

AGENDA

Committee Administrator: Democratic Services Officer (01609 767015)

Monday, 30 January 2017

Dear Councillor

NOTICE OF MEETING

Meeting **CABINET**

Date **Tuesday, 7 February 2017**

Time **9.30 am**

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

Yours sincerely

J. Ives.

Dr Justin Ives
Chief Executive

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

Other Members of the Council for information

AGENDA

Page No

1. MINUTES

To confirm the decisions of the meeting held on 10 January 2017 (CA.58 - CA.63), previously circulated.

2. APOLOGIES FOR ABSENCE

Resources Management

3. 2016/17 Q3 REVENUE MONITORING REPORT

1 - 8

This report provides an update on the revenue budget position of the Council and reserve funds at the end of December 2016.

In accepting the recommendations Cabinet will approve and recommend to Council the budget increase at Paragraph 3.2 of the report in quarter 3 of £47,410 which results in a budget of £7,652,400; the allocation from the one-off fund at paragraph 6.5 of the report of £153,720; and a transfer of £100,000 is made from the Council Tax Payers Reserve to the One-Off Fund; and to note that the Economic Development Fund remaining balance to be allocated at paragraph 6.3 of the report is £19,597.

Relevant Ward(s): All Wards

4. 2016/17 Q3 CAPITAL MONITORING AND TREASURY MANAGEMENT REPORT

9 - 30

This report provides the quarter 3 update at 31 December 2016 on the progress of the capital programme 2016/17 and the treasury management position.

In accepting the recommendations Cabinet will approve and recommend to Council the net increase of £251,976 in the capital programme to £19,187,330 and all expenditure movements as detailed in Annex B and also in the capital programme attached at Annex A; to note the position of the Economic Development Fund at Annex B that it has been fully allocated until funds are returned from schemes in future years; the increase of capital expenditure of £60,110 is funded from capital receipts of £19,570 and the additional expenditure of £40,540 in the Economic Development Fund is being funded by revenue; the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2; and the treasury management and prudential indicators at Annex E.

Relevant Ward(s): All Wards

5. FINANCIAL STRATEGY 2017/18 TO 2026/27

31 - 46

This report seeks consideration of the Financial Strategy 2017/18 to 2026/27. The financial strategy was last approved in September 2016 in order for the Council to sign up to the four year funding settlement and approve the Efficiency Plan that needed to be notified to Government and published by October 2016.

In accepting the recommendation, Cabinet will approve and recommend to the Council the Financial Strategy 2017/18 to 2026/27 at Annex 'A' and 'A(1)' of the report.

Relevant Ward(s): All Wards

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| 6. | 2017/18 CAPITAL PROGRAMME BUDGET, TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS | 47 - 86 |
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This report considers the 10 year Capital Programme covering the financial years 2017/18 to 2026/27, the 2017/18 Capital Programme and the Treasury Management Strategy Statement; including the Annual Investment Strategy and Minimum Revenue Provision Policy Statement.

In accepting the recommendations Cabinet will approve and recommend to Council that the 10 year Capital Programme 2017/18 to 2026/27 at £24,159,352 be approved, as detailed in paragraph 2.2 and attached at Annex 'A' of the report; the Capital Programme 2017/18 at £9,554,070 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

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| 7. | REVENUE BUDGET 2017/18 | 87 - 98 |
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This report presents at a strategic level the revenue budget proposals for the next financial year 2017/18.

In accepting the recommendation, Cabinet will approve and recommend to Council the revenue budget for 2017/18 at £7,210,600.

Relevant Ward(s): All Wards

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| 8. | COUNCIL TAX 2017/18 | 99 - 122 |
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This report considers the level of Council Tax for 2017/18 and the policy on reserves. It also provides details of the Council's formula grant funding settlement for 2017/18 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. ADULT WEIGHT MANAGEMENT SERVICE 123 - 128

This report seeks approval for the Council to submit a joint bid with other partners to operate part of the Adult Weight Management service advertised by North Yorkshire County Council.

In accepting the recommendation, Cabinet will approve and recommend to Council that HDC forms a consortium with Richmondshire District Council and North Yorkshire Sport and submits a tender for Lot 1 of the Adult Weight Management service and that Management Team be responsible for approving the final tender submission.

Relevant Ward(s): All Wards

10. SUPPORT FOR BUSINESS NETWORKS 129 - 130

This report outlines a proposal to develop a grant scheme specifically to support the further development of business networks across the District. It requests approval to allocation £40,000 from the Economic Development Fund to support the delivery of this initiative, which supports the Hambleton Economic Strategy (2014) themes of Business Support and Vibrant Market Towns.

In accepting the recommendations, Cabinet will approve the allocation of £40,000 from the Economic Development Fund to establish a delegated grant scheme to support business networks; that the delegated grant scheme is managed by the Business & Economy Team who will develop detailed guidance and eligibility criteria and that subject to the details set out in paragraphs 1.4 and 1.5 of the report the grant criteria be agreed in consultation with the Portfolio Holder.

Relevant Ward(s): All Wards

11. IMPROVING CONNECTIONS BETWEEN NORTHALLERTON HIGH STREET AND THE PRISON SITE 131 - 144

This report provides background to work undertaken to date examining the east west connectivity in the town centre between the High Street and the development to take place on the former HMP Northallerton site. Authority is sought to prepare more detailed proposals for key links.

In accepting the recommendation, improvement schemes for Zetland Street, New Row and Central Arcade will be delivered in more detail.

Relevant Ward(s): Northallerton North and Brompton

Policy Implementation

12. DISCRETIONARY BUSINESS RATE RELIEF POLICY 145 - 152

This report seeks approval of a revised Discretionary Rate Relief Policy effective from 1 April 2017.

In accepting the recommendation, Cabinet will approve and recommend to Cabinet that the revised Discretionary Rate Relief Policy be adopted.

