring as a diverse range of counterparties is used as possible.

- Investments of surplus funds are placed with specified and/or non-specified investments as defined by legislation and the limits placed on all counterparties is 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 three exceptions to this policy:

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

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

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

  It should be noted that it is expected during 2016/17, that the status of the current counterparties backed by the Government in (a) above may change. If this occurs a report will be brought to Cabinet at the earliest opportunity with the revised limits.

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

4.4 The Treasury Management Strategy Statement 2016/17 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.

4.5 The Scheme of Delegation and the Role of the S151 Officer (Executive Director & 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.

4.6 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.

5.0 LINK TO COUNCIL PRIORITIES:

5.1 This report links to the efficient use of Council resources, where the Capital Programme 2016/17 demonstrates value for money in the implementation of the individual capital schemes and the Treasury Management Strategy Statement ensure the Council maximises its return on investments. Both the Capital Programme and Treasury Management allow more resources to be freed up to invest in the Council's other priorities, values and imperatives.

6.0 RISK ASSESSMENT:

6.1 There are two main risks associated with setting the Capital Programme and the Treasury Management Strategy Statement 2016/17:

Risk	Implication	Prob	Imp	Total	Preventative action
Proposed capital schemes for 2016/17 are not assessed for risk prior to the commencement of the schemes	The Council is unable to control capital expenditure or redirect resources to priority areas	3	5	15	Capital Scheme Proposal Forms are prepared for each individual capital scheme, including the assessment of risk.
Treasury management function is a high risk area due to the volume and level of large investment money transactions.	The value of the investment could be lost, liquidity of the Council could be reduced and yield not maximised.	3	5	15	The Local Government Act 2003 (as amended), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required

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

7.0 FINANCIAL IMPLICATIONS:

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

8.0 LEGAL IMPLICATIONS:

8.1 The Council is legally required to set a balanced 3 year Capital Programme budget and Treasury Management Strategy Statement as set out in Local Government Act 2003. This Council has set a 10 Year Capital Plan to assist with medium term financial planning, budget and Council Tax setting for 2016/17 and future years. This report provides detail of the Capital Programme 2016/17 and also includes the requirements for the Treasury Management Strategy Statement.

8.2 Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code 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.

9.0 EQUALITY/DIVERSITY ISSUES:

9.1 Some capital schemes have specific implications for Equalities. The equalities implications of the individual schemes will be assessed by individual departments once the Capital Programme 2016/17 has been approved and the schemes are further developed. Any implications will be identified in the individual schemes project plans.

10.0 RECOMMENDATIONS:

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

1) the 10 year Capital Programme 2016/17 to 2025/26 at £39,037,717 be approved, as detailed in paragraph 2.2 and attached at Annex 'A';

2) the Capital Programme 2016/17 at £16,758,070 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

Author ref: LBW

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

Financial Strategy Funding Capital Programme 2016/17

10 YEAR CAPITAL PLAN 2016/17 TO 2025/26 — **ANNEX A1**

REPAIRS AND RENEWALS FUND	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	
	£	£	£	£	£	£	£	£	£	£	£
INCOME											
Opening balance	(2,956,785)	(2,393,790)	(1,855,790)	(1,326,790)	(748,790)	(1,204,790)	(619,790)	(992,790)	(391,790)	(804,790)	
Add: Transfers from Taxpayers Reserve	0	0	0	0	(1,000,000)		(1,000,000)		(1,000,000)	0	
	(2,956,785)	(2,393,790)	(1,855,790)	(1,326,790)	(1,748,790)	(1,204,790)	(1,619,790)	(992,790)	(1,391,790)	(804,790)	(5,956,785)
EXPENDITURE											
Repairs and Renewals - Revenue	421,000	428,000	438,000	448,000	458,000	470,000	481,000	491,000	501,000	511,000	**4,647,000**
Public lighting replacement	51,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	375,000
Air conditioning - Legislative requirement Leisure	40,995	0	0	0	0	0	0	0			40,995
Purchase of bins and boxes for refuse and recycling	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	500,000
Civic Centre- Carpet Replacement	0	0	0	0	0	0	10,000	0			10,000
Civic Centre- Internal Painting	0	0	5,000	0	0	5,000	0	0			10,000
Gym equipment refresh	0	24,000	0	24,000	0	24,000	0	24,000			96,000
Pool Tank Tiles Hambleton Leisure Centre	0	0	0	20,000	0	0	0	0			20,000
Car Parks - Reinstatements	0	0	0	0	0	0	50,000	0			50,000
TOTAL REPAIRS AND RENEWALS CAPITAL EXP	**141,995**	**110,000**	**91,000**	**130,000**	**86,000**	**115,000**	**146,000**	**110,000**	**86,000**	**86,000**	**1,101,995**
BALANCE ON REPAIRS & RENEWALS FUND	**(2,393,790)**	**(1,855,790)**	**(1,326,790)**	**(748,790)**	**(1,204,790)**	**(619,790)**	**(992,790)**	**(391,790)**	**(804,790)**	**(207,790)**	

10 YEAR CAPITAL PLAN 2015/16 TO 2024/25 — **ANNEX A2**

COMPUTER FUND	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	
	£	£	£	£	£	£	£	£	£	£	£
INCOME											
Opening balance	(1,068,023)	(594,270)	(399,770)	(190,070)	(699,540)	(453,640)	(192,540)	(916,240)	(624,740)	(319,140)	
Add: Transfers from Council Taxpayers Reserve	0		0	(1,000,000)	0	0	(1,000,000)		0	(1,000,000)	
Add: Transfers from from Repairs & Maintenenace											
	(1,068,023)	(594,270)	(399,770)	(1,190,070)	(699,540)	(453,640)	(1,192,540)	(916,240)	(624,740)	(1,319,140)	(4,068,023)
EXPENDITURE											
ICT REVENUE COSTS	77,300	92,500	107,700	128,700	143,900	159,100	174,300	189,500	204,600	219,140	1,496,740
ICT Improvements	396,453	102,000	102,000	361,830	102,000	102,000	102,000	102,000	101,000	100,000	1,571,283
TOTAL ICT CAPITAL EXPENDITURE	**473,753**	**194,500**	**209,700**	**490,530**	**245,900**	**261,100**	**276,300**	**291,500**	**305,600**	**319,140**	**3,068,023**
BALANCE ON COMPUTER FUND	**(594,270)**	**(399,770)**	**(190,070)**	**(699,540)**	**(453,640)**	**(192,540)**	**(916,240)**	**(624,740)**	**(319,140)**	**(1,000,000)**	

CAPITAL RECIEPTS RESERVE	Yr 1 16/17	Yr 2 17/18	Yr 3 18/19	Yr 4 19/20	Yr 5 20/21	Yr 6 21/22	Yr 7 22/23	Yr 8 23/24	Yr 9 24/25	Yr 10 25/26	Total
	£	£	£	£	£	£	£	£	£	£	£
INCOME											
Opening Balance	(2,324,532)	(1,071,741)	(1,321,198)	(1,334,984)	(1,296,102)	(1,259,553)	(1,284,339)	(788,461)	(784,421)	(794,721)	
Add: Capital Receipts Estimated	(743,000)	(400,000)		0	0	0	0	0			
Add: Capital receipts - sale of bins	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	
Add: Estimated Grants (DFG)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	
Add: Estimated Grants (s106)	(335,000)	0	0	0	0	0	0	0			
Add: Revenue contributions for Kerbside bins	(65,629)	(65,957)	(66,286)	(66,618)	(66,951)	(67,286)	(67,622)	(67,960)	(68,300)	(68,641)	
Add: Revenue contributions for LED Public Lightning	0	(13,500)	(13,500)	(16,500)	(13,500)	(13,500)	(16,500)	0	0	0	
Total Estimated Capital Receipts	(3,578,161)	(1,661,198)	(1,510,984)	(1,528,102)	(1,486,553)	(1,450,339)	(1,478,461)	(966,421)	(962,721)	(973,362)	(5,660,782)
EXPENDITURE											
Disabled Facilities Grants	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,500,000
Purchase of bins for refuse and recycling - New Waste Strategy	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	100,000
Public lighting LED Lights	87,000	0	0	0	0	0	0	0	0	0	87,000
Car Park Restatements	55,450	20,000	0	50,000	0	0	262,000	0	0	0	387,450
Bedale Gateway Car Park	552,000	0	0	0	0	0	0	0	0	0	552,000
Civic Centre- Window Replacements	0	0	0	0	0	0	0	10,000			10,000
Adoptions Leeming Bar	150,000	0	0	0	0	0	0	0	0	0	150,000
All Leisure Centres - Digital Transaction Software	5,900	0	0	0	0	0	0	0	0	0	5,900
Car Parks - P&D Machines Replacements	0	0	0	0	0	0	140,000	0	0	0	140,000
Bedale North End Cobbles	0	0	0	0	0	0	120,000	0	0	0	120,000
Hambleton Leisure Centre Wave Machine	30,000	0	0	0	0	0	0	0	0	0	30,000
Civic Centre - Access Card Reader System	0	0	0	10,000	0	0	0	0	0	0	10,000
ICT Server Room Civic Centre & Springboard	64,600	0	0	0	0	0	0	0	0	0	64,600
Bedale Cycle Scheme	392,000	0	0	0	0	0	0	0	0	0	392,000
District Council Boundary Signs	0	0	10,000	0	0	0	0	0	0	0	10,000
Leisure Centre Automatic Doors	30,000	0	0	0	0	0	0	0	0	0	30,000
Waste and Street Scene - Telematics	12,300	0	0	0	0	0	0	0	0	0	12,300
Waste and Street Scene - Training Room	9,500	0	0	0	0	0	0	0	0	0	9,500
Hambleton Leisure Centre Improvement Scheme	275,000	0	0	0	0	0	0	0	0	0	275,000
Hambleton Leisure Centre - Fire Alarm System	16,040	0	0	0	0	0	0	0	0	0	16,040
Hambleton Leisure Centre - External Render	8,000	0	0	0	0	6,000	0	0	0	0	14,000
Hambleton Leisure Centre - Pool Balustrades	15,000	0	0	0	0	0	0	0	0	0	15,000
Hambleton Leisure Centre- Pool Changing Village	85,000	0	0	0	0	0	0	0	0	0	85,000
Forum - Capital Repairs	41,300	0	0	0	24,000	0	0	0	0	0	65,300
CCTV Camera Replacement Programme	34,000	0	0	0	0	0	0	0	0	0	34,000
Workspaces Air Con Refurbishments	3,830	0	0	6,000	0	0	0	6,000	0	0	15,830
Hambleton LC - Cold Water storage Tank	8,000	0	0	0	0	0	0	0	0	0	8,000
Stokesley LC - Corridor to viewing area, underfloor pipework	12,000	0	0	0	0	0	0	0	0	0	12,000
Workspaces - Health and safety aspects	18,000	0	0	0	0	0	0	0	0	0	18,000
Workspaces - Roller Shutter Doors	0	8,000	0	0	8,000	0	8,000	0	8,000	0	32,000
Workspace - Lift Works (LOLER)	0	0	0	6,000	0	0	0	6,000	0	0	12,000
Central and Stokesley Depot - Welfare Facilities improvements	25,000	0	0	0	0	0	0	0	0	0	25,000
Central Depot - HGV Full Roof Replacement	45,000	0	0	0	0	0	0	0	0	0	45,000
Civic Centre: Replace Computer Room 1&2 Air conditioning unit	19,500	0	0	0	0	0	0	0	0	0	19,500
Civic Centre: UPS and Fire Suppression replacement scheme	48,500	0	0	0	0	0	0	0	0	0	48,500
Central Depot - Access Road resurfacing	0	0	0	0	35,000	0	0	0	0	0	35,000
Car Parks - upgrading Pay & Display Machines	8,000	0	0	0	0	0	0	0	0	0	8,000
Hambleton LC - Sauna replacement	12,000	0	0	0	0	0	0	0	0	0	12,000
Stokesley LC - Sauna replacement	8,000	0	0	0	0	0	0	0	0	0	8,000
Thirsk All Weather Pitch - Refurbishment of showers	10,000	0	0	0	0	0	0	0	0	0	10,000
HLC - Rebound boards (linked to floor being done)	0	18,000	0	0	0	0	0	0	0	0	18,000
HLC - Sports hall sprung floor	0	60,000	0	0	0	0	0	0	0	0	60,000
Civic Centre - Food Lab	6,000	0	0	0	0	0	0	0	0	0	6,000
Springboard Car Park - Resurface with Tarmac	12,500	0	0	0	0	0	0	0	0	0	12,500
Civic Centre - Double Glazed window replacement scheme	0	12,000	0	0	0	0	0	0	0	0	12,000
Hambleton LC - Air handling energy saving rotor replacement	7,000	0	0	0	0	0	0	0	0	0	7,000
Civic Centre - Refurbishment of kitchenettes	10,000	0	0	0	0	0	0	0	0	0	10,000
Civic Centre - External Woodwork replacement scheme Dormers	0	20,000	0	0	0	0	0	0	0	0	20,000
Civic Centre - External Woodwork replacement scheme Stairwells	0	10,000	0	0	0	0	0	0	0	0	10,000
Stokesley LC - re-design of reception area	15,000	0	0	0	0	0	0	0	0	0	15,000
Civic Centre Toilets Part 2	75,000	32,000	0	0	0	0	0	0	0	0	107,000
Hambleton LC - Changing Room and Poolside Improvements	90,000	0	0	0	0	0	0	0	0	0	90,000
Stokesley LC - Menerga Air Handling Unit	11,000	0	0	0	0	0	0	0	0	0	11,000
St Marys Closed Churchyard - Boundary Wall repairs	10,000	0	0	0	0	0	0	0	0	0	10,000
Bedale Sweeper Shed	15,000	0	0	0	0	0	0	0	0	0	15,000
Stokesley LC - sub circuit distribution	14,000	0	0	0	0	0	0	0	0	0	14,000
Workspaces Air Con Refurbishments	0	0	6,000	0	0	0	0	0	0	0	6,000
TOTAL CAPITAL RECEIPTS EXPENDITURE	**2,506,420**	**340,000**	**176,000**	**232,000**	**227,000**	**166,000**	**690,000**	**182,000**	**168,000**	**160,000**	**4,847,420**
BALANCE ON Capital receipts reserve	**(1,071,741)**	**(1,321,198)**	**(1,334,984)**	**(1,296,102)**	**(1,259,553)**	**(1,284,339)**	**(788,461)**	**(784,421)**	**(794,721)**	**(813,362)**	

10 YEAR CAPITAL PLAN 2015/16 TO 2024/25

ANNEX A4

ECONOMIC DEVELOPMENT FUND	Yr 1 16/17	Yr 2 17/18	Yr 3 18/19	Yr 4 19/20	Yr 5 20/21	Yr 6 21/22	Yr 7 22/23	Yr 8 23/24	Yr 9 24/25	Yr 10 25/26	Total
	£	£	£	£	£	£	£	£	£	£	£
INCOME											
Opening Balance	(2,817,019)	(331,901)	0	0	(1,760,000)	(1,320,000)	(880,000)	(440,000)	0	0	
Add: Estimated returned of borrowed funds from the BID		(300,000)	(300,000)	(300,000)	(300,000)	(300,000)					
Add: Estimated Capital Receipts from sale of prison site				(2,200,000)							
	(2,817,019)	(631,901)	(300,000)	(2,500,000)	(2,060,000)	(1,620,000)	(880,000)	(440,000)	0	0	(6,517,019)
EXPENDITURE											
Economic Development Revenue Expenditure											**0**
Economic Development Capital Expenditure	2,485,118	631,901	300,000	740,000	740,000	740,000	440,000	440,000			**6,517,019**
BALANCE ON ECONOMIC DEVELOPMENT FUND	**(331,901)**	**0**	**0**	**(1,760,000)**	**(1,320,000)**	**(880,000)**	**(440,000)**	**0**	**0**	**0**	