Relevant Ward(s): All Wards

13. EXCLUSION OF THE PUBLIC AND PRESS

To consider passing a resolution under Section 100A(4) of the Local Government Act 1972 excluding the press and public from the meeting during consideration of item 14 on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

14. PRISON SITE - APPROVAL OF PRIVATE SECTOR PARTNER AND PROPOSED SCHEME 153 - 170

This report provides information on the outcome of the procurement process to identify a private sector development partner for the redevelopment of the prison site and seeks approval of a proposed scheme, subject to planning permission.

Relevant Ward(s): All Wards

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: 2016/17 QUARTER 3 REVENUE MONITORING REPORT

All Wards

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

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to update Members on the revenue budget position of the Council and the reserve funds at the end of December 2016.
- 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 9 February 2016 for 2016/17 at £7,811,370 in line with the approved Financial Strategy 2016/17 to 2025/26.
- 2.1 At Cabinet on 6 December 2016, the Quarter 2 revenue monitoring report revised the budget to £7,604,990. The approved budget at Quarter 2 in accordance with the Council portfolio themes is detailed below:

	£
Customer & Leisure Services	1,600,380
Environmental Services & Planning Services	4,924,690
Support Services	972,430
Drainage Board Levies	107,490
Net Revenue Expenditure	<u>7,604,990</u>

- 2.2 Following the Management Restructure it is recommended for approval to this Cabinet that the budgets are re-aligned to reflect the new structure. Therefore the approved budget at quarter 2 in accordance with the new themes is detailed below:-

	£
Leisure & Environment	5,274,700
Economy & Planning	1,157,290
Finance	(75,550)
Law & Governance	1,141,060
Drainage Board Levies	107,490
Net Revenue Expenditure	<u>7,604,990</u>

3.0 **BUDGET POSITION TO DECEMBER 2016:**

- 3.1 Since the budget for 2016/17 was set in February 2016, 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:

	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Budget Outlook approved at Q2 06 Dec 2016	7,604,990	7,652,400	6,929,121	6,923,705
Changes to budget outlook:				
Inflation – salaries and contracts	0	110,083	111,984	113,893
Pension Scheme Opt Out	0	45,000	0	0
Back funded pension (NYCC)	0	20,300	21,100	21,900
Parking enforcement	0	28,000	0	0
Insurance fund	2,750	24,844	27,328	30,061
Fees & Charges	0	(113,026)	(115,287)	(117,592)
Efficiency target	0	(163,190)	0	0
Green Waste Scheme	39,130	(466,200)	(312,610)	(58,000)
Income from loan to local Housing Association	(11,000)	(154,000)	0	0
Qtr 2 – Reversal of One off Adjustments	0	17,850	0	0
Senior Management Restructure	(41,820)	(24,560)	0	0
Revenue effects of the Sale of Momentum	(11,470)	11,470	0	0
Leisure & Environment employee costs	9,980	(9,980)	0	0
Pest Control – Reduced Income	24,280	(24,280)	0	0
Waste & Recycling Transport Costs	(40,670)	40,670	0	0
Various Environmental Under & Overspends	(19,270)	19,270	0	0
Housing Benefit Subsidy	65,000	(65,000)	0	0
Finance employee costs	8,000	(8,000)	0	0
Homelessness Voids	22,500	(22,500)	0	0
Budget Outlook Q3	7,652,400	6,929,121	6,661,636	6,913,967
Financial Strategy 6 Sept 2016	7,811,370	7,210,597	6,923,705	7,006,158
Budget Outlook Q1 Surplus / (Shortfall)	158,970	281,476	262,069	92,191

- 3.2 In 2016/17 the budget started at £7,811,370 as stated in the Financial Strategy and illustrated in the table above. At Quarter 2, the budget was £7,604,990 a reduction of £206,380. At Quarter 3, the table shows the budget at £7,652,400 which is an increase of £47,410 compared to Quarter 2 but a saving of £158,970 for the year compared to the Financial Strategy. An explanation of the movement in the 2016/17 budget, to be approved in this cabinet report, is detailed below.
- 3.3 There are three main areas of changes to the 2016/17 budget at Quarter 3 totalling £47,410:
- (a) Corporate cost decreases of £61,540
 - (b) Department movements - an increase of £108,950
 - (c) Department movements which have nil effect on the budget but exceed £20,000 and therefore require cabinet approval as stated in the council's financial regulations.

- 3.4 The corporate movements in the budget are:
- (i) During Quarter 3 a Senior Management restructure took place which created a saving of £41,820 in 2016/17.
 - (ii) The local Housing Association gave notice earlier than expected that they would like to borrow additional tranches to the value of £1,200,000 of their agreed loan. This creates an additional £11,000 of interest.
 - (iii) In December 2016 the Council sold Momentum resulting in a revenue saving for the rest of 2016/17 of £11,470.
 - (iv) The Insurance costs for the Council was higher than budgeted by £2,750.
- 3.5 The changes at Quarter 3 in relation to the service areas show an overall increase in the budget £108,950. This is represented by an increase in Leisure & Environment budgets of £13,450, an increase in Finance budgets of £73,000 and an increase in Economy and Planning of £22,500.
- 3.6 Leisure & Environment – the over spend on the budget of £13,450 is due to a combination of factors. £39,130 is required for upfront costs relating to the Green Waste Scheme which begins to charge in April 2017. £9,980 relates to additional salaries required. The Waste and Recycling service have experienced high levels of sickness which has resulted in the requirement to use agency staff to ensure that a full service can be offered to the public, this is estimated to cost an additional £24,260. This is partially offset by vacant posts in Operational Services which has a saving of £5,190 and the effects of the Environmental Health restructure which saves £9,090 in 2016/17. A £24,280 loss of income within Pest Control is due to reduced commercial rodent contracts. Reduced fuel and maintenance costs within Waste and Street Scene results in a £40,670 underspend. The Environmental section carried out an exercise to identify any further savings to offset the overspends detailed above, this resulted in various under and overspends totalling a saving of £19,270.
- 3.7 Finance – the increase in the budget of £73,000 is due to a number of factors. A reduced Housing Benefit Subsidy as a result of the new Universal Credit system means that the council will receive £65,000 less than budgeted. An additional £8,000 is required for employee costs due to £15,000 for maternity cover for 2 people within communications, which is offset by £7,000 of savings due to vacant posts within customer services.
- 3.8 Economy and Planning – An overspend of £22,500 relates to void periods of temporary accommodation units available to homeless clients within the district.
- 3.9 Departmental budget movements that have nil effect on the overall budget but exceed £20,000, as detailed in the Council's Financial Regulations require Cabinet approval as follows:
- a) Reduced income of overpaid housing benefit of £55,000 is offset by a reduction in the amount of a bad debt provision for the invoices raised in relation to the overpaid housing benefit, this is an effect of the new Universal Credit System and new methods of working.