10 YEAR CAPITAL PLAN 2015/16 TO 2024/25

ANNEX A5

BORROWING / SURPLUS FUNDS	Yr 1 16/17	Yr 2 17/18	Yr 3 18/19	Yr 4 19/20	Yr 5 20/21	Yr 6 21/22	Yr 7 22/23	Yr 8 23/24	Yr 9 24/25	Yr 10 25/26	Total
INCOME											
Add: Borrowing / Surplus Funds	(15,000,000)	(10,000,000)		0	0	0	0	0	0	0	(25,000,000)
EXPENDITURE											
Loan to Housing Association	15,000,000	10,000,000		0	0	0	0	0	0	0	**25,000,000**
BALANCE ON BORROWING / SURPLUS FUNDS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	

10 YEAR CAPITAL PLAN 2016/17 TO 2025/26

ANNEX A6

TOTAL CAPITAL PROGRAMME	Yr 1 16/17	Yr 2 17/18	Yr 3 18/19	Yr 4 19/20	Yr 5 20/21	Yr 6 21/22	Yr 7 22/23	Yr 8 23/24	Yr 9 24/25	Yr 10 25/26	Total
REPAIRS AND RENEWALS FUND	141,995	110,000	91,000	130,000	86,000	115,000	146,000	110,000	86,000	86,000	1,101,995
COMPUTER FUND	396,453	102,000	102,000	361,830	102,000	102,000	102,000	102,000	101,000	100,000	1,571,283
CAPITAL RECIEPTS RESERVE	2,506,420	340,000	176,000	232,000	227,000	166,000	690,000	182,000	168,000	160,000	4,847,420
ECONOMIC DEVELOPMENT FUND	2,485,118	631,901	300,000	740,000	740,000	740,000	440,000	440,000	0	0	6,517,019
BORROWING SURPLUS FUNDS	15,000,000	10,000,000	0	0	0	0	0	0	0	0	25,000,000
BALANCE ON BORROWING / SURPLUS FUNDS	**20,529,986**	**11,183,901**	**669,000**	**1,463,830**	**1,155,000**	**1,123,000**	**1,378,000**	**834,000**	**355,000**	**346,000**	**39,037,717**

Cabinet Member/ Responsible Officer	Repairs & Renewals Fund	2016/17 Capital Expenditure 2016/17 Only £	Third Party Contribution £	Cost to the Council £	Estimated completion date
Cllr Phillips	**Environmental & Planning Services**				
MJ	Purchase of bins and boxes for refuse and recycling	50,000		50,000	Ongoing
Cllr Knapton	**Support Services**				
JI	Public lighting replacement	51,000		51,000	Mar-17
JI	Air Conditioning - Legislation requirement Corporate	15,000		15,000	Ongoing
	Repairs & Renewals Fund Capital Programme 2016/17	**116,000**	**0**	**116,000**	

Cabinet Member/ Responsible Officer	Computer Fund	2016/17 Capital Expenditure 2016/17 Only £	Third Party Contribution £	Cost to the Council £	Estimated completion date
Cllr Knapton	**Support Services**				
JI	ICT Improvements	199,330	0	199,330	Mar-17
	Computer Fund Capital Programme 2016/17	**199,330**	**0**	**199,330**	

Cabinet Member/ Responsible Officer	Capital Fund	2016/17 Capital Expenditure 2016/17 Only £	Third Party Contribution £	Cost to the Council £	Estimated completion date
Cllr Phillips	**Environmental & Planning Services**				
MJ	Disabled Facilities Grant	150,000	100,000	50,000	Mar-17
MJ	Purchase of bins and boxes for refuse and recycling	10,000	10,000	0	Ongoing
MJ	Bedale Sweeper Shed	15,000		15,000	Sep-16
MJ	Central and Stokesley Depot - Welfare Facilities improvements	25,000		25,000	Sep-16
MJ	Central Depot - HGV Full Roof Replacement	45,000		45,000	Aug-16
Cllr Fortune	**Customer & Leisure Services**				
DG	Hambleton Leisure Centre Improvement Project	42,240		42,240	Mar-17
DG	Hambleton LC - Changing Room and Poolside Improvements	90,000		90,000	Mar-17
DG	Hambleton LC - Cold Water storage Tank	8,000		8,000	Mar-17
DG	Hambleton LC - Sauna replacement	12,000		12,000	Mar-17
DG	Hambleton LC - Air handling energy saving rotor replacement	7,000		7,000	Apr-16
DG	Hambleton Leisure Centre Wave Machine	30,000		30,000	Mar-17
DG	Stokesley LC - Sauna replacement	8,000		8,000	Mar-17
DG	Stokesley LC - Corridor to viewing area, underfloor pipework	12,000		12,000	Sep-16
DG	Stokesley LC - re-design of reception area	15,000		15,000	Apr-16
DG	Stokesley LC - Menerga Air Handling Unit	11,000		11,000	Apr-16
DG	Stokesley LC - sub circuit distribution	14,000		14,000	Mar-17
DG	Thirsk All Weather Pitch - Refurbishment of showers	10,000		10,000	Jun-16
DG	Leisure Centre Automatic Doors	30,000		30,000	Mar-17
DG	Public lighting LED Lights	87,000		87,000	Mar-17
DG	Springboard Car Park - Resurface with Tarmac	12,500		12,500	Ongoing
DG	Workspaces - Health and safety aspects	18,000		18,000	Ongoing
Cllr Knapton	**Support Services**				
JI	Civic Centre: Replacement of Computer Room 1&2 Air conditioning unit	19,500		19,500	Jun-16
JI	Civic Centre: UPS and Fire Suppression replacement scheme	48,500		48,500	Jun-16
JI	Civic Centre - Food Lab	6,000		6,000	Jun-16
JI	Civic Centre - Refurbishment of kitchenettes	10,000		10,000	Jun-16
JI	Civic Centre Toilets Part 2	75,000		75,000	Dec-16
JI	St Marys Closed Churchyard - Boundary Wall repairs	10,000		10,000	Nov-16
JI	Car Parks - upgrading Pay & Display Machines	8,000		8,000	Jun-16
JI	Car Park Reinstatements	30,000		30,000	Nov-16
	Capital Fund Capital Programme 2016/17	**858,740**	**110,000**	**748,740**	

Cabinet Member/ Responsible Officer	Economic Development Fund	2016/17 Capital Expenditure 2016/17 Only £	Third Party Contribution £	Cost to the Council £	Estimated completion date
Cllr Fortune	**Customer & Leisure Services**				
DG	Economic Development Capital Expenditure	584,000		584,000	Ongoing
	Economic Development Capital Programme 2016/17	**584,000**	**0**	**584,000**	

Cabinet Member/ Responsible Officer	Borrowing / Surplus Funds	2016/17 Capital Expenditure 2016/17 Only £	Third Party Contribution £	Cost to the Council £	Estimated completion date
Cllr Knapton	**Support Services**				
JI	Loan to Housing Association	15,000,000		15,000,000	Mar-17
	Borrowing / Surplus Funds Programme 2016/17	**15,000,000**	**0**	**15,000,000**	

Cabinet Member/ Responsible Officer	Total Capital Programme 2016/17	2016/17 Capital Expenditure 2016/17 Only £	Third Party Contribution £	Cost to the Council £	Estimated completion date
Cllr Phillips	**Environmental & Planning Services**	295,000	110,000	185,000	
Cllr Fortune	**Customer & Leisure Services**	990,740	0	990,740	
Cllr Knapton	**Support Services**	15,472,330	0	15,472,330	
	Total Capital Programme 2016/17	**16,758,070**	**110,000**	**16,648,070**	

TREASURY MANAGEMENT STRATEGY STATEMENT - MINIMUM REVENUE POSITION STRATEGY and ANNUAL INVESTMENT STRATEGY 2016/17

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 and actual treasury operations compared to the estimates within the strategy.

Scrutiny

1.2.5 The above reports are required to be adequately scrutinised by Members before being recommended to the Council. This role is undertaken by Audit, Givernance and Standards Committee.

1.3 **Treasury Management Strategy for 2016/17**

1.3.1 The strategy for 2016/17 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, Local Government Minimum Revenue Provision Guidance and Communities, Local Government Investment guidance.

2.0 THE CAPITAL PRUDENTIAL INDICATORS 2016/17 – 2018/19:

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

Capital Expenditure

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

Capital Expenditure	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Total	1,620,795	14,271,397	20,529,986	11,183,901	669,000

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 borrowing need. In 2016/17, borrowing may occur only to fund the loan the Council is proposing to make to Broadacres Housing Association.

Capital Expenditure £000	**2014/15 Actual**	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**
Total	1,620,795	14,271,397	20,529,986	11,183,901	669,000
Financed by:					
Capital receipts	378,034	1,916,659	2,005,791	160,543	9,714
Capital grants	477,391	219,941	435,000	100,000	100,000
Capital reserves	765,370	2,134,797	3,023,566	843,901	493,000
Revenue	0	0	65,629	79,457	66,286
Net financing need for the year	**0**	**10,000,000**	**15,000,000**	**10,000,000**	**0**

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

2.5 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's 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 2016/17, due to the loan to Broadacres Housing Association the CFR will increase by the total amount borrowed for that scheme only. The total amount that is likely to be loaned to Broadacres Housing Association at £25,000,000 ha been used in the estimate of the CFR as this is the prudent position. This also provides the Council with the flexibility to use borrowing for the total amount of the Broadacres Housing Association loan in 2016/17 and in future 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:-

	2014/15 Actual	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**
Capital Financing Requirement					
CFR – non housing	0	10,000,000	25,000,000	35,000,000	35,000,000
CFR - housing	0	0	0	0	0
Total CFR	**0**	**10,000,000**	**25,000,000**	**35,000,000**	**35,000,000**

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Movement in CFR	**0**	**10,000,000**	**15,000,000**	**10,000,000**	**0**
Net financing need for the year (above)	0	10,000,000	15,000,000	10,000,000	0
Less MRP and other financing movements	0	0	0	0	0
Movement in CFR	**0**	**10,000,000**	**15,000,000**	**10,000,000**	**0**

Minimum Revenue provision (MRP) Policy Statement

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

2.11 This Council in 2016/17 will have a Capital Financing Requirement in relation only 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. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following Minimum Revenue Provision Statement*:*

2.13 For capital expenditure incurred before 1 April 2008, or which in the future will be Supported Capital Expenditure, the 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 annual PFI or finance leases are applied as Minimum Revenue Provision (MRP), though this Council does not expect to have these repayments in 2016/17 or in the foreseeable future.

2.16 The Capital Financing Requirement for the loan to Broadacres Housing Association will be a maximum of £25,000,000 in 2016/17 and future years. 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 £25,000,000 is loaned to Broadacres in 2016/17, the first time the MRP charge will be made to the revenue account to reduce the level of CFR will be 2020/21 and at regular intervals thereafter.

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, 2017/18 and 2018/19 it should be noted that if the Council does not borrow £25,000,000 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	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Fund balances / reserves	16,294,438	13,780,025	10,960,113	10,942,111	10,780,601
Capital receipts	4,714,562	2,324,532	1,071,741	1,321,198	1,334,984
Provisions	0	0	0	0	0
Other	3,101,000	-104,557	-31,854	-263,309	-115,585
Total core funds	**24,110,000**	**16,000,000**	**12,000,000**	**12,000,000**	**12,000,000**
Under/over borrowing	0	0	0	0	0
Expected investments	**24,110,000**	**16,000,000**	**12,000,000**	**12,000,000**	**12,000,000**

Affordability Prudential Indicators

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

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

%	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Ratio	0	0	0	0	0

2.20 The estimates of financing costs include current commitments and the proposals in this report. The table shows that there is no ratio between the capital cost and net revenue stream because the borrowing which will potentially be undertaken is for the loan to 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 **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**

£	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Council tax - band D	£0.00	£0.00	£0.00	£0.00	£0.00

3.0 BORROWING:

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

3.2 **Current Portfolio Position**

3.2.1 The Council's treasury portfolio position at 31 March 2015 with forward projections are summarised below. The table shows the actual external debt (the Treasury Management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing. This Council currently is debt free in 2015/16. In 2016/17 borrowing my occur for only two schemes – the loan to Broadacres Housing Association and Hambleton Lesiure Centre Improvement Schemes – and this is reflected in the table below:

£m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
External Debt					
Debt at 1 April	0	0	10,000,000	25,000,000	35,000,000
Expected change in Debt	0	10,000,000	15,000,000	10,000,000	0
Other long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0
Actual debt at 31 March	**0**	**10,000,000**	**25,000,000**	**35,000,000**	**35,000,000**
The Capital Financing Requirement	0	10,000,000	25,000,000	35,000,000	35,000,000
Under / (over) borrowing	**0**	**0**	**0**	**0**	**0**

Total investments at 31 March					
Investments	**24,110,000**	**16,000,000**	**12,000,000**	**12,000,000**	**12,000,000**
Investment change		(8,110,000)	(4,000,000)	0	0

Net Debt / (Net Investment)		(6,00,000)	13,000,000	23,000,000	23,000,000

3.2.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 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 Executive Director & Deputy Chief Executive (Section 151 Officer) reports that the Council complied with this prudential indicator in the current year 2015/16 and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

3.3 **Treasury Indicators: Limits to Borrowing Activity**

3.3.1 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt. Prior to 2016/17, the Council was debt free and had no borrowing, however, 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 2016/17 the possibility of borrowing for the loan to Broadacres Housing Association is also included in the operational boundary.

Operational boundary	**2014/15 Estimate**	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**
Debt	4,000,000	14,000,000	29,000,000	39,000,000
Other long term liabilities	600,000	600,000	600,000	600,000
Total	**4,600,000**	**14,600,000**	**29,600,000**	**39,600,000**

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

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has 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:

Authorised limit £000	**2014/15 Estimate**	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**
Debt	5,000,000	20,000,000	35,000,000	45,000,000
Other long term liabilities	1,000,000	1,000,000	1,000,000	1,000,000
Total	**6,000,000**	**21,000,000**	**36,000,000**	**46,000,000**

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 2016	0.50	2.40	3.70	3.60
Jun 2016	0.75	2.60	3.80	3.70
Sep 2016	0.75	2.70	3.90	3.80
Dec 2016	1.00	2.80	4.00	3.90
Mar 2017	1.00	2.80	4.10	4.00
Jun 2017	1.25	2.90	4.10	4.00
Sep 2017	1.50	3.00	4.20	4.10
Dec 2017	1.50	3.20	4.30	4.20
Mar 2018	1.75	3.30	4.30	4.20
Jun 2018	1.75	3.40	4.40	4.30
Sep 2018	2.00	3.50	4.40	4.30
Dec 2018	2.00	3.50	4.40	4.30
Mar 2019	2.00	3.60	4.50	4.40

3.4.2 UK. UK Gross Domestic Product growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, probably being second to the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y) before weakening again to +0.5% (2.3% y/y) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that Consumer Price Index inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, most worldwide economic statistics have been weak and the November Inflation Report flagged up particular concerns for the potential impact on the UK.

3.4.3 The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of Consumer Price Index during late 2015 / early 2016 but a second, more recent round of falls in fuel prices will now delay a significant tick up in inflation from around zero: this is now expected to get back to around 1% in the second half of 2016 and not get to near 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase. There is considerable uncertainty around how quickly pay and Consumer Price Index inflation will rise in the next few years and this makes it difficult to forecast when the Monetary Policy Committee will decide to make a start on increasing Bank Rate.

3.4.4 **USA.** The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then pulled back to 2.1% in quarter 3. The run of strong monthly increases in nonfarm payrolls figures for growth in employment in 2015 has prepared the way for the Fed. to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own Monetary Policy Committee.

3.4.5 **EZ.** In the Eurozone, the European Central Bank fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected Eurozone countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to an improvement in economic growth. Gross Domestic Product growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and +0.3% in quarter 3. However, this lacklustre progress in 2015 together with the recent downbeat Chinese and emerging markets news, has prompted comments by the European Central Bank that it stands ready to strengthen this programme of QE by extending its time frame and / or increasing its size in order to get inflation up from the current level of around zero towards its target of 2% and to help boost the rate of growth in the Eurozone.

Greece. During July, Greece finally capitulated to European Union demands to implement a major programme of austerity and is now cooperating fully with European Union demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to Gross Domestic Product. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to European Union demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing / communist coalition has taken power in Portugal which is heading towards unravelling previous pro austerity reforms. This outcome could be replicated in Spain. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

- Investment returns are likely to remain relatively low during 2016/17 and beyond;
- Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenominally low levels during 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**

3.5.1 The Council in 2015/16 is debt free, however in 2016/17 two schemes may incur borrowing as a result of the associated capital expenditure. The maximum amount of borrowing that would be incurred is £25,900,000. 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 needed (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 2016/17 interest rates span between 5 years at 2.4%, 25 at 4.3% 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 2016/17 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 2016/17 treasury operations. The Executive Director will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised 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 to fund the loan to Broadacres Housing Association and the Hambleton Leisure Centre improvement Scheme 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 due to the current volatility in the market.

	2016/17	**2017/18**	**2018/19**
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest	106	110	113

	2016/17	2017/18	2018/19
Interest rate Exposures			
rates based on net debt			
Limits on variable interest rates based on net debt	-6	-10	-13
Limits on Fixed Interest Rates:			
• **Debt only**	100%	100%	100%
• **Investments Only**	90%	90%	90%
Limits on Variable Interest Rates			
• **Debt only**	10%	10%	10%
• **Investments Only**	50%	50%	50%
Maturity Structure of interest rate borrowing 2014/15			
		Lower	**Upper**
Under 12 months		0%	100%
12 months to 2 years		0%	100%
2 years to 5 years		0%	100%
5 years to 10 years		0%	100%
10 years to 20 years		0%	100%
20 years to 30 years		0%	100%
30 years to 40 years		0%	20%
40 years to 50 years		0%	20%

3.6 Policy on Borrowing in Advance of Need

3.6.1 In 2016/17 borrowing is likely to occur to fund the loan to Broadacres Housing Association but not for any other purpose as in 2015/16 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 2016/17. 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 2015/16 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 sometime in the future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). 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 required for the two previously mentioned schemes.

3.9 Annual Investment Strategy

3.9.1 **Investment Policy –**

3.9.2 The Council's investment policy has regard to the Communities and Local Government'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 Communities and Local Government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term Ratings.

3.9.11 The Council's Treasury Management Advisor – Capita Asset Services – advises the Council on creditworthiness methodology which uses creditcritaria 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. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

3.9.12 In keeping with the agencies' new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

3.9.13 The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of AA for the UK. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

3.9.14 It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the “support” phase of the financial crisis.

3.9.20 With regards to counterparty limts and the amount of surplus funds to be placed with any one counterparty or group of counterparties, specific advice has been taken from the Council’s Treasury Management Advisors (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 three exceptions to this policy:

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

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

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

  It should be noted that it is expected during 2016/17, that the status of the current counterparties backed by the Government in (a) above may change. If this occurs a report will be brought to Cabinet at the earliest opportunity with the revised limits.

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

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

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

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

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 the Capita Asset Services creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis via its Passport website, provided exclusively to it by Capita Asset Services. 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 any external support for banks to help support its decision making process.

3.11 Country and sector 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 applies, a maximum of 30% of total investments or £3.0m whichever is the lower will be invested in a single institution of a AAA sovereign rated country

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 2016. Bank Rate forecasts for financial year ends (March) are:

- 2016/2017 0.75%
- 2017/2018 1.25%
- 2018/2019 1.75%

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

- 2016/17 0.60%
- 2017/18 1.25%
- 2018/19 1.75%
- 2019/20 2.25%
- 2020/21 2.50%
- 2021/22 3.00%
- 2022/23 3.00%
- Later years 3.00%

3.12.4 The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.

3.12.5 **Invesment 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: -

Maximum principal sums invested > 364 days			
£000	**2016/17**	**2017/18**	**2018/19**
Principal sums invested > 364 days	£1,000,000	£1,000,000	£1,000,000

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 2016/17 financial year.

3.14 **End of year investment report -** At the end of the 2016/17 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 Capita 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

Institution / Counterparty	***Minimum 'High' Credit Criteria***	***Use***
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	Coded: Orange on 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	100%	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

Institution / Counterparty	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – local authorities	--	In-house	30%	> 1 year
Term deposits – banks and building societies	Coded: Purple (2yrs)) on 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
Collective Investment Schemes structure as open Ended Investment Companies (OEICs)				
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

ANNEX C2

APPROVED COUNTRIES FOR INVESTMENT
Current List as at 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
- Netherlands
- Singapore
- Sweden
- Switzerland

AA+

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

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium
- Saudi Arabia

ANNEX 'D'

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 Audit, Governance and Standards Committee 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.

ANNEX 'E'

TREASURY MANAGEMENT SCHEME OF DELEGATION

APPENDIX: Treasury management scheme of delegation

(i) Full Council
- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy and annual outturn

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

(iii) Audit, Governance and Standards Committee
- reviewing and scrutinizing the treasury management policy and procedures and making recommendations to Cabinet.
- receiving and scrutinising annual treasury management strategy, annual outturn, quarterly reports and also adhoc reports on treasury management policies, practices and activities

(iv) Executive Directors & Deputy Chief Executive (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
9 February 2016

Subject: **REVENUE BUDGET 2016/17**

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

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1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of the report is to present at a strategic level the revenue budget proposals for the next financial year 2016/17.

1.2 The summary estimates in this report are shown at Annex 'A' and present the 2014/15 Actual; 2015/16 Original budget; 2015/16 latest Approved and 2016/17 Estimate budget. Commentary on the budget proposal is also contained in Annex 'A'. Theme budgets are shown at Annex 'B'.

2.0 BUDGET 2016/17:

2.1 The original estimate for 2016/17 shows a net budget of £7,811,370. This is £893,090 more than the budget set in 2014/15 which was £6,918,280.

2.2 The increase in the budget relates to two specific areas - the income earned from the loan to Broadacres Housing Association has been re-profiled so will be less in 2016/17 and the income to be realised from the Waste Strategy is reduced due to the change in the waste market prices.

2.3 Considering the financial climate that the Council is currently operating in with cost pressures facing Local Government and a tighter funding position from a reduction of Government grants, this is a satisfactory budget position. The Council continues to provide efficient and effective services for the community.

3.0 FINANCIAL STRATEGY:

3.1 The revenue budget estimate for 2016/17 is within the financial constraints of the Financial Strategy included previously on this Cabinet agenda.

3.2 The Financial Strategy makes a number of assumptions around the level of grant support to be received by the Council, the Business Rate Retention scheme and the level of Council Tax to be collected. These assumptions and the revenue budget provide a balance position for 2016/17.

4.0 LINK TO COUNCIL PRIORITIES:

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

5.0 RISK ASSESSMENT:

5.1 The key financial risks and associated implications for the Revenue Budget 2016/17 are detailed below, a score of high, medium or low has been given to the likelihood of each risk occurring and the impact of risk on the Financial Strategy should it occur:-

Risk	Implication	Prob*	Imp*	Total	Preventative action
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.
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 does not draw upon the offered loan according to the profile in 2016/17.	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.

6.0 FINANCIAL IMPLICATIONS:

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

7.0 LEGAL IMPLICATIONS:

7.1 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.

8.0 EQUALITY/DIVERSITY ISSUES:

8.1 There are no specific equality implications to this report.

9.0 RECOMMENDATIONS:

9.1 It is recommended that Cabinet approves and recommends to Council the Revenue Budget for 2016/17 at £7,811,370.

JUSTIN IVES

Background papers: Budget setting papers 2016/17
Financial Strategy 2016/17

Author ref: LBW

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

ANNEX 'A'

REVENUE BUDGET – ESTIMATES 2016/17

1.0 ESTIMATES 2016/17

1.1 The table below details the revenue budget for 2016/17 at a strategic level.

	2014/15 Actual £	2015/16 Original £	2015/16 Latest £	2016/17 Estimate £
Customer and Leisure	1,468,893	1,618,760	1,647,540	1,679,690
Environmental and Planning Services	4,142,480	4,301,520	4,160,880	4,835,750
Support Services	1,524,597	888,170	1,900,550	1,186,100
Internal Drainage Boards	99,832	109,830	105,380	109,830
Net Budget	**7,235,802**	**6,918,280**	**7,814,350**	**7,811,370**

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

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

2.0 FINANCIAL STRATEGY:

2.1 The Council's latest Financial Strategy has been included previously on this Cabinet agenda. The revenue budget for 2016/17 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 2016/17 revenue budget, these include:-

- The revenue budget assumes that the Bank of England base will remain low at 0.5% throughout 2016/17, with the possibility of a rate rise to 0.75% in Q2 or Q3; this will impact on the ability of the Council to generate investment income from balances;

- All fees & Charges have been reviewed for 2016/17, with an overall increase of 2%. This takes into consideration the nature of the services, the impact on commercial viability and local economic circumstances;

- A provision of 1% has been included for a pay award in 2016/17 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 changes in charges for gas, electricity and vehicle fuel for 2016/17.

- 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.

- A Council Tax increase of £5 on a Band D equivalent property; this is the first time Council Tax has increased for 5 years and is as a result of Central Government no longer offering a Council Tax Freeze Grant due to the reduction in local government funding.

2.3 Within the Financial Strategy it is estimated that the Council will lose 22.4% of its grant funding from Central Government excluding New Homes Bonus Grant over the 4 year period 2016/17 to 2019/20. Including the collection of business rates, council tax and New Homes Bonus grant, the reduction in total resources to the council over the next 4 years 1.5%.

2.4 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 <u>RESERVES AND BALANCES</u>:

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 2017 remain consistent with the Financial Strategy.

3.2 A summary of anticipated revenue reserves and balances at 31 March 2017 is set out below:-

Reserve	**Balance £**
Council Tax-payers	4,138,478
Repairs and Renewals Fund	2,393,790
Computer Fund	594,270
Grants Fund	248,762
One-Off Fund	1,252,912
General Fund Working Balance	2,000,000
Economic Development Fund	331,901
TOTAL	**10,960,113**

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

4.0 <u>FINANCIAL OUTLOOK</u>:

4.1 Although the revenue budget 2016/17 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 have seen a headline cut in spending power of 2.8% in 2016/17. Central Government grant has been reduced and no incentive to freeze council tax has been offered to Local Authorities. The Government continues to pay New Homes Bonus grant in 2016/17 to encourage the building of new homes, although this allocation will be reduced to zero in 2020/2021 where the grant will be redirected to other Local Authorities to support social care.

4.3 The settlement for 2016/17 does favour shire district councils, where 65 shire districts see an increase in spending power; Hambleton sees an increase of 1.5% in 2016/17 due to the increase in New Homes Bonus grant. Excluding the New Homes Bonus grant, Hambleton see a decrease of 28.8%. Cumulatively over the next 4 years the Council will lose 12.4% of its total grant funding from Central Government. The total loss in resources available to the Council for the period 2016/17 to 2019/20, including Council tax and business rates, is 1.5%.

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

- The consultation on the changes to the new business rates retention system will be issued in the Summer 2016, where Council's will retain 100% business rates locally but will receive increased burdens transferred from central government.
- Increasing Council Tax by £5 on a Band D equivalent property.
- Reviewing Fees and Charges across Council services.
- Investment increase and loan interest.
- Income generated from commercial opportunities.

4.4 In addition to the reduction in grant funding, it is also necessary to consider the volatility of inflation, changes in energy prices, reduced investment interest rates and the Council's ability to generate income.

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 revenue reserve balances it is in a better financial position than most to deal with these financial challenges. It should be noted that as a result of the Local Government Finance Settlement over the 10 year financial strategy the revenue reserve balances have fallen significantly from the position a year ago. Therefore, to maintain the current reserve position efforts must be made in setting future budgets to, where possible, preserve these reserve levels and protect the Council's financial position.

ESTIMATES SUMMARY
2016/17
Summary of Expenditure/(Income)

2014/15 Actuals	Details	2015/16 Original	2015/16 Latest	2016/17 Estimate
£		£	£	£
1,468,893	Customer & Leisure Services	1,618,760	1,610,990	1,679,690
4,142,480	Environmental & Planning Services	4,301,520	4,120,790	4,835,750
1,524,597	Support Services	888,170	1,549,380	1,186,100
7,135,970		6,808,450	7,281,160	7,701,540
99,832	Internal Drainage Boards	109,830	105,380	109,830
7,235,802	Sub-total	6,918,280	7,386,540	7,811,370

Customer & Leisure Services

SUMMARY

2014/15 Actuals	Page Ref	Details	2015/16 Original	2015/16 Latest	2016/17 Estimate
£			£	£	£
4,390	HCLS01	Customer Services	-	9,650	-
141,737	HCLS02	Community Development (HDC)	105,570	78,930	44,400
12	HCLS03	Community Development (Part)	70	70	-
35,780	HCLS04	CCTV	45,610	69,040	20,890
36,773	HCLS05	Community Safety (HDC)	27,300	27,300	33,640
532	HCLS06	Community Safety (Part)	1,630	1,630	1,730
17,793	HCLS07	Public Transport	17,550	17,520	22,360
1,783	HCLS08	Communications	-	(5,810)	-
(166,176)	HCLS09	Workspace Management	(64,200)	(82,630)	(142,890)
40,479	HCLS10	Business Grants	29,980	41,680	30,700
43,706	HCLS11	Env Grants & Initiatives	14,030	14,030	13,460
159,848	HCLS12	Business & Economy	259,040	246,550	318,870
37,491	HCLS13	Grants & Subscriptions	36,260	38,260	38,250
29,306	HCLS15	Arts Development	32,500	32,500	38,390
23,601	HCLS16	Lifestyles	26,920	26,920	14,460
5,824	HCLS17	Hambleton Forum	5,560	5,560	3,090
134,742	HCLS18	Sports Development & Comm Rec	161,710	161,700	173,760
-	HCLS19	Sports Development & Comm Rec	-	-	-
208,174	HCLS20	Hambleton Leisure Centre	174,840	203,070	209,120
201,756	HCLS21	Stokesley Leisure Centre	217,260	204,810	219,600
218,832	HCLS22	Bedale Leisure Centre	255,280	214,030	258,640
142,836	HCLS23	Thirsk Swimming Pool	129,210	142,560	156,140
12,217	HCLS24	Thirsk All Weather Pitch	21,580	18,530	20,170
32,553	HCLS25	Galtres Centre	32,580	32,580	40,630
42,764	HCLS26	Open Space	37,680	37,680	39,090
13,535	HCLS27	Leisure Services	9,670	15,310	75,790
2,000	HCLS28	Facilities Unit	-	18,400	-
46,605	HCLS29	Emergency Planning	41,130	41,120	49,400
1,468,893		**NET EXPENDITURE**	1,618,760	1,610,990	1,679,690