- b) There have been a number of vacancies within the benefits section throughout the year that have not been filled. To be able to carry out the benefit function a number of agency and specialist staff have been used. There have been no additional costs, however budgets of £75,500 need to be moved from salary codes to agency and specialist staff codes.
- c) Agency staff have also been required to cover the additional planning application work within Development Management. £84,740 is covered by the additional income generated by the additional fees.
- d) A £25,500 grant has been received from North Yorkshire sport to fund research into swimming, therefore budgets are required for the income and expenditure.
- e) £10,000 expenditure for maternity cover within GIS has previously been approved in Quarter 1, the cover spans two financial years and £6,570 will be required in 2017/18, therefore the budget will be transferred to the One Off Fund to be used in 2017/18.

3.10 The revised changes to the budget at quarter 3 totals an overspend of £47,410 compared to the latest estimate at quarter 2. These are listed above and detailed in the recommendations section of this report for approval by Cabinet and Council. It should be noted that the quarter 3 underspend against the financial strategy will be monitored over the rest of the year and will assist the council's financial position at year end.

4.0 OTHER MATTERS - GRANTS

4.1 The following grants and contributions have been allocated to the Council and paid into the One-Off Fund Reserve since the budget was approved in February 2016

Description	Amount £
Department for Work and Pensions - Fraud & Error Reduction Incentive	3,551
Transfer from Street Scene budget	45,275
Department for Work and Pensions - Transparency Set Up	8,103
Department for Work and Pensions - Local Authority Data Sharing (LADS) IT Costs	6,970
Department for Work and Pensions - Housing Benefit Review Scheme	473
Section 31 - Business Rates Revaluation	160
Total	64,532

5.0 SENSITIVITY ANALYSIS

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

6.0 **RESERVE FUNDING**

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

Reserve Fund	Balance at 30 Sept 2016 £	Q3 Movement (from) / to Reserves £	Balance at 31 Dec 2016 £
General Fund	2,000,000	0	2,000,000
Council Taxpayers Reserve	3,165,355	(100,000)	3,065,355
Grants Fund	249,302	0	249,302
Economic Development Fund	339,381	1,549,710	1,889,091
One Off Fund	116,748	(112,980)	3,768
Computer Fund	683,471	127,413	810,884
Repairs & Renewal Fund	2,549,631	0	2,549,631
Community Safety Partnership	53,041	0	53,041
Strategic Forum Reserve	10,046	0	10,046
Local Plan Reserve	384,899	0	384,899
Make a Difference Fund	125,000	0	125,000
Total	9,676,874	1,46,143	11,141,017

- 6.2 Economic Development Fund – In quarter 3, the opening balance which has not yet been committed was £339,381. £1,549,710 is no longer required in 2016/17 this is split £1,398,170 Capital and £151,540 Revenue. The capital programme budget requires approval at Quarter 3 and is detailed in a separate Capital Monitoring Report on the agenda. The £151,540 relates to a number of areas where £161,540 needs to be returned to the fund in 2016/17 and £10,000 of new expenditure has been identified:- £45,000 from the Business Support scheme, £31,000 from the Inward investment scheme, £27,000 from the Driving Growth scheme and £10,000 from the Vibrant Market Towns is to be rolled forward for expenditure in 2017/18. £8,000 is being returned to the Economic Development Fund following identification of budget within the General Fund revenue budget and projects with a value of £40,540 are being postponed to support increased capital expenditure required for the Dalton Bridge Project and the Central Northallerton site with a view to re-establishing these projects once the Dalton BID income can be accounted for. The new expenditure of £10,000 relates to the new Northallerton BID to support set-up costs which will be returned to the EDF in 2017/18. £10,000 is to be moved from the Graduate scheme to support higher demand on the Apprentice scheme. The balance of the Economic Development Fund at year end is estimated at Quarter 3 to be £1,889,091.
- 6.3 In addition the Economic Development Fund has allocated a further £62,000 to the Business Support schemes in 2017/18 plus a further £9,000 for 2018/19. The Identifying & Securing Investment scheme is to be extended for a further 2 years with £19,476 allocated for 2017/18, £42,357 for 2018/19 and £21,390 for 2019/20. This currently leaves £1,219,597 remaining for future projects. The increase of the balance is due to the financing of the capital programme changing as external borrowing will be utilised rather than reserves. In future, additional funds will be returned to the Economic Development Fund from the Central Northallerton site which will enable further funds to be distributed for economic development purposes in the district.