Environmental & Planning Services

SUMMARY

2014/15 Actuals	Page Ref	Details	2015/16 Original	2015/16 Latest	2016/17 Estimate
£			£	£	£
7,690	HEPS02	Information Management	-	(4,060)	-
177,001	HEPS03	Development Management	148,290	(10,470)	136,990
147,359	HEPS04	Planning Policy	178,270	173,860	190,150
4,083	HEPS05	Registered Social Landlords	3,040	3,040	3,160
(37,169)	HEPS06	Land Charges	(39,060)	(39,060)	30
(27,317)	HEPS07	Housing Services	-	(990)	-
107,396	HEPS08	Housing Strategy	111,640	111,040	111,670
75,604	HEPS09	Housing Standards	65,400	65,400	67,550
219,666	HEPS10	Homelessness	253,560	252,760	274,800
29,673	HEPS11	Private Sector Housing Renewal	17,980	15,980	27,540
46,626	HEPS12	Housing Advice	47,070	47,070	48,740
4,119	HEPS13	Operational Services	-	(8,770)	-
841,607	HEPS14	Street Cleansing	775,370	773,630	704,580
1,490,761	HEPS15	Waste Collection	1,714,300	1,712,240	1,626,830
314,921	HEPS16	Recycling	227,200	227,900	800,960
(16,358)	HEPS17	Environmental Health	-	8,950	-
142,431	HEPS18	Food Safety	136,870	137,820	208,620
20,743	HEPS19	Licensing	15,950	26,300	3,250
86,095	HEPS20	Pest Control	56,350	53,230	91,410
169,224	HEPS21	Public Health	208,090	208,040	189,660
45,311	HEPS22	Environmental Health Licensing	40,110	39,520	46,150
207,117	HEPS23	Pollution Reduction	260,410	246,520	223,080
85,897	HEPS24	Building Control Partnership	80,680	80,840	80,580
4,142,480		**NET EXPENDITURE**	4,301,520	4,120,790	4,835,750

Support Services

SUMMARY

2014/15 Actuals	Page Ref	Details	2015/16 Original	2015/16 Latest	2016/17 Estimate
£			£	£	£
(165,534)	HSS01	Design & Maintenance	6,560	16,250	-
90,446	HSS03	Administrative Buildings	58,960	59,780	47,430
12,444	HSS04	Defences Against Flooding	9,290	9,290	15,500
8,142	HSS05	Cemeteries & Closed Churchyards	7,140	7,140	8,990
(379,100)	HSS06	Off Street Parking	(308,230)	(289,940)	(356,150)
213,646	HSS07	Footway Lighting	203,090	192,840	198,160
(56,884)	HSS09	Market Undertakings	(81,810)	(57,440)	(73,020)
2,814	HSS10	Depots	4,870	4,770	7,680
-	HSS11	Payroll	-	10,170	-
2,031	HSS12	Visitors Centres	2,030	2,030	2,050
2,597	HSS13	World of James Herriot	2,250	2,250	2,710
(6,442)	HSS14	Business Support	-	(820)	-
(235,122)	HSS15	Interest & Investment Interest	(1,148,940)	(598,760)	(861,520)
363,836	HSS16	Corporate Management	377,020	388,480	396,550
33,298	HSS17	Non Distributed Costs	29,320	53,110	52,680
12,752	HSS18	Corporate Management & Support	-	56,790	-
24,731	HSS19	Resources	(7,530)	(32,470)	-
230,484	HSS20	Housing Benefits	267,430	268,630	312,570
204,025	HSS21	Local Tax Collection	340,400	424,270	353,120
33,930	HSS22	Revs & Bens Services	-	(83,810)	-
909,950	HSS23	Democratic Services	911,270	895,220	875,400
587	HSS24	Committee Services	-	(380)	-
164,467	HSS25	Elections	181,460	184,520	192,490
-	HSS26	Personnel	-	22,740	-
(2,309)	HSS27	Legal Services	-	(8,820)	-
748	HSS28	Reprographics	-	-	-
(33,902)	HSS29	ICT Services	(55,500)	(65,550)	(89,000)
92,961	HSS30	Health & Safety at Work	89,090	89,090	100,460
1,524,597		**NET EXPENDITURE**	888,170	1,549,380	1,186,100

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 February 2016

Subject: **COUNCIL TAX 2016/17**

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

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1.0 PURPOSE AND BACKGROUND:

1.1 This report considers the level of Council Tax for 2016/17 and the policy on reserves. It also provides Members with details of the Council's formula grant funding settlement for 2016/17 and the Business Rates target 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 increase Council Tax by £5 on a Band D equivalent property in 2016/17; this is the first time Council Tax has increased for 5 years and is as a result of Central Government no longer offering a Council Tax Freeze grant due to the reduction in Local Government funding.

1.3 Detailed budget proposals were considered previously on this Cabinet agenda. The Revenue Budget for 2016/17 is £7,811,370, an increase of £893,000 from 2015/16 due to less income being generated from the re-profiling of interest earned on the loan to Broadacres Housing Association to future years and a reduction in the waste and recycling market prices.

1.4 The Council Tax, the implications of the Local Government Finance Settlement and the budget for 2016/17 are discussed in Annex ‘A’.

1.5 The Council has a specific statutory duty to consult with the Business Community regarding expenditure plans for the coming financial year. A budget consultation was undertaken between October and December 2015 and aims to balance the various needs of the Council and all its stakeholders to produce a soundly based financial plan for the future. The budget consultation process 2016/17 is set against the background of the Council's Medium Term Financial Strategy, which, in turn, uses information from the Government's Local Government Finance Settlement. The results of the consultation exercises have been considered as part of the budget process and are attached in Annex ‘B’.

1.6 A policy on the Balances and Reserves of the Council is set out in Annex ‘C’ for Members' approval.

2.0 RISK ASSESSMENT:

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

3.0 RECOMMENDATIONS:

3.1 That Cabinet recommends to Council:-

(1) That it be noted that on 15 January Council calculated the Council Tax Base 2016/17:-

(a) for the whole Council area as 35,088.46 [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 2016/17 (excluding Parish precepts) as £3,315,157.70.

(3) That the following amounts be calculated for the year 2016/17 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:-

(a) **District/Parish Gross Expenditure**

£ 46,616,234.95 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)**

£ 41,970,322.30 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**

£ 4,645,916.65 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)**

£ 132.4057 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**

£ 1,330,754.95 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)**

£94.48 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 23 February 2016.

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 2016/17 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
£	£	£	£	£	£	£	£
62.99	73.48	83.98	94.48	115.48	136.47	157.47	188.96

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 2016/17 (at 3(f) above) is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992.

(7) The appropriate amount is transferred to the Council Taxpayers Reserve to support the decision at (3) above.

(8) The policy on Balances and Reserves at Annex ‘C’ is approved.

JUSTIN IVES

Background papers: None.
Author ref: LBW
Contact: Justin Ives
Executive Director and Deputy Chief Executive
Direct Line No: (01609) 767022

COUNCIL TAX 2016/17

1.0 INTRODUCTION AND BACKGROUND:

1.1 This paper considers the level of Council Tax for 2016/17 in the light of the Revenue Budget for 2016/17 and Financial Strategy, as well as the Government's Formula Grant settlement and proposals for an increase in Council Tax of £5 on a Band D equivalent property.

2.0 REVENUE ESTIMATE AND FINANCIAL STRATEGY:

2.1 The approved revenue estimate for 2016/17 is a net total of £7,811,370, which is an increase of £893,000 on the 2015/16 budget at £6,918,280. This is as a result of a re-profiling of when interest will be earned on the loan to Broadacres Housing Association and reduced waste and recycling prices in the market

2.2 The Financial Strategy demonstrated that the budget of £7,811,370 was affordable and would allow the Council to set a balanced budget.

2.3 The affordability of this budget was estimated on assumptions made in the Financial Strategy around the level of grant funding for 2016/17; 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 17 December 2015.

3.0 FORMULA GRANT SETTLEMENT AND COUNCIL TAX:

3.1 The Chancellor's Autumn Statement on 25 November 2015 announced the continuation of grant reductions for Local Government over the next 4 year period 2016/17 to 2019/20. It is estimated that the Council will lose £3,186,523 or 22.4% of its grant funding from Central Government excluding New Homes Bonus Grant over the 4 year period 2016/17 to 2019/20. These cuts are in addition to the grant funding already lost in the previous Parliament of £2,708,525 or 46.6%.

3.2 The Local Government Finance Settlement for 2016/17 was announced on 17 December 2015. The detail of the settlement for Hambleton is set out below, but in summary the Council is guaranteed to receive £3,086,575 of funding in 2016/17 from a combination of new Revenue Support Grant, Localisation of Council Tax Benefit Grant, rural funding and retained Business Rates. This is a £426,958 or 12.2% reduction on the amount received in 2015/16.

Detailed Funding Settlement

	2016/17 £
Business Rates target	27,113,852
Levy paid to Central Government	(13,556,926)
Local share of Business Rates	13,556,926
County Council/Fire share at 20%	(2,711,385)
Hambleton District Council share at 80%	10,845,541
Fixed tariff paid to Central Government	(8,934,984)
Hambleton District Council Retained Business Rates Target	1,910,557
Revenue Support Grant	1,020,748
Total Funding Settlement	3,931,305

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 2016/17 is £27,445,758, this is the latest estimate from the National Non-domestic Rates Return – NNDR1.

3.5 The 2016/17 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, therefore for 2016/17 there is a collection fund deficit of £85,978 as a result of 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 2016/17 has been announced as follows:-

- Non-Domestic Rate 49.7p
- Small Business Rate 48.4p

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 2016/17 has been approved by Parliament or by the end of March 2016.

4.0 <u>COUNCIL TAX</u>:

<u>Council Tax Base</u>

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 2016/17 is set at 35,088.46.

<u>Council Tax Levels</u>

4.3 In producing the table below it must be stressed that some assumptions have been made as the information required is not available owing to the precepting authorities not having met to approve their budget and Council Tax positions at the time of writing this report. Initially, the assumption that has been made is that each of the precepting authorities will increase their Council Tax by 1.99% and North Yorkshire County Council will increase their Council Tax by a further 2% to support the social care budget as detailed in the Local Government Finance Settlement. However, as stated in paragraph 3.1.5 of the main report the precepting authorities have as yet not provided 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 2016/17 Council Tax at Band D will be:-

2015/16 £		2016/17 £	Assumption
1,099.98	County Council	TBC	3.99% increase
212.77	Police Authority	TBC	1.99% increase
64.59	Fire Authority	TBC	1.99% increase
36.73	Parishes (average)	37.93	Parishes (average)
89.48	Hambleton	94.48	£5 increase
1503.55			

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:	7,811,370
Financed by:-	
Formula Grant	1,020,748
New Homes Bonus Grant	1,832,136
Retained Business Rates (incl. S31 Grants)	2,367,200
Collection Fund Deficit	(77,188)
Council Tax	3,315,158
Non ring-fenced grants	155,270
Contribution to Reserves	(801,954)
Balanced budget	**0**

5.2 It is estimated that the Council will make a contribution to the Council Taxpayers reserve of £801,954 to balance the 2016/17 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 2016/17 – SUMMARY

The Budget Consultation was carried out between 24 September and 6 November 2015 and was well-publicised to all residents and businesses across Hambleton District. In addition, a meeting was held on 3 December 2015 in accordance with the statutory requirement to enable all businesses to be able to comment during the budget consultation.

From the 79 responses received, the largest majority responded from the Northallerton area and the least from the Easingwold and Thirsk areas. The bulk of respondents were residents, rather than businesses or other organisations, and the 60 years and over age group attracted the majority of responses.

Question four lists 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. Benefits 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' or 'no', the most popular response in this consultation was 'yes'. Respondents felt they would support an increase to maintain the level of investment in Council services. This is reflected in the 2016/17 budget where Council Tax is to increase by £5 on a Band D equivalent property.

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. This followed the same pattern as the previous year. There were also an equal number of responses across the four areas for not increasing fees and charges. This was considered during the budget process but due to the reduction of funding in the Local Government Finance Settlement an overall increase on all fees and charges has occurred at 2%.

Question seven asked respondents if they were aware that Council Tax was collected not only for Hambleton District Council but also for North Yorkshire County Council, North Yorkshire Fire Authority and North Yorkshire Police & Crime commissioner. 67% of respondents confirmed that they knew Council Tax was collected for these four organisations.

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

HAMBLETON DISTRICT COUNCIL

Budget Consultation 2016/17

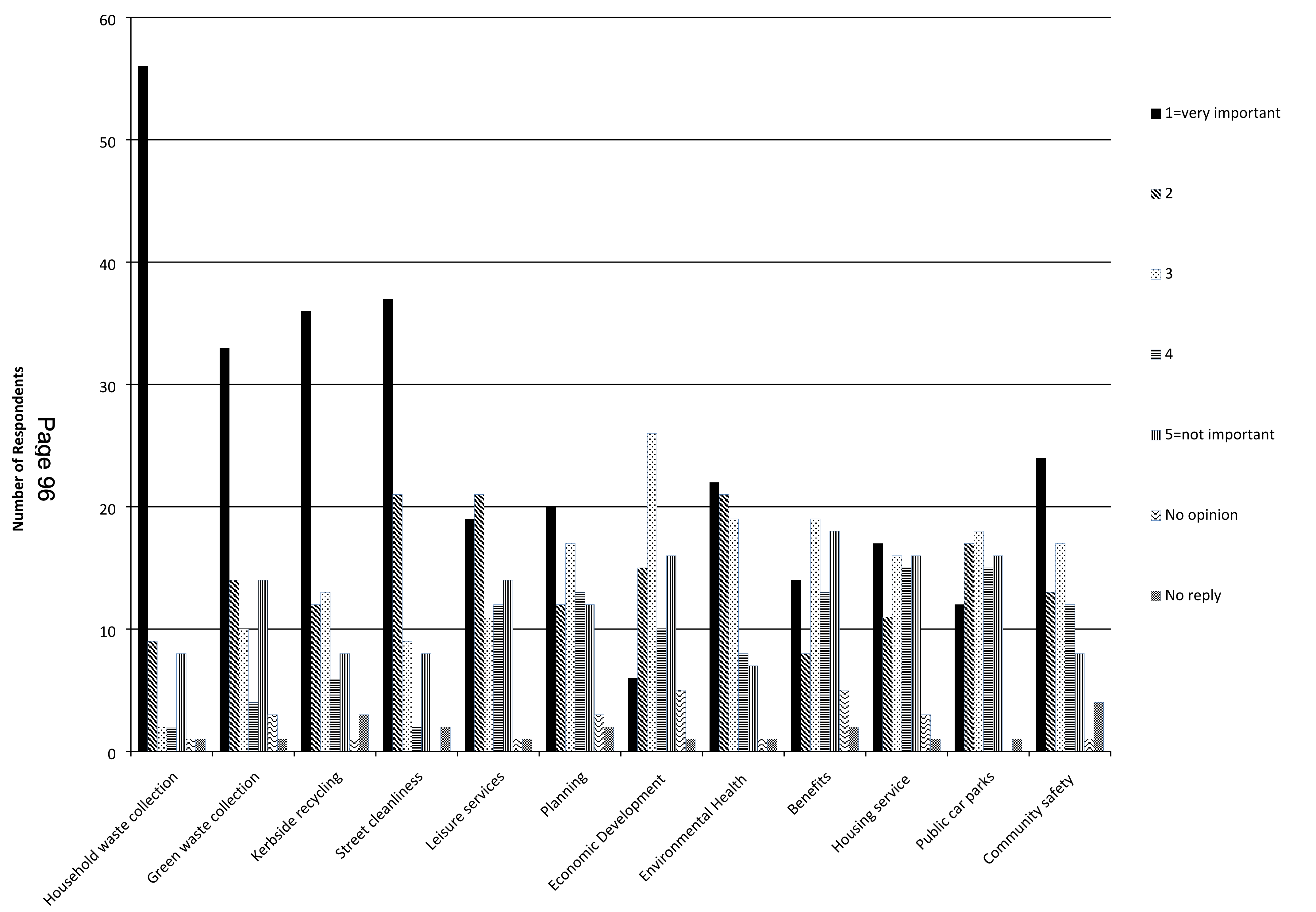
24 September - 6 November 2015
14 paper and 65 online responses received = 79 total

Q1	Which of the following towns do you live in or closest to?	
	12 (15.2%)	Bedale
	6 (7.6%)	Easingwold
	38 (48.1%)	Northallerton
	16 (20.3%)	Stokesley
	6 (7.6%)	Thirsk
	0 (0.0%)	Prefer not to say
	1 (1.3%)	No reply

Q2	Are you responding as a ...?	
	72 (87.8%)	Resident
	3 (3.7%)	Business
	3 (3.7%)	Voluntary organisation
	1 (1.2%)	Stakeholder group
	2 (2.4%)	Prefer not to say
	1 (1.2%)	No reply

Q3	Which age group do you belong to?	
	0 (0.0%)	under 18 years
	0 (0.0%)	19-24 years
	19 (24.1%)	25-44 years
	22 (27.8%)	45-59 years
	35 (44.3%)	60 years and over
	2 (2.5%)	Prefer not to say
	1 (1.3%)	No reply

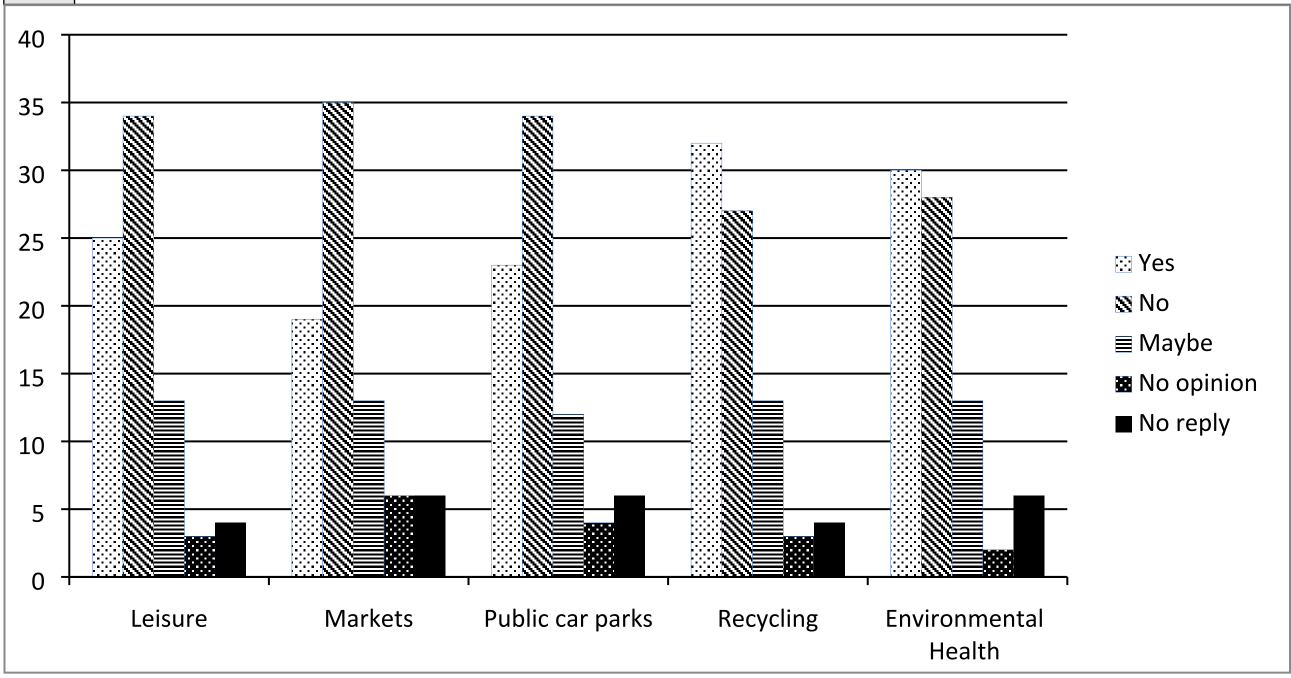
Q4	Please indicate the importance to you of the following services: ***(1=very important and 5=not important)***							
		1	2	3	4	5	No opinion	No reply
	Household waste collection *(black bin)*	56 (70.9%)	9 (11.4%)	2 (2.5%)	2 (2.5%)	8 (10.1%)	1 (1.3%)	1 (1.3%)
	Green waste collection *(green bin)*	33 (41.8%)	14 (17.7%)	10 (12.7%)	4 (5.1%)	14 (17.7%)	3 (3.8%)	1 (1.3%)
	Kerbside recycling *(blue box and bag)*	36 (45.6%)	12 (15.2%)	13 (16.5%)	6 (7.6%)	8 (10.1%)	1 (1.3%)	3 (3.8%)
	Street cleanliness *(including litter collection, graffiti removal, fly-tipping)*	37 (46.8%)	21 (26.6%)	9 (11.4%)	2 (2.5%)	8 (10.1%)	0 (0.0%)	2 (2.5%)
	Leisure services *(including leisure centres, arts and culture, sports development, children's play, healthy lifestyles)*	19 (24.1%)	21 (26.6%)	11 (13.9%)	12 (15.2%)	14 (17.7%)	1 (1.3%)	1 (1.3%)
	Planning *(including planning applications and planning policy)*	20 (25.3%)	12 (15.2%)	17 (21.5%)	13 (16.5%)	12 (15.2%)	3 (3.8%)	2 (2.5%)
	Economic Development *(support to businesses, management of council offices and land)*	6 (7.6%)	15 (19.0%)	26 (32.9%)	10 (12.7%)	16 (20.3%)	5 (6.3%)	1 (1.3%)
	Environmental Health *(including licensing, food hygiene inspections, nuisance complaints, private water supplies, pest control)*	22 (27.8%)	21 (26.6%)	19 (24.1%)	8 (10.1%)	7 (8.9%)	1 (1.3%)	1 (1.3%)
	Benefits *(housing benefits and council tax reduction)*	14 (17.7%)	8 (10.1%)	19 (24.1%)	13 (16.5%)	18 (22.8%)	5 (6.3%)	2 (2.5%)
	Housing service *(housing option advice, homelessness, provision of affordable housing)*	17 (21.5%)	11 (13.9%)	16 (20.3%)	15 (19.0%)	16 (20.3%)	3 (3.8%)	1 (1.3%)
	Public car parks *(pay & display, free car parks)*	12 (15.2%)	17 (21.5%)	18 (22.8%)	15 (19.0%)	16 (20.3%)	0 (0.0%)	1 (1.3%)
	Community safety *(including anti-social behaviour, domestic abuse, alcohol awareness)*	24 (30.4%)	13 (16.5%)	17 (21.5%)	12 (15.2%)	8 (10.1%)	1 (1.3%)	4 (5.1%)


Number of Respondents
60
50
40
30
20
10
0
Household waste collection
Green waste collection
Kerbside recycling
Street cleanliness
Leisure services
Planning
Economic Development
Environmental Health
Benefits
Housing service
Public car parks
Community safety
1=very important
2
3
4
5=not important
No opinion
No reply

	Please expand your answer further if necessary:
	16 responses received

Q5	**Would you support an increase in Council Tax by 2% to maintain the current level of investment in council service?**	
	38 (48.1%)	Yes
	26 (32.9%)	No
	12 (15.2%)	Maybe
	2 (2.5%)	No opinion
	1 (1.3%)	No reply
	Please expand your answer further to identify which services you would like to see any investment or no investment in:	
	29 responses received	

Q6	**Would you support increasing fees and charges by 2% to facilitate investment in the following services?**					
		Yes	**No**	**Maybe**	**No opinion**	**No reply**
	Leisure	25 (31.6%)	34 (43.0%)	13 (16.5%)	3 (3.8%)	4 (5.1%)
	Markets	19 (24.1%)	35 (44.3%)	13 (16.5%)	6 (7.6%)	6 (7.6%)
	Public car parks	23 (29.1%)	34 (43.0%)	12 (15.2%)	4 (5.1%)	6 (7.6%)
	Recycling	32 (40.5%)	27 (34.2%)	13 (16.5%)	3 (3.8%)	4 (5.1%)
	Environmental Health	30 (38.0%)	28 (35.4%)	13 (16.5%)	2 (2.5%)	6 (7.6%)
	Please expand your answer further if necessary:					
	17 responses received					



Q7	**Are you aware that the Council Tax you pay in 2015/16, equivalent to a Band D property that is collected by Hambleton District Council, is split between the following public organisations:** ~ 75% North Yorkshire County Council ~ 15% North Yorkshire Police & Crime Commissioner ~ 6% Hambleton District Council ~ 4% North Yorkshire Fire Authority	
	67 (84.8%)	Yes
	9 (11.4%)	No
	3 (3.8%)	No reply

Q8	**Do you have any other suggestions on how the Council could increase income or reduce costs to support the budget?**
	45 responses received

ANNEX 'C'

POLICY ON BALANCES AND RESERVES

1.0 BACKGROUND:

1.1 Section 25 of the Local Government Act 2003 requires the Council's S151 Officer (Chief Financial Officer) 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 2016/17 budgets contain a sum of £101,210 for such inflation. An adverse variance of 1% in the assumptions made to these forms of expenditure could result in additional expenditure of £101,210.

Adequacy of interest rate assumption

2.2.3 The Council is currently a debt free authority but in 2016/17 the Council will borrow in order to finance the loan to Broadacres Housing Association and also the Hambleton Leisure Centre Improvement scheme. The Council's surplus funds available for investment have reduced but still generate income for the Council. The amount under investment 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 interest rate market environment remains at historically low levels with Bank Rate at 0.5%. The 2016/17 budget assumes an average of 0.85% over the year. An adverse variance of 1% in interest rates would affect investment income by approximately £59,500. 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 £18.56m in 2016/17. In 2016/17 the Localised Council Tax Support Scheme presents a particular risk to the Council's reserves position, increases in Council Tax support claimants in year will be funded by the Council, subsidy at a reduced rate will not be received until the following year. If payments increase by 1% the cash flow implications would be in the order of £185,568.

Levels of income

2.2.5 The major income budgets (for fees and charges) in 2016/17 are those relating to:-

	£
Leisure Services	2,729,580
Development Control	785,000
Premises Development	746,450
Parking Charges	619,650
Local Taxation	179,330
Markets	171,310
Licensing	160,310
Land Charges	98,650
Environmental Services	124,600
Planning Services	56,860
Waste Collection	109,940

Total income from fees and charges is budgeted to be £5.053m in 2016/17. 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 £151,590.

External Partnerships

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

Responding to emergencies

2.2.7 Examples of emergencies in the past include flooding and the outbreak of Foot and Mouth Disease. As a Local Authority the Council can in certain cases gain financial protection from the Government's Bellwin Scheme, which was available for the recent December 2015 floods. However, this only reimburses 85% of eligible expenditure above a specified threshold. If further resources were required, it is felt that there are sufficient funds in reserves to cover these requirements.

Capital financing and general cashflows

2.2.8 The Council maintains a Capital Programme which is supported by external funding 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 <u>One-Off Fund</u>

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 <u>Strategic Forum Reserve</u>

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 <u>Grants Fund</u>

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 <u>Economic Development Fund</u>

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 <u>Take That Step</u>

2.11.1 The purpose of this reserve is to assist with a Lifestyle Referral service by GPs, for patients where a healthy lifestyle would improve their physical or mental condition. ***It is recommended that the purpose of the Grants Fund is maintained.***

2.13 <u>Winter Weather Campaign</u>

2.13.1 The purpose of this reserve is to assist with the advice and guidance relating to the issues of cold winter weather. ***It is recommended that the purpose of the Grants Fund is maintained.***

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.

090216 Council Tax 201617

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 February 2016

Subject: **LOCAL PLAN - STRATEGIC HOUSING MARKET ASSESSMENT**

All Wards

Portfolio Holder for Environmental and Planning Services: Councillor B Phillips

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1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of the Strategic Housing Market Assessment (SHMA) is to provide an assessment of future needs for market and affordable housing for the Local Plan period to 2035, providing the Objectively Assessed Need for housing for the new Local Plan. It should be noted that the Objectively Assessed Need (OAN) is not the housing target for the new Local Plan, but it is the first steps towards it.

1.2 The purpose of the report is to agree the Strategic Housing Market Assessment as part of the Council's evidence base for the new Local Plan and as a basis to inform negotiations on planning applications in relation to affordable housing and housing type, mix and tenure. The conclusions and recommendations of the Assessment are attached at Annex 'A' and the full report is available in the Members' lounge.

2.0 KEY FINDINGS:

Housing Market Area

2.1 is considered that Hambleton forms its own Housing Market Area, however there are links with Harrogate and Richmondshire, and with York Travel To Work Area (TTWA) and Middlesbrough TTWA. Continual engagement with our Duty to Co-operate partners on housing issues through the development of the Local Plan is essential.

Overall Assessment of Housing Need

2.2 The starting point for assessing housing need is the use of population and household projections. The 2012 Sub National Population Projections indicate a need for 168 dwellings per annum in the Hambleton Housing Market Area. A range of scenarios were considered to test the robustness of the projections and they were considered to be sound, but it was noted that there was a reduction in population and migration growth from 2008, it is therefore appropriate to consider long term trends. The long term migration indicates a housing need of 207 dwellings per annum.

Economic Led Housing Requirements

2.3 In order to model the relationship between jobs and homes the Strategic Housing Market Assessment has considered the economic prospects set out in the Experian Yorkshire and Humber Regional Econometric Model (YHREM) and Oxford Economics Model. These models provide a baseline for jobs growth within the district. The forecasts do not consider the Council's aspirations for economic growth. It is a "policy off" position. The difference in job growth between the two forecasting houses was substantial. The need for housing arising from the Oxford Economic Model is 245 dwellings per annum and the need for housing resultant from the Experian (YHREM) is 161 dwellings per annum. The higher is considered to be the more robust. An uplift in the level of housing need is required to take into account baseline job growth. This leads to a housing need of 245 dwellings per annum. Further modelling work will be required to assess the implications of the Council's aspirations for economic growth on housing need.