- 6.4 One Off Fund - In Quarter 3, the initial balance is £116,748 and additional income of £64,532 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 since quarter 2 totals £123,792 and further expenditure to be allocated from the One-off Fund is detailed in the table below at £153,720. It is recommended that £100,000 is transferred to the One Off Fund from the Council Tax Payers Reserve to increase the balance of the One Off Fund. This will result an estimated year end balance on the One-off Fund at Quarter 3 to be £3,768. If all allocated expenditure occurs in the year, then a further transfer to the One-Off Fund will be made during 2016/17 to increase the balance to a minimum of £200,000 in accordance with the policy on Balances and Reserves that was approved in the Council Tax 2016/17 report in February 2016.

Expenditure in 2016/17 from the One-Off Fund	Amount
Northallerton Business Improvement District	705
Land at Galtres Centre - overspend	2,901
Legal Costs – Finance & Resources	684
Staff Costs – Finance & Resources	20,480
Staff & Legal Costs – Law & Governance	62,450
IT Consultancy – Development Management	20,000
Additional Cost of the Central Northallerton Site	46,500
Total expenditure recommended for approval at Q3	153,720

- 6.5 At Quarter 3, is it recommended to Cabinet and Council that the allocation from the One-off Fund at £153,720 is approved and that £100,000 is transferred to the One Off fund from the Council Tax Payers Reserve.
- 6.6 Computer Fund – At Quarter 3 a total £18,518 of capital funding has been identified to be returned to the reserve to support future requirements. This comprises of £2,032 from the GIS upgrade; and £16,486 from the ICT improvements. A further £40,000 has been identified in ICT improvements and £68,895 in Leisure Improvements to roll forward into 2017/18.
- 6.7 Repairs & Renewal Fund – in accordance with the Financial Strategy approved by Council in February 2016, funds have been allocated from the repairs & renewals fund for general revenue maintenance repairs at £421,000, £9,880 has been brought forward from underspends in 2015/16 totalling £430,880 expenditure from the reserve in 2016/17.
- 6.8 Make a Difference Fund –£125,000 has been allocated to the Make a Difference Fund to invest in worthy local community projects which help improve life in neighbourhoods and which support the work of the voluntary sector. A report in October 2016 approved to grant £25,000 to the 5 community areas of Bedale, Easingwold, Northallerton, Stokesley and Thirsk. The fund has therefore been allocated in full.
- 6.9 Other Reserves - There has been no movement on other reserves held by the Council at Quarter 3, 2016/17.

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 £47,410 which results in a budget of £7,652,400;
- (2) the allocation from the one-off fund at paragraph 6.5 of £153,720; and a transfer of £100,000 is made from the Council Tax Payers Reserve to the One Off Fund.

LOUISE BRANFORD-WHITE

Background papers: Budget Monitoring Q3 working papers

Author ref: LBW / IG

Contact: Louise Branford-White – Director of Finance (s151 Officer)
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Budget 2016/17 Sensitivity Analysis – potential savings / costs

Portfolio Area	Area of Sensitivity	Commentary
Finance	Investment Interest	The country is currently experiencing very low interest rates. If the council's investment counterparties reduce their rates the income earned by the council's balances will reduce.
Leisure & Environment	Recycling Contract	The market has improved since the initial basket price was calculated. This is being monitored closely as it changes each quarter. The tonnage collected is also being monitored. Also any contamination could negate any improvement in prices.
	Operational Services – Fuel Prices	This is being closely monitored as prices seem to be on the increase and any significant increase will have an increase on the budget
Economy & Planning	Land Charges	Land Charge income is being monitored as it appears clients are using Private Search Companies rather than the Council

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: 2016/17 Q3 CAPITAL MONITORING AND TREASURY MANAGEMENT REPORT

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

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to provide Members with the Quarter 3 update at 31 December 2016 on the progress of the capital programme 2016/17 and the treasury management position. A full schedule of the capital programme 2016/17 schemes is attached at Annex A, together with the relevant update on progress of each scheme.
- 1.2 Capital expenditure is intrinsically linked with treasury management as the way that the capital programme is funded, directly effects the treasury management arrangements of the Council. The majority of the Council's capital expenditure is funded by grants, capital receipts and reserves, however borrowing is also considered when required. The use of the Council's funds affects the daily treasury management cash flow position, as well as the requirement to invest these surplus funds.

2.0 CAPITAL PROGRAMME SUMMARY:

- 2.1 The 2016/17 capital programme was approved by Cabinet at Quarter 2 on 6 December 2016 at £18,935,354.
- 2.2 At this quarter 3 monitor, a net increase to the capital programme of £251,976 results in a total revised capital programme of £19,187,330.
- 2.3 The net increase of £251,976 to be approved in this report is detailed in Annex A and Annex B and is made up of:-
 - (a) increase in expenditure of £17,000 for two new schemes;
 - (b) increase in expenditure of £60,110 supported from Council reserves;
 - (c) increase in expenditure of £1,200,000 supported from surplus funds or external borrowing and rolled back from 2017/18;
 - (d) increase in expenditure of £105,321 funded externally;
 - (e) transfer of funds between schemes, with overall effect being zero;
 - (f) decrease in expenditure of £1,024,835 due to schemes rolled forward to 2017/18; and
 - (g) decrease in expenditure of £105,620 due to funding no longer required.

2.4 Table 2 below outlines the variances reported against the current portfolio areas. Following the Management restructure it is recommended that the portfolio's are re-aligned to reflect the new structure. Therefore the new portfolio's are detailed in table 3.