Affordable Housing Need

2.4 In relation to affordable housing need the Strategic Housing Market Assessment indicates that 69 net additional households per year will require support in meeting their housing needs. It is not appropriate to compare need identified in the analysis of affordable need with the demographic projections above as they are calculated in different ways. It should be noted that need arises from newly forming households, those in temporary accommodation, concealed households and homeless households, but also includes needs from those households who require a different type/size or tenure of home. Further some of the need for affordable housing will be met through Empty Homes Programmes, Rural Exception Site Development, the National Affordable Homes Programme, and the role of the private rented sector.

Consideration of Market Signals

2.5 The Strategic Housing Market Assessment considers that there is evidence from the analysis of affordable housing need and market signals that some additional housing would be appropriate to help improve affordability for younger households. An uplift of 29 dwellings per annum (12%) should be applied.

Need for Different Types and Mixes

2.6 In addition to considering the overall need for housing, the Strategic Housing Market Assessment considers what type of homes, both affordable and market, will be needed. The conclusions take account of how the structure of the population and households are expected to change over the period to 2035. The table below provides the conclusions on need for different sizes of homes across Hambleton.

	1 bed	**2 bed**	**3 bed**	**4 bed**
Market	5-10%	40-45%	40-45%	5-10%
Affordable	40-45%	35-40%	10-15%	5-10%
All dwellings	15-20%	40%	35%	5-10%

2.7 In terms of the proportion of homes that should be affordable the Strategic Housing Market Assessment does not make a specific recommendation. The National Planning Policy Framework sets out that percentage targets for affordable housing need should take account of viability evidence and this will require further work.

2.8 The Strategic Housing Market Assessment analysis indicated that in delivery of affordable units a mix target of 25% intermediate and 75% social or affordable rented homes would be appropriate for the Hambleton Housing Market Area.

Specialist Housing Need

2.9 The Strategic Housing Market Assessment considers that there will be a need to provide specialist supported housing in response to the ageing population and higher levels of disability experienced by older persons. The number of people 65 and over is expected to increase by 52% over the plan period to 2035, with a higher increase in the number of people aged 85 and over (168%). The analysis indicates that there may be a need for 68 specialist units of accommodation for older people (generally sheltered or extra care housing) per annum.

2.10 The analysis highlights a potential need for an additional 24 registered care bed spaces per annum for older people (75 and over). This would be in addition to the estimates of housing arising from the demographic modelling.

2.11 The analysis indicates that there was anecdotal evidence of significant demand for self/custom building. There is evidence of a lack of supply of plots for this sector.

Overall Housing need

2.12 The total Objectively Assessed Need for housing over the period 2014 - 2035 is 274 dwellings per annum. This is made up of a demographic starting point of 168, an adjustment of 39 to take account of long term migration, an uplift of 38 to meet the needs of the economy and an uplift of 29 to respond to market signals.

Next Steps

2.13 It should be noted that the purpose of the Strategic Housing Market Assessment is to provide an objective assessment of the need for housing without taking into consideration other policy aspirations, opportunities and constraints. It is for the Council to assess the District's capacity and strategy for growth in order to inform the Local Plan housing target.

2.14 In order to develop options for the Local Plan housing target it recommended that additional modelling work is carried out. This should develop a range of realistic options for economic growth, reflecting the Council's growth aspirations. The Objectively Assessed Need established through the Strategic Housing Market Assessment provides the baseline position. Further options will consider the aspirations set out in the Economic Strategy, the Employment Land Review and Business and Economy's Industrial Estates Review. The scenarios should inform the development of the Preferred Options for the Local Plan. Discussions with Duty to Co-operate partners will be essential to understand the implications of the alternative economic growth scenarios.

3.0 LINK TO COUNCIL PRIORITIES:

3.1 The relevant Council priorities to which the Strategic Housing Market Assessment relates includes the following:

- Driving Economic Vitality – The Strategic Housing Market Assessment will provide evidence alongside a new Employment Land Review and additional testing of economic growth scenarios to ensure that provision of homes aligns with jobs growth. It will provide evidence for the Local Plan to ensure that policies and allocations reflect the needs of a growing economy.

- Providing a Special Place to Live – The Strategic Housing Market Assessment provides the assessment of nature, type and quantity of housing required to meet needs of the population and forms a key piece of the evidence base for the Local Plan ensuring that policies and allocations are responsive to the needs of the population.

4.0 RISK ASSESSMENT:

4.1 There is no significant risk in approving the recommendations

4.2 The key risks in not approving the recommendations are as shown below:-

Risk	Implication	Prob*	Imp*	Total	Preventative action
Not having an up to date evidence base for the Local Plan will delay the Local Plan preparation	Lack of certainty for the community and for developers	5	5	25	Consider changing timing of the Preferred Option consultation to enable additional work to be carried out without impact on the overall timescale.
Increase in speculative applications	Delay in the determination of planning applications on unallocated sites until evidence is available. An increase in appeals which could undermine the current strategy for development and predetermine the future strategy for the District. Also potential risks to reputation.	4	5	20	Issuing interim guidance on the approach to applications until such evidence is in place.

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

5.0 <u>FINANCIAL IMPLICATIONS:</u>

5.1 There are no financial implications for the Council attached to the recommendations of this report.

6.0 <u>LEGAL IMPLICATIONS:</u>

6.1 There are no legal implications for the Council attached to the recommendations of this report.

7.0 <u>EQUALITY/DIVERSITY ISSUES:</u>

7.1 This Strategic Housing Market Assessment does not require an Equalities Impact Assessment. The Strategic Housing Market Assessment will however provide evidence for the preparation of Local Plan policies which could have an impact on hard to reach groups, and groups with protected characteristics. The Local Plan process will be subject to Equalities Impact Assessment and should deal with any policy issues which arise as a result of evidence presented within the Strategic Housing Market Assessment.

8.0 <u>RECOMMENDATIONS:</u>

8.1 That Cabinet approves and recommends to Council:

1) that the Strategic Housing Market Assessment is approved for the purposes of the evidence base for Hambleton Local Plan;

2) that the Objectively Assessed Need in the Strategic Housing Market Assessment provides the basic requirement for assessing the five year housing supply and be considered in the determination of applications for housing until a Housing Target is developed as part of the Local Plan;

3) that additional work is carried out to develop scenarios for economic growth, using the established Objectively Assessed Need as a base, in order to determine the final Local Plan Housing Target and that this is reported to Cabinet; and

4) that the Strategic Housing Market Assessment be used as a basis to inform negotiations on planning applications, both with respect to the mix and type of market housing and affordable housing contributions including the type, mix and tenure.

MICK JEWITT

Background papers:	The Hambleton District Council Strategic Housing Market Assessment, January 2016
Author ref:	HL
Contact:	Hannah Langler Senior Planning Policy Officer 01609 767185

10 CONCLUSIONS AND RECOMMENDATIONS

10.1 This final section brings together the findings of the SHMA Report. It is structured to set out GL Hearn's conclusions in turn: regarding the geography of the housing market area; the overall objectively assessed need for housing; and then findings relating to the need for different types of homes and the housing needs of specific segments of the population.

10.2 It should be reiterated that **the OAN figure is not the housing target** it is just a first step towards it. The housing target itself will be informed by the OAN but will also take into account wider factors such as sustainability, infrastructure constraints and land capacity. It may also be necessary to take into account the unmet needs of neighbouring housing market areas.

Housing Market Area

10.3 There are clearly a complex set of relationships across North Yorkshire; however, the balance of evidence across all three commissioning authorities suggests they operate in slight different but overlapping housing market areas.

10.4 In market-terms (as reflected in the house price analysis) the relationship between York and Hambleton is relatively strong correlation although Ryedale seems to have its own distinct trends such as lower prices and lower short term growth.

10.5 Both Migration and Travel to Work patterns identify a degree of self-containment which approaches or exceeds expected thresholds for housing market areas. York is very self-contained but is strongly linked to Selby. Ryedale and Scarborough are also closely linked although the latter has a high level of self-containment and the former is very close to the threshold. Hambleton is influenced in a number of directions but its strongest migratory links are with Richmondshire and Harrogate.

10.6 In travel to work terms York has a strong influence in the immediately surrounding districts particularly Selby, the southern parts of Hambleton and the eastern parts of Ryedale and East Riding. Ryedale also has an economic link with Scarborough. Hambleton is also partially located within the Middlesbrough TTWA and the Northallerton TTWA extends into Richmondshire.

10.7 In GL Hearn's view, the triangulation of the sources strongly supports defining three separate HMAs. It is however important to recognise overlaps between authorities and markets in this area. York and in particular Selby and the east of Ryedale and South of Hambleton has quite a strong relationship. Similarly, Leeds' influence is likely to extend into the western periphery of the York and Hambleton area.

10.8 In the context of the Duty to Cooperate, the authorities should continue to engage on strategic housing issues not only in the preparation of the SHMA but also the subsequent development of plan policies with those neighbouring authorities set out above. Indeed, stakeholders and duty to cooperate partners have been invited to attend the two stakeholder sessions during the SHMA process.

Overall Housing Need

10.9 The NPPF sets out that plans should be prepared on the basis of meeting full needs for market and affordable housing. PPG sets out that the latest national projections should be seen as a starting point but that authorities may consider sensitivity testing projections in response to local circumstances and the latest demographic evidence. Demographics provide the starting point for assessing housing need. The PPG then sets out that consideration should be given as to whether the housing need should be increased in order to:

- Support economic growth, based on interrogation of trends and forecast for future growth in employment;
- Improve affordability, taking account the need for affordable housing need and evidence from market signals.

10.10 In effect, the PPG approach recognises that demographic projections are influenced by what has happened in the past; and these further factors consider whether wider evidence suggests that there has been an imbalance between housing supply and demand, or whether in the future the evidence would suggest that housing provision needs to be increased.

10.11 The PPG is very clear that housing need refers to the need for both market and affordable housing, including taking account of the movement of people into the area. It is also clear that a SHMA should “leave aside” issues related to land supply, infrastructure, green belt and other constraints in identifying housing need – but clearly sets out that these factors are relevant in bringing evidence together through the plan-making process to identify policies for future housing provision.

The Demographic “Starting Point”

10.12 The PPG emphasises the use of official population and household projections as a starting point for assessing housing need, as these are based on nationally-consistent assumptions and methodology.

10.13 We have interrogated the latest official population projections and also ran a number of alternative scenarios relating to:

- Implications of 2013 and 2014 mid-year population data
- Implications of Long term migration trends
- Implications of Unattributable Population Change

10.14 GL Hearn considers that SNPP is a sound projections based on the data available at the time. However, the analysis identifies a general reduction in migration and population growth since 2008 and therefore there is merit in considering long-term trends.

10.15 By reverting to longer term trends projection results in a housing need of 207dpa compared to 168 dpa from the official projections.

10.16 GL Hearn concludes that this approach provides an appropriate demographic estimate of housing need and is some 23% above the 'start point' (using the terminology in the PPG) which is based on the most recent CLG household projections. However, this figure does not take into account affordable housing need, or include adjustments to take account of market signals or the needs for the local economy. In such circumstances there may well be a higher need still in the District.

Examining the Needs of the Local Economy

10.17 Following the approach in the PPG, the demographic-based assessment set out above provides a baseline for housing need. The PPG recommends that consideration is given to whether economic growth could result in a need for additional housing.

10.18 The NPPF clearly sets out that the assessment of, and strategies in local plans for, housing and employment need to be integrated with one another[17] The SHMA has considered the likely levels of economic growth resulting from forecasts from both Oxford Economics (OE) and Experian (via Regional Economic Model). These result in a jobs growth of between 60 and 170 per annum.

10.19 The SHMA seeks to model the relationship between jobs and homes. The SHMA adopts an approach which does not seek to change commuting patterns in proportional terms. It models increasing employment rates, linked to an expectation that people will retire later and more women will work. It also takes account of evidence that people may hold down more than one job.

10.20 The modelling of the forecasts indicate that to support the forecast growth in employment, the following levels of housing provision would be needed:

	Households 2014	Households 2035	Change in households	Per annum	Dwellings (per annum)
Oxford Economics	38,928	43,843	4,915	234	245
YHREM	38,928	42,163	3,235	154	161

[17] CLG (2012) *National Planning Policy Framework, Paragraph 158*

10.21 Modelling housing need against the population assumptions in the OE forecast increases the need to 245dpa. This is higher than a similar analysis linked to the REM but that job forecast is considered less robust.

10.22 Our analysis shows that the OE forecast is projecting a somewhat higher level of population growth than any of the demographic projections whereas the YHREM show population growth which is very much at the bottom end of the range of demographic scenarios tested. This finding is interesting given the earlier observation that job growth in the YHREM is forecast to be significantly stronger – this would imply that Experian are expecting stronger improvements to employment rates in the future than is expected by OE.

Affordable Housing and Market Signals

10.23 The SHMA includes an assessment of the number of households each year who require some form of subsidy in meeting their housing needs. This is assessed using the Basic Needs Assessment Model and is a statutory requirement to support policies seeking affordable housing in new developments.

10.24 The SHMA analysis indicates that 69 net additional households per year will require support in meeting their housing needs (using a 30% income threshold). However, it is not appropriate to directly compare the need identified in the analysis with the demographic projections – they are calculated in different ways.

10.25 It should be noted however that the level of affordable housing need calculated is heavily predicated on the assumptions relating to the level of income which is spent on housing costs.

10.26 The affordable housing need represents 33% of the need identified in the demographic-led projections, based on the longer term migration trends.

10.27 The identified need for affordable housing also includes existing households who need alternative size or tenure of accommodation but would release their current home for another household by moving. Thereby there is no requirement to uplift the OAN to provide additional homes for all of the identified affordable housing need.

10.28 There are also other ways of delivering new affordable housing besides through new-build development on market-led housing development schemes. Net additional needs arising would be solely from concealed and homeless households.

10.29 The report has then gone on to consider market signals. The NPPF[18] sets out that plans should take account of market signals, such as land prices and housing affordability. The Planning Practice Guidance clarifies this and outlines that:

> "*the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance of the demand for and supply of dwellings. Prices or rents rising faster than the national/ local average may well indicate particular market undersupply relative to demand.*"

10.30 The SHMA evidence indicates that there has been some increase in affordability pressures over the long term in Hambleton which when benchmarked against the Regional and National picture the affordability pressures are more severe. There was a significant growth in house prices since 2001 both in absolute terms and relative to earnings. There has been a shift towards the private rental market as well as a small increase in the number of over-crowded and shared households.

10.31 The PPG sets out that the identified housing need should be adjusted upwards to support an improvement in affordability where any of the market signals suggest a worsening situation. The PPG does not however set out how such an adjustment should be quantified. It simply sets out that it should be 'reasonable.'

10.32 To assess an appropriate adjustment to the assessed housing need, GL Hearn has used the demographic analysis to assess the degree to which household formation levels have been constrained for younger age groups, and what scale of adjustment to housing provision would be necessary for these to improve. The SHMA has considered the implication of returning the household formation rates of the 25-34 age group back to 2001 levels by 2025 (from 2015). In other words, this assumes that headship rates will improve between 2015 and 2025 and then track the 'trends' suggested in the 2012-based CLG household projections thereafter.

10.33 Against the demographic/economic baseline scenario this results in an increase in annual housing provision of 27-29 homes per annum across the District. This is based on Stage 2 outputs from the CLG household projections and the figure is substantially lower if Stage 1 figures are used.