Portfolio	Current Approved Expenditure	Revised Expenditure Q3	Variance Increase/ (decrease)	New Schemes	Request for additional funding	Funding no longer required	External Funding	Schemes re-profiled (to) from future years £
£	£	£	£	£	£	£	£	£
Environmental & Planning Services	473,458	531,119	57,661	8,000	11,890	(50,000)	99,821	(12,050)
Customer & Leisure Services	311,061	207,101	(103,960)	0	7,680	(35,620)	5,500	(109,660)
Support Services	1,819,535	1,163,270	(656,265)	9,000	0	0	0	(637,125)
Economic Development Fund	1,331,300	1,085,840	(245,460)	0	40,540	(20,000)	0	(266,000)
Local Housing Associations	15,000,000	16,200,000	1,200,000	0	0	0	0	1,200,000
Total	18,935,354	19,187,330	251,976	17,000	60,110	(105,620)	105,321	175,165

Table 2: Capital Programme Q3 2016/17

Portfolio	Current Approved Expenditure	Revised Expenditure Q3	Variance Increase/ (decrease)	New Schemes	Request for additional funding	Funding no longer required	External Funding	Schemes re-profiled (to) from future years £
£	£	£	£	£	£	£	£	£
Leisure & Environment	407,977	329,337	(70,640)	8,000	19,570	0	5,500	(103,710)
Economy & Planning	1,667,681	1,159,020	(516,661)	9,000	0	(67,102)	99,821	(558,380)
Finance	528,396	413,133	(115,263)	0	0	(18,518)	0	(96,745)
Economic Development Fund	1,331,300	1,085,840	(245,460)	0	40,540	(20,000)	0	(266,000)
Local Housing Associations	15,000,000	16,200,000	1,200,000	0	0	0	0	1,200,000
Total	18,935,354	19,187,330	251,976	17,000	60,110	(105,620)	105,321	175,165

Table 3: Capital Programme Q3 2016/17

- 2.5 To 31 December 2016 capital expenditure of £17,610,824 had been incurred or committed representing 92% of the revised quarter 3 capital programme position of £19,187,330, this included the £16,200,000 loan to the local Housing Association. It is expected at quarter 3 that the capital programme will come in on target at the end of the financial year.
- 2.6 The proposed changes to the Capital Programme, which require approval by this Cabinet, are detailed for each of the 3 portfolio areas and the Economic Development Fund at Annex B.

3.0 FUNDING THE CAPITAL PROGRAMME:

- 3.1 For 2016/17, at Quarter 3, the capital programme of £19,187,330 is being funded from £1,200,000 external borrowing, £424,829 external grants/contributions, £1,085,840 from the Economic Development Fund, £324,133 from the Computer Fund, £24,165 from the One Off Fund, £119,744 from the Repairs and Renewals Reserve and £1,008,619 from Capital Receipts Reserve. The remaining funding will be financed either by the Council's surplus funds or external borrowing.
- 3.2 Due to the overall financial position and the underlying need to borrow for capital purposes, external borrowing of £1,200,000 was undertaken in September 2016 from the Public Works Loan Board at a rate of 1.05% over 5 years.
- 3.3 The external grant funding is higher than Quarter 2 by £5,050. This is as a result of the Bedale Public Art Project. This will be funded by the Arts Council and a Section 106 Agreement. The total cost of the project is £50,000, the majority of the work will take place in 2017/18 with only a small amount required in 2016/17. The amount required in 2016/17 is £5,050 and will be funded by the Arts Council.
- 3.4 The capital receipts estimated to be received during 2016/17 is £881,887.
- 3.5 Therefore at year end in accordance with accounting practice the capital programme will be financed using all available in year funding prior to using the Council's capital reserves. At Quarter 3 it is estimated that £1,553,882 of reserve funding will be used.
- 3.6 The overall funding position continues to be closely monitored to ensure the overall capital programme remains affordable and sustainable over the 10 year approved capital plan.
- 3.7 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 2016/17

- 4.1 The Treasury Management review at quarter 3 2016/17 is attached at Annex C and provides Members with an update on the:
- (a) treasury management position
 - (b) economy and interest rates
 - (c) investment policy
 - (d) investment performance
 - (e) borrowing position
 - (f) Compliance with prudential and treasury indicators
- 4.2 The Treasury Management Strategy Statement (TMSS) for 2016/17 which details the Council's approach to treasury management was approved by this Council on 25 February 2016. There are no policy changes to the Treasury Management Strategy Statement, however it should be noted that where the Strategy is influenced by the capital expenditure

plans for 2016/17 the Council's Capital Financing Requirement (need to borrow) relates to the entire 2016/17 capital expenditure programme and not only the loan to the local Housing Association. This aligns with reports that have been approved by Cabinet and Council in the first half of 2016/17 and the Local Government Act 2003.

- 4.3 The investment position at Quarter 3, 31 December 2016 was £7,490,000 with an average interest rate return of 0.44%. For surplus funds invested for 3 months or more, a return of 0.59% was achieved which was 0.33% greater than the 3 month benchmark at 0.26 %. For funds invested short term 0.35% was achieved compared to the 7 day benchmark of 0.12%. At quarter 3 the interest earned from short term investments is £20,643 and investments of 3 months or more is £27,446.
- 4.4 The Council's Investment balances have reduced considerably compared to quarter 3, 2015/16. This is due to the loans to the Local Housing Association being financed from surplus funds. In 2015/16 £10,000,000 was loaned to the Local Housing Association. In quarter 3 additional tranches of £1,200,000 were loaned resulting in £16,200,000 to date in 2016/17, giving an overall total of £26,200,000. These loans are estimated to earn the council interest of £1,038,390 at an average rate of 4.37% in 2016/17 (£123,230, 2015/16 at an average rate of 4.21%). However interest received from the loans to the local Housing Association is not included in this section of the report because it is classed as capital expenditure under economic development to support local businesses.
- 4.5 The Council borrowed £1,200,000 in quarter 2 from the Public Works Loan Board (PWLb) at a rate of 1.05 over five years to fund capital expenditure. Further borrowing is predicted in quarter 4.
- 4.6 The Council has operated within the treasury and prudential indicators set out at Annex E. The approved limits were not breached during quarter 3 of 2016/17.