Conclusions on Overall Housing Need

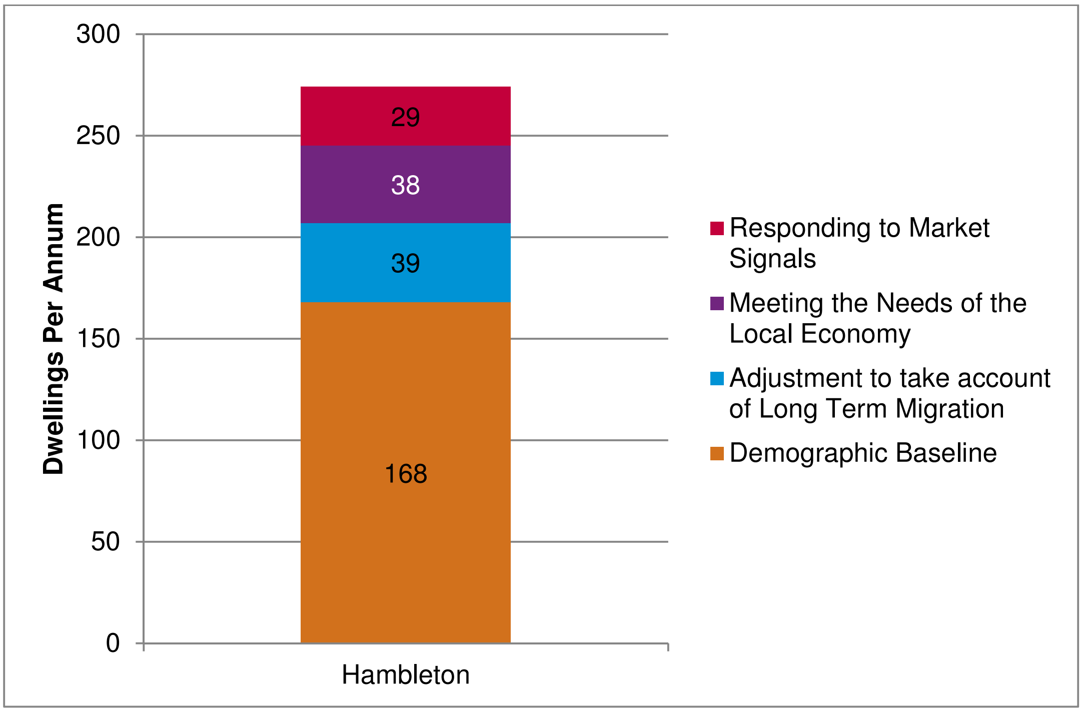
10.34 The NPPF sets out that local authorities should seek to meet housing need within their areas where it is sustainable to do so and consistent with policies within the Framework. The Framework however affords significant protection to Green Belt and other nationally and internationally significant landscapes and environmental designations.

10.35 Taking account of long-term migration trends, the needs of the local economy and improvements to household formation rates for younger households, the SHMA draws the

[18] CLG (2012) *National Planning Policy Framework, Paragraph 17*

conclusions on the overall full objectively assessed need for housing over the 2014-35 period to be 274 dwellings per annum. The derivation of the conclusions on housing need is shown in the figure below. These figures would include the provision of affordable homes as part of the overall housing delivery.

Figure 51: Composition of Per Annum Housing Need in Hambleton (2014-2035)



Source: Derived from demographic projections and OE forecasts

10.36 This assessment of housing need is a "policy-off" assessment and does not take into account constraints to delivery, nor does it take into account any aspirations of the local council to provide more housing than this assessment level of need should they wish to do so.

10.37 As part of plan-making, planning judgements will be necessary to assess whether meeting the full objectively assessed needs identified in this SHMA can be met, whilst avoiding adverse impacts which would significantly and demonstrably outweigh the benefits or conflicting with the policies of the National Planning Policy Framework (NPPF).

10.38 There is also no requirement for the District to increase their OAN figure to take account of under-supply before the 2014 base date. This is taken account of through the market signals adjustments. This is in line with the recent Winchester V Zurich High Court decision.

Need for Different Types of Homes

Conclusions on Housing Mix

10.39 In addition to considering the overall need for housing, the SHMA considers what types and sizes of homes – both market and affordable – will be needed.

10.40 The SHMA identifies that there is a need for a mix of house sizes across the HMA, as the table overleaf. The conclusions drawn take account of how the structure of the population and households are expected to change over the period to 2035 and how people occupy homes.

10.41 In terms of size mix, our analysis (taking account of demographic trends and market evidence) concludes that the following represents an appropriate indicative mix of affordable and market homes at a HMA-wide level.

Table 57: Need for Different Sizes of Homes across Hambleton

	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	40-45%	40-45%	5-10%
Affordable	40-45%	35-40%	10-15%	5-10%
All dwellings	15-20%	40%	35%	5-10%

Source: Derived from Housing Market Model

10.42 It should be noted that this analysis is aimed at informing strategic policies over the plan period and there will be a range of factors which will influence demand for different sizes of homes over time, particularly demographic changes, growth in real earning/savings, housing affordability and wider economic performance. There is also a geographical dimension and the specific mix of housing needed at a local level will be influenced in part by gaps in the existing housing offer locally (such as differences between the urban and rural areas).

10.43 Policies for what proportion of homes in new development schemes should be affordable need to take account of evidence both of housing need and of the viability of residential development. The NPPF sets out that percentage targets for affordable housing need to take account of viability evidence.

10.44 The assessment of affordable housing needs indicates that, in delivering affordable units, a HMA-wide mix target of 25% intermediate and 75% social or affordable rented homes would be appropriate. Any strategic policy should however retain a degree of flexibility both to take account of local level variations which we have identified, as well as any site specific issues.

10.45 In the affordable sector, GL Hearn recommend that the focus of provision is on smaller properties. However, the recommended mix also recognises the potential role which delivery of larger family homes (3 and 4 bedrooms) can play in releasing supply of smaller properties for other households together with the limited flexibility which one-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. These have been balanced against the recent Government reforms to social housing and welfare, including issues associated with the changes introduced by Government to housing benefit eligibility for working-age households in the social housing sector.

10.46 For market housing, GL Hearn recommend that the focus of new provision is on two and three-bed properties. This would serve to meet the needs of newly forming households and younger families in the HMA as well as demand from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay. There is however likely to be a notable level of continued need for larger family properties arising from existing growing households and those migrating into the District.

10.47 The mix identified above should inform strategic District-wide policies and help to inform the 'portfolio' of sites which are considered and ultimately allocated through the Local Plan process. However, we would again recommend that strategic policy retains a reasonable degree of flexibility to ensure that, in applying mix to individual development sites, appropriate regard can be given to the nature of the development site, the character and existing housing stock of the area as well as the most up-to-date evidence of need/demand.

Monitoring and Review

10.48 Through a proactive monitoring process, it will be possible to maintain and develop understanding of the housing market, building on the outcomes of the SHMA. It will allow the implementation of policies to be tailored to evolving circumstances and inform future policy development.

Long-term monitoring which addresses indicators of housing need, market signals relating to supply-demand balance, and the housing supply trajectory can inform future development and implementation of planning policies for housing provision.

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 February 2016

Subject: **CITY OF YORK COUNCIL, NORTH YORK MOORS NATIONAL PARK AUTHORITY AND NORTH YORKSHIRE COUNTY COUNCIL JOINT MINERALS AND WASTE PLAN – PREFERRED OPTIONS CONSULTATION**

All Wards outside North York Moors National Park
Portfolio Holder for Environmental and Planning Services: Councillor B Phillips

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1.0 PURPOSE AND BACKGROUND

1.1 The Preferred Options consultation document is the third main step in the preparation of the Minerals and Waste Plan, which is being prepared jointly by City of York Council, the North York Moors National Park Authority and North Yorkshire Country Council. The Preferred Options present new draft planning policies for minerals and waste and identifies possible new sites for minerals and waste development. The purpose of this report is to set out the main implications of the Plan for Hambleton District and seek approval for a formal response.

1.2 A full copy of the Preferred Options document and supporting evidence can be seen in the Members Lounge.

2.0 IMPLICATIONS FOR HAMBLETON

Hydrocarbons (oil and gas)

2.1 A recent British Geological Survey Report identifies a prospective area for shale gas which extends at a depth right across northern England and identifies possible resources in Hambleton.

2.2 The Government has indicated that there is a national need to explore and develop shale gas in a safe, sustainable and timely way. The exploitation of shale gas involves the process of hydraulic fracturing which is more commonly referred to as “fracking”. Hydraulic fracturing involves the injection of water, sand and non-hazardous chemicals at high pressure into horizontally drilled boreholes. The pressured mixture causes the shale to crack and methane from the shale flows up the borehole.

2.3 In order to drill for hydrocarbons a Petroleum and Exploratory Development Licence (PEDL) is required from the Department for Energy and Climate Change (DECC). In December 2015 a further block of licence areas were offered by DECC and as can be seen on the map at Appendix 1 a significant area to the south of the District is now covered by PEDL licences. The Minerals and Waste Plan does not allocate sites for fracking however, the fact that there are licensed areas within Hambleton District provides opportunity for fracking activities which will be determined against the policies in the Plan once adopted.

2.4 There is clear support from Government for exploring and developing shale and changes have been made to permitted development rights to allow the drilling of temporary boreholes for petroleum explorations without the requirement for planning permission. The Minerals and Waste Plan aims to support the development of hydraulic fracturing in line with Government aspirations subject to requirements which seek to prevent unacceptable harm on the environment and local amenity. The Joint Minerals and Waste Plan contains three policies which set out how planning applications will be considered; at exploration and appraisal stage; and at the production and processing stage. The policies seek to mitigate the harm from hydrocarbon developments particularly in regard to seeking a co-ordinated approach at the production stage and in terms of considering the cumulative harm which may be caused.

2.5 It is unclear at present how the Preferred Options will impact Hambleton as it is very much dependent on the development and success of hydraulic fracturing elsewhere in the Country.

Safeguarding of Minerals Resources and Waste Infrastructure

2.6 The safeguarding of minerals resources and minerals and waste infrastructure is an important aspect of national planning policies. Its purpose is not to prevent other forms of development on or near to a resource or infrastructure but to ensure its presence is taken into account for instance it may be decided that the mineral resource is extracted prior to development taking place.

2.7 The Preferred Options document sets out policies which aim to safeguard mineral resources and infrastructure and contains maps which identify the safeguarding areas. A large part of the District is covered by safeguarding areas, however the implications are different depending on the type of mineral which is safeguarded. Once adopted the safeguarding policies will need to be considered by the Council's planning officers when making decisions on planning applications. However it should be noted that the Plan sets out safeguarding exemption criteria for proposals which do not require consideration under the safeguarding policies and therefore they will only apply to larger proposals such as retail complexes and wind turbines.

Sand and Gravel Resources

2.8 The Minerals and Waste Plan area has traditionally been a major supplier of sand and gravel in the Yorkshire and Humber and Tees Valley areas, as well as within North Yorkshire and growth and development in all these areas is expected to take place over the plan period.

2.9 The National Planning Policy Framework requires that minerals authorities make provision for landbanks for sand and gravel of at least 7 years supply (i.e. sufficient reserves with planning permission to last a 7 year period at the anticipated annual rate of extraction identified in the Plan). The assessment of future requirements for aggregate has indicated that provision for further working needs to made in order to ensure continuity of supply of some types of aggregates particularly concreting sand and gravel, building sand and Magnesium Limestone. The requirements for concreting sand and gravel will be met through a number of preferred sites in Hambleton.

Preferred Sites in Hambleton

2.10 The plan contains a number of preferred sites which lie within Hambleton District. All of these sites have been tested through the Sustainability Appraisal process conducted by the County Council. A brief summary of all the sites and the outcome of the assessment process is attached at Annex 1.

2.11 The evidence which has been submitted on the assessment of the sites suggests that the impacts for most of the sites are acceptable, however there are concerns in relation to the Preferred Sites at Scruton (MJP43), Oaklands, near Well (MJP07) and Ripon Quarry, North Stainley (MJP14).

2.12 The Site which has been submitted at Scruton covers an area of 95.44 hectares and the indicated annual output is 250,000 tonnes per annum. This will generate an average of 90 two way vehicle movements per day. A significant part of the western part of the site has not been put forward as a preferred site due to the potential landscape impacts which would arise from workings to the eastern part of the proposed site. Although the Preferred Options document states that the reduction in the size of the site would reduce the reserve to 2-3,000,000 tonnes it is not clear what this means in terms of traffic movements. There are concerns about the impact this volume of HGV movement will have on the existing road network.

2.13 The concerns in relation to the site at Oaklands relate to the speed of travel of vehicles from the existing quarry which travel along the B6267 and the impact further vehicles movements will have on existing residential properties.

2.14 The site proposed at North Stainley comprises two separate sites, one of which is located in Hambleton and the other in Harrogate District. The proposals will involve the extension of the existing sand and gravel extraction at Ripon Quarry. There are concerns about the impact of further extensions of the quarrying activity on the residential amenity of nearby residents, particularly in relation to water supply and on the nearby historical assets. There are also concerns with regards to the long term restoration of the sites and the impact further bodies of water would have on the appearance of the wider landscape.

3.0 PROPOSED RESPONSE

3.1 It is proposed that Officers write to North Yorkshire County Council, City of York Council and the North York Moors National Park Authority with the comments outlined below:-

> It is considered that the preferred options relating to hydrocarbon development are robust and provide a solid basis for mitigating the impact of any operations which may occur in the District, given the Government's support for this type of onshore gas exploitation. The approach for the safeguarding of mineral resources is also considered to be a proportionate basis for ensuring that there are sufficient future resources.
>
> The annex of the Minerals and Waste Plan which provides details on the preferred and discounted sites sets out information relating to the size of the site, mineral output and estimated daily vehicle movements. However these figures relate to the whole site rather than the site put forward as a preferred site, which means it is difficult to come to conclusions on the real impacts of the development. It would be helpful if more accurate figures could presented in the next iteration of the Plan.
>
> The Council is generally supportive of the preferred options put forward in the Preferred Options consultation document however there are specific concerns in relation to Scruton (MJP43), Oaklands, near Well (MJP07) and Ripon Quarry, North Stainley (MJP14) as set out in paragraphs 2.11, 2.12 and 2.13.

4.0 LINK TO COUNCIL PRIORITIES:

4.1 The relevant Council priorities which the Preferred Options document relates to include the following:

- Caring for the Environment
- Providing a Special Place to Live

5.0 RISK ASSESSMENT:

5.1 There are no risks in approving the recommendation.

5.2 The key risk is in not approving the recommendation as shown below:-

Risk	Implication	Prob*	Imp*	Total	Preventative action
No input into the location of minerals and waste sites affecting Hambleton District	Sites are allocated without relation to Hambleton LDF site allocations	4	4	16	Make representations on the Joint Minerals and Waste Plan and sites put forward as preferred sites.

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

6.0 FINANCIAL IMPLICATIONS:

6.1 There are no financial implications for the Council attached to the recommendations of this report.

7.0 LEGAL IMPLICATIONS:

7.1 There are no legal implications for the Council attached to the recommendations of this report.

8.0 EQUALITY AND DIVERSITY ISSUES:

8.1 There are no implications for the Council relating to equality and diversity attached to the recommendations of this report.