5.0 LINK TO COUNCIL PRIORITIES:

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

6.0 RISK ASSESSMENT:

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

7.0 FINANCIAL IMPLICATIONS:

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

8.0 LEGAL IMPLICATIONS

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

9.0 EQUALITY/DIVERSITY ISSUES

- 9.1 The capital programme seeks to address key equality issues that affect the Council and the public. The main schemes that specifically addressed equalities in the third quarter of 2016/17 is the disabled facilities grant scheme and additional work to the disabled access doors and ramps at the Civic Centre.

10.0 RECOMMENDATIONS:

- 10.1 That Cabinet approves and recommends to Council:-

- (1) the net increase of £251,976 in the capital programme to £19,187,330 and all expenditure movements as detailed in Annex B and also in the capital programme attached at Annex A;
- (2) the increase in capital expenditure of £60,110 is funded from capital receipts of £19,570 and £40,540 from the Economic Development Fund;
- (3) the funding allocation of the capital programme as detailed in paragraph 3.1; and
- (4) the treasury management and prudential indicators at Annex E.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

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

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Project owner	Capital Scheme	Budget Approved at Qtr2	Qtr 3	Qtr 3 + 2016/17	Third Party Contn	Third Party Cont Qtr 3	Cost to the Council £	Expenditure at 31/12/16	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Explanation
		£	£	£	£		£	£	£	£	£	
	Leisure & Environment											
NC	Hambleton All Weather Pitch Refurbishment	14,291		14,291			14,291	316	14,291	0	0	Scheme nearly finished, lighting to be completed by March 2017
DA	Hambleton Leisure Centre Air Handling Energy Saving	7,823		7,823			7,823	7,823	7,823	0	0	Scheme complete
DA	Bedale Leisure Centre Improvement Scheme	14,809		14,809			14,809	14,809	14,809	0	0	Scheme complete
DA	Stokesley Leisure Centre Improvement Scheme	0	7,680	7,680			7,680	7,679	7,680	7,680	7,680	A budget of £7680 is required. Additional work was required for the dry side flooring, additional drainage and plumbing in the changing rooms.
DA	Thirsk All Weather Pitch Refurbishment of Showers	10,000		10,000			10,000	0	10,000	0	0	Works will be completed in this financial year.
LW	Thirsk & Sowerby Sports Village	0		0			0	23,403	0	0	0	Determined by S106 contributions, detailed masterplanning underway
DA	Stokesley Leisure Centre Sauna Replacement	8,000		8,000			8,000	4,000	8,000	0	0	Work ongoing, to be completed by the end of December, awaiting final invoice.
DA	Stokesley Leisure Centre Underfloor Pipework	12,000		12,000			12,000	0	12,000	0	0	To be delivered in 2016-17, awaiting confirmation of work dates
DA	Stokesley Leisure Centre Re-design of Reception Area	15,000	(15,000)	0			0	0	0	(15,000)	(15,000)	Roll forward £15,000 to 2017-18 as it is hoped that this project will run alongside the Hambleton Improvement Scheme
DA	Stokesley Leisure Centre Menerga Air Handling Unit	11,000		11,000			11,000	0	11,000	0	0	Part of the work has been completed, awaiting estimation on remaining work.
DA	Stokesley Leisure Centre Sub Circuit Distribution	14,000		14,000			14,000	0	14,000	0	0	To be delivered in 2016-17, awaiting confirmation of work dates
DA	Leisure Centre Automatic Doors	30,000	(30,000)	0			0	0	0	(30,000)	(30,000)	Roll forward £30,000 to 2017-18 as it is hoped that this project will run alongside the Hambleton Improvement Scheme
CT	Forum - Capital Repairs	41,300	(41,300)	0			0	0	0	(41,300)	(41,300)	Roll forward £41,300 to 2017-18. Further discussions are planned with the Forum to develop the priority projects that have been identified to enable the project to start in 2017-18.
DA	Bedale Leisure Centre Hoist	11,211		11,211	11,211	0	0	9,711	11,211	0	0	Hoist has been fitted and was externally funded
DA	Sandbag Storage at Leisure Centres	10,000		10,000			10,000	0	10,000	0	0	To be delivered in 2016-17 awaiting confirmation of work dates
LW	Bedale Public Art	0	5,500	5,500	0	5,500	0	0	5,500	5,500	0	Bedale Public Art will cost £50,000 but will be funded externally. £35,000 will be coming from a section 106 agreement and £15,000 will be grant funding from the Arts Council. £5,500 will be spent in 2016-17 and the remaining £44,500 to be spent in 2017-18.
GB	Purchase of bins and boxes for refuse and recycling	60,000		60,000	10,000		50,000	47,372	60,000	0	0	Budget should be spent by Qtr4
SS/GB	Waste and Street Scene - Telematics	12,300	(12,050)	250			250	250	250	(12,050)	(12,050)	Awaiting work from Harrogate BC roll forward £12,050 to 2017/18
GB/SS	Waste and Street Scene - Training Room	9,500	5,090	14,590			14,590	14,593	14,590	5,090	5,090	Scheme overspent due to Building Control requirement and additional Health & Safety measures regarding fire resistance work. An additional £5090 is required for this additional work.
GB/SS	Central Depot - Additional Parking	15,756		15,756			15,756	15,757	15,756	0	0	Work completed
GB/SS	Bedale Sweeper Shed	15,000	6,800	21,800			21,800	350	21,800	6,800	6,800	Additional budget of £6800 is required as asbestos was found during a routine survey. The additional budget will be used for the removal of the asbestos by an approved contractor.
GB/SS	Central and Stokesley Depot - Welfare Facilities Improvements	25,000		25,000			25,000	0	25,000	0	0	Design of scheme awaiting to be provided to WASS.
SS	CCTV Camera Replacement Programme / wireless network & upgrade	62,987	(5,360)	57,627			57,627	41,828	57,627	(5,360)	(5,360)	Roll forward £5360 retention to 2017-18. Additional work to improve CCTV coverage at the Depot is due to take place during quarter 4.
SS	Roller Shutter Doors -Depot	0	8,000	8,000			8,000	0	8,000	8,000	520	New scheme as work is required following a health and safety assessment. The cost of the scheme will be partly funded from a saving of £2,000 from Workspaces Roller Shutter Doors and an underspend on Workspaces Air Con Refurbishments of £5,480. The remaining £520 will be funded from capital receipts.
Total Scheme Value Leisure & Environment		399,977	(70,640)	329,337	21,211	5,500	302,626	187,891	329,337	(70,640)	(83,620)	

Annex A												
Project owner	Capital Scheme	Budget Approved at Qtr2	Qtr 3	Qtr 3 + 2016/17	Third Party Contn	Third Party Cont Qtr 3	Cost to the Council £	Expenditure at 31/12/16	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Explanation
	Economy & Planning											
CT	Public lighting replacement	54,965	(10,000)	44,965			44,965	18,951	44,965	(10,000)	(10,000)	£10,000 to roll forward to 2017-18 as slower progress on site due to delays by the electricity company and consequential delays in processing streetworks licenses.
CT	Public lighting energy reductions	799	(622)	177			177	177	177	(622)	(622)	Scheme complete, £622 underspend to return to fund
CT	Public Lighting LED Lights	87,000		87,000			87,000	39,994	87,000	0	0	Scheme in progress
CT	Air Conditioning - Legislation requirement Corporate	24,779	(9,000)	15,779			15,779	10,365	15,779	(9,000)	0	Scheme in progress but underspend of £9,000 identified which will fund the CHP Unit at Bedale Leisure Centre
CT	CHP Unit at Bedale Leisure Centre	0	9,000	9,000			9,000	0	9,000	9,000	0	New scheme for a CHP unit at Bedale Leisure Centre of £9,000 as the unit has stopped working and requires a major mechanical overhaul.
CT	Civic Centre - Toilet Refurbishment	655		655			655	655	655	0	0	Scheme complete
CT	Civic Centre - Disabled Access Doors and Ramp	20,014	11,000	31,014			31,014	0	31,014	11,000	0	Quotes now returned, and there is additional expenditure of £11,000 to complete the scheme and undertake additional works to entrance steps. A saving of £11,000 will be made on the Civic Centre Toilet Part 2 project.
JP	Civic Centre Replacement of Computer Room Air Conditioning	19,500		19,500			19,500	19,500	19,500	0	0	Scheme now complete
JP	Civic Centre UPS and Fire Suppression Replacement Scheme	48,500		48,500			48,500	32,845	48,500	0	0	Work in progress as part of server room relocation
CT	Civic Centre Food Lab	5,665		5,665			5,665	1,640	5,665	0	0	Scheme almost complete, equipment installation now in progress.
CT	Civic Centre Refurbishment of Kitchenettes	13,735		13,735			13,735	11,285	13,735	0	0	Scheme in progress, three kitchenettes complete, remaining two kitchenettes to be completed in Q4
CT	Civic Centre Toilets Part 2	83,705	(11,000)	72,705			72,705	0	72,705	(11,000)	0	Quotes due for return, works planned start Q4. A saving of £11,000 will be made and this will finance the overspend on the Civic Centre Disabled Access and Ramp.
PJ	PC Screens (Planning)	10,765		10,765			10,765	10,765	10,765	0	0	PC screens for planning funded by the one off fund. Work complete
CT	Car Park Reinstatements	25,450		25,450			25,450	0	25,450	0	0	Improvement scheme to Thirsk Market Place service bus and taxi rank area, design and quote documents in preparation for start in Q4.
CT	Car Park Upgrading Pay and Display Machines	6,138		6,138			6,138	0	6,138	0	0	Scheme complete, software upgraded during tariff change April 2016.
CT	Adoptions - Electric Bollards - Thirsk & Northallerton	40,000		40,000			40,000	8,442	40,000	0	0	Bollards now received, revised quotes being sought due to delay in receiving bollards target start Q4.
CT	Adoption of Roads - Leeming Bar	243,489		243,489			243,489	243,489	243,489	0		Scheme complete, highway adoption confirmed and certificate issued by NYCC.
CT	Bedale Gateway Car Park	605,980	(530,380)	75,600			75,600	63,435	75,600	(530,380)	(530,380)	Roll forward £530,380 to 2017-18. Planning permission granted October 2016. Cabinet report to be considered in February 2017 to confirm the next actions.
JT	Workspaces Air Con Refurbishments	5,480	(5,480)	0			0	0	0	(5,480)	0	This scheme is now complete and the saving of £5,480 will fund the Roller Shutter Doors at the Depot.
JT	Workspaces Health and Safety Aspects	18,000	(18,000)	0			0	0	0	(18,000)	(18,000)	Roll forward £18,000 to 2017/18 due to delays in implementing the project.
JT	Workspaces Roller Shutter Doors	8,000	(2,000)	6,000			6,000	0	6,000	(2,000)	0	The work that is to be carried out on this scheme will cost £6,000. The remaining budget of £2,000 will be used to finance to Roller Shutter Doors at the Depot.
CT/JT	Car Park Creation Leeming Bar LBFEC	4,660		4,660			4,660	2,995	4,660	0	0	Line markings to complete during Q4
CT/JT	Springboard Car Park Resurface with Tarmac	12,500		12,500			12,500	0	12,500	0	0	Quote documents in preparation, target completion by March 2017
SWT	Disabled Facilities Grant	335,902	49,821	385,723	276,007	99,821	9,895	110,040	385,723	49,821	0	Total funding of the DFG was finalised to be £435,723 with £50,000 HDC funding being returned to fund. Anticipated expenditure of £385,723 includes £49,526 being repaid to NYCC once project approved resulting in £336,197 available for DFG Grants
Total Scheme Value Economy & Planning		1,675,681	(516,661)	1,159,020	276,007	99,821	783,192	574,577	1,159,020	(516,661)	(559,002)	