9.0 RECOMMENDATIONS:

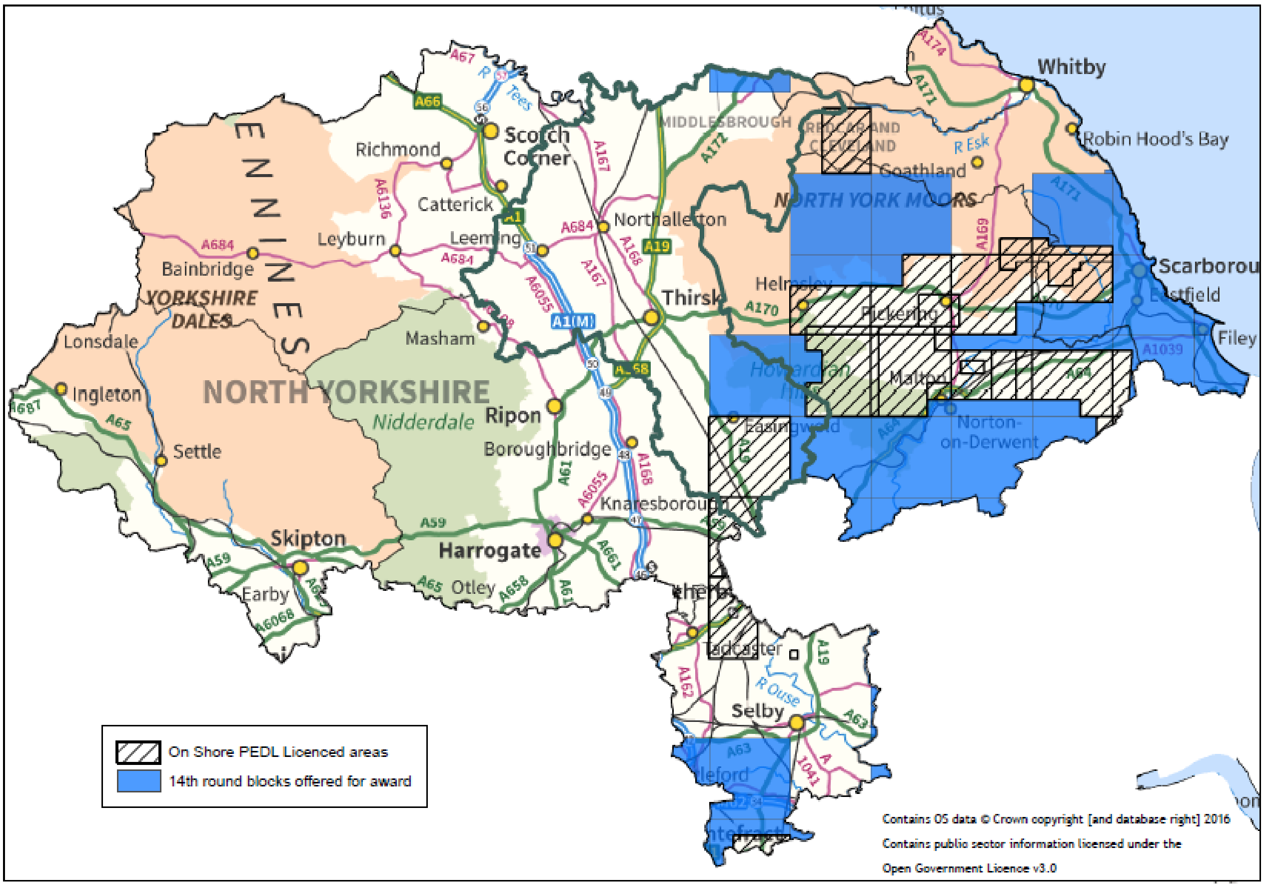
9.1 That Cabinet gives approval for the comments set out in paragraph 3.1 and these be passed onto the City of York Council, the North York Moors National Park Authority and North Yorkshire County Council as a formal response to the Preferred Options for the Joint Minerals and Waste Plan.

MICK JEWITT

Background papers: None
Author ref: CS
Contact: Caroline Skelly
Author – Planning Policy and Conservation Team Leader
Direct Line No – 01609 767150

Annex 1

Map of Petroleum Exploration and Development Licence area



Annex 2

Summary of the Site Assessments set out in Appendix 1 of Preferred Options Consultation

MJP06 Langwith Hall Farm, east of Well – Extraction of sand and gravel

The site covers an area of 43.1ha and is currently in agricultural use but adjacent to an existing quarry site. The site has been put forward for the extraction of 500,000 tonnes of sand and gravel over a period of 5 years. With this volume of extraction it is estimated that there will be 200 2-way HGV movements per day, which will utilise the existing Nosterfield Quarry access onto the B6267 (this level of traffic generation is the same as the current levels). The site could contribute to meeting requirements for the supply of sand and gravel in the southwards distribution area over the plan period. The site is considered to be a preferred site as no overriding constraints have been identified through the site assessment and a planning application has been submitted to NYCC.

Oaklands near Well – Extraction of sand and gravel

As submitted by the landowner, the site covers an area of 44.6ha adjacent to site MJP06 but the Plan proposes to reduce the area by approximately 60% . Although currently in agricultural use, the proposal is essentially the extension of the existing Nosterfield Quarry. There will be around 200 two HGV movements which will utilise the existing quarry access onto the B6267 (effectively same as current traffic levels). The applicants state the site will provide an annual output of 500,000 tonnes of gravel and sand over a period of 6 years, however this is based on the whole site as submitted . only part of the site has been put forward as a preferred allocation to help reduce impacts on the landscape and setting of Well.

MJP33 Home Farm, Kirkby Fleetham – Extraction of sand and gravel

The site covers a significant area of 190ha and is currently in agricultural and woodland use. This is for a proposed new quarry. The owners estimate that 300,000 tonnes of sand and gravel will be extracted each year for a period of 17 years, however this is on the basis of the full site which was submitted. The site is likely to generate 128 two HGV movements each day. Access to the site is proposed via a new bridge over the river swale onto the B6271. Part of the proposed site has been excluded in order to protect the setting of Kirkby Fleetham Hall.

MJP43 Land to the west of Scruton – Extraction of sand and gravel

The site covers an area of 95.44ha, is currently in agricultural use and will provide 250,000 tonnes of sand and gravel annually based on the full site submitted. This is a proposed new quarry. There are uncertainties about the precise access arrangements which would either be onto the east bound carriageway of the Bedale-Aiskew-Leeming Bar bypass to the east of Leases Road or onto the roundabout at the junction between the Bedale-Aiskew-Leeming Bar Bypass and Leases Road at Leeming Bar. Although there are no overriding constraints it is considered that there would be significant landscape impacts with the potential extraction of mineral from the land to the west of Low Street due to the impact of the ridgeline parallel with the A1. Therefore the eastern half has been put forward as a preferred site whilst the western half has been excluded. The Plan estimates that this reduces the total reserve from 6,500,000 – 8,000,000 tonnes to 2-3,000,000 tonnes.

Sites which straddle Hambleton and Harrogate District

MJP14 Ripon Quarry – Extraction of sand and gravel

The site at Manor Farm West covers an area of 6.2 ha and will provide 800,000 tonnes of sand and gravel per year for up to 4 years. The site is currently in agricultural use and access will be directly onto the A6108 in Harrogate District, with sand and gravel from the Hambleton part of the site taken across the River Ure without using highways. The site is subject to considerable constraints however it is considered that these could be capable of being mitigated to an acceptable level and therefore is a preferred site.

Straddling Hambleton and Richmondshire Districts

MJP21 Land at Killerby- Extraction of sand and gravel

The site covers an area 213 ha of which 122 is proposed for the extraction of 650,000 tonnes per year up to 2021. The majority of the site is within Hambleton District but access would be directed towards the new Local Access Road that will run alongside the upgraded A1(M). No overriding constraints have been identified and therefore the site is a preferred site.

MJP17 Land to the south of Catterick – Extraction of sand and gravel

The site covers a total area of 102.1ha which is currently in agricultural and woodland use. The proposed access is not yet known however it will take into account the new mid- Catterick A1 roundabout in order to access the strategic road network. No overriding constraints have been identified at this stage through the site assessment process. However it is considered that development should exclude the south western part of the site to help reduce impacts on the registered Park and Garden at Hornby Castle, thus removing approximately half of the proposed site within Hambleton District.

A further two sites have been discounted as preferred options:-

- MJP 38, Mill Cottages, West Tanfield. The site is discounted as it would only make a small contribution to requirements and it is considered that there would be likely to be significant adverse impacts on the historic environment south-east of Tanfield as well as local amenity.
- MJP60 Land to the West of Kirkby Fleetham. The site is discounted as there are likely to be significant adverse impacts including on local amenity, best and most versatile agricultural land and the local landscape and other options are considered more appropriate to meet requirements.

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 February 2016

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

Great Ayton Ward
Portfolio Holder for Customer and Leisure 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 refreshed Public Open Space, Sport and Recreation Action Plan for Great Ayton.

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

2.0 LINK TO COUNCIL PRIORITIES:

2.1 This links primarily to the health and wellbeing 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:

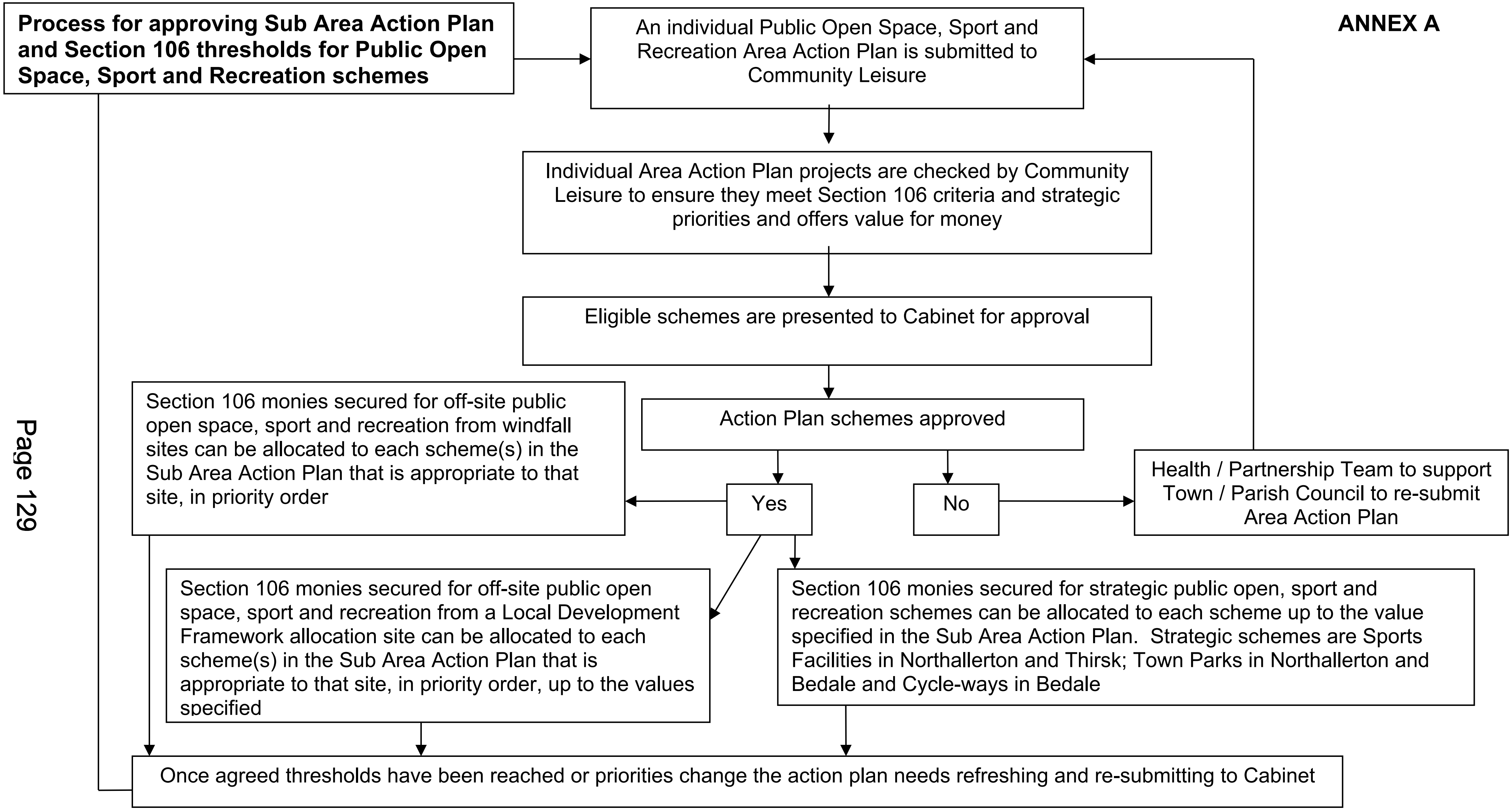
8.1 It is recommended that the Public Open Space, Sport and Recreation Action Plan in Annex B be endorsed.

NAME OF DIRECTOR

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

ANNEX A


Process for approving Sub Area Action Plan and Section 106 thresholds for Public Open Space, Sport and Recreation schemes
An individual Public Open Space, Sport and Recreation Area Action Plan is submitted to Community Leisure
Individual Area Action Plan projects are checked by Community Leisure to ensure they meet Section 106 criteria and strategic priorities and offers value for money
Eligible schemes are presented to Cabinet for approval
Action Plan schemes approved
Yes
No
Health / Partnership Team to support Town / Parish Council to re-submit Area Action Plan
Section 106 monies secured for off-site public open space, sport and recreation from windfall sites can be allocated to each scheme(s) in the Sub Area Action Plan that is appropriate to that site, in priority order
Section 106 monies secured for off-site public open space, sport and recreation from a Local Development Framework allocation site can be allocated to each scheme(s) in the Sub Area Action Plan that is appropriate to that site, in priority order, up to the values specified
Section 106 monies secured for strategic public open, sport and recreation schemes can be allocated to each scheme up to the value specified in the Sub Area Action Plan. Strategic schemes are Sports Facilities in Northallerton and Thirsk; Town Parks in Northallerton and Bedale and Cycle-ways in Bedale
Once agreed thresholds have been reached or priorities change the action plan needs refreshing and re-submitting to Cabinet

ANNEX B

HAMBLETON
DISTRICT COUNCIL

PUBLIC OPEN SPACE, SPORT AND RECREATION ACTION PLAN – GREAT AYTON (REFRESH 09/02/16)

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)
Public conveniences servicing the village green	Great Ayton Parish Council	Great Ayton Public Conveniences Refurbishment	To completely refurbish the very dated public conveniences within the Village to improve both the accessibility and facilities and reduce the carbon footprint.	£30,000	1
Whitbread Bridge	Great Ayton Parish Council	To restore the current footbridge	Feedback from the community	£10,000	2
Play Area	Great Ayton Parish Council	Replace under 8's play equipment	Consultation undertaken in schools, with the community and Police have identified that the play area is no longer safe, fit for purpose and out of date	£10,000	3
Bowling green and clubhouse	Great Ayton Bowling Club	To build a separate store; to refurbish existing clubhouse including a new kitchen	Following consultation with club members	£60,0000	4
Bowling green and clubhouse	Great Ayton Bowling Club	External glazing to create an indoor viewing area and winter bowling	Following consultation with club members	£32,000	5
Village Hall	Great Ayton Parish Council	Installation of a disabled lift	Consultation with the community and the Police – improved access will increase usage of the hall	£20,000	-