Annex A												
Project owner	Capital Scheme	Budget Approved at Qtr2	Qtr 3	Qtr 3 + 2016/17	Third Party Contn	Third Party Cont Qtr 3	Cost to the Council £	Expenditure at 31/12/16	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Explanation
	Finance											
JP	ICT Improvements	215,113	(56,486)	158,627			158,627	74,030	158,627	(56,486)	(56,486)	Roll forward £40,000 to 2017-18. £20,000 for PC replacements and £20,000 for storage & backup. £16,486 to be returned to the fund.
JP	ICT Server Room Civic Centre & Springboard	75,600		75,600			75,600	75,600	75,600	0	0	Project nearly complete, final sign off still required.
IG	ICT COA Upgrade V5.0	38,880		38,880			38,880	21,038	38,880	0	0	Upgrade complete in Quarter 1, awaiting final invoice
JP	ICT Leisure Improvements	68,268	(56,745)	11,523			11,523	11,523	11,523	(56,745)	(56,745)	Roll forward £56,745 to 2017-18 as the remaining Leisure ICT projects will not be completed this financial year.
JP	ICT Customer Excellence	87,135		87,135			87,135	29,255	87,135	0	0	To be completed by Qtr4
DA	ICT Customer Feedback	11,500		11,500			11,500	11,500	11,500	0	0	Scheme complete.
JP	ICT Council Chamber	10,000		10,000			10,000	447	10,000	0	0	Scheme currently in progress
SWT	ICT GIS Upgrade	8,500	(2,032)	6,468			6,468	6,468	6,468	(2,032)	(2,032)	Scheme now complete, saving of £2,032 to be returned to fund.
SG	Bid Software(Northgate)	13,400		13,400			13,400	13,400	13,400	0	0	Software for Northgate to be funded by the one off fund. Software now live. Scheme complete.
	Total Scheme Value Finance	528,396	(115,263)	413,133	0	0	413,133	243,261	413,133	(115,263)	(115,263)	
	Economic Development Fund											
SS	ED Improvement Infrastructure Central Northallerton	812,319	37,540	849,859			849,859	176,998	849,859	37,540	37,540	Additional £37,540 required. £13,540 for extended additional Demolition consultant costs for April and May and £24,000 for additional demolition contract works due to asbestos at the Prison site.
SS	Market Towns Investment Plans - Bedale	5,000	(5,000)	0			0	0	0	(5,000)	(5,000)	Amount to roll forward £5,000 as only internal VMT officer work to be undertaken in 16/17.
SS	Market Towns Investment Plans - Easingwold	6,000	(6,000)	0			0	0	0	(6,000)	(6,000)	Amount to roll forward £6,000 as only internal VMT officer work to be undertaken in 16/17.
SS	Market Towns Investment Plans - Northallerton	10,000	(10,000)	0			0	0	0	(10,000)	(10,000)	Amount to roll forward £10,000 as only internal VMT officer work to be undertaken in 16/17.
SS	Market Towns Investment Plans - Stokesley	10,000	(10,000)	0			0	0	0	(10,000)	(10,000)	Amount to roll forward £10,000 as only internal VMT officer work to be undertaken in 16/17.
SS	Market Towns Investment Plans - Thirsk	10,000	(10,000)	0			0	0	0	(10,000)	(10,000)	Amount to roll forward £10,000 as only internal VMT officer work to be undertaken in 16/17.
SS	Industrial Estates/Employment land	75,000	(75,000)	0	25,000	(25,000)	0	0	0	(75,000)	(75,000)	Amount to roll forward- £75,000 as waiting for completion of Local Plan Employment
SS	WIFI Market Towns	9,115		9,115			9,115	4,586	9,115	0	0	Phase 2 extension to wi-fi coverage in Northallerton complete. Work on-going in Stokesley market place.
SS	ED Improve Infrastructure North Northallerton	2,290		2,290	2,290		0	0	2,290	0	0	External funding from S106, qualifying work anticipated Q4.
SS	Industrial Park Review	150,000	(150,000)	0			0	0	0	(150,000)	(150,000)	Amount to roll forward - £150,000.as awaiting further direction on this scheme
SS	ED Improvement Infrastructure Dalton Bridge	241,576	(17,000)	224,576	20,000	(20,000)	224,576	223,512	224,576	(17,000)	(17,000)	£3,000 needed for additional legal fees for Grant and S278 agreement review. Coming from EDF revenue budget. £20,000 Expenditure and corresponding income no longer to be processed though HDC but is to be a direct payment between the businesses.
	Total Scheme Value EDF	1,331,300	(245,460)	1,085,840	47,290	(45,000)	1,083,550	405,096	1,085,840	(245,460)	(245,460)	
	Finance											
IG	Loan to Third Party Housing Association	15,000,000	1,200,000	16,200,000			16,200,000	16,200,000	16,200,000	1,200,000	1,200,000	Further tranches of loans have been drawn down earlier than expected in quarter 3 to the value of £1,200,000.
	Total Scheme Value Loan to Housing Association	15,000,000	1,200,000	16,200,000	0	0	16,200,000	16,200,000	16,200,000	1,200,000	1,200,000	
	Total Capital Programme 2016/17	18,935,354	251,976	19,187,330	344,508	60,321	18,782,501	17,610,824	19,187,330	251,976	196,655	

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PROPOSED CHANGES TO THE CAPITAL PROGRAMME:

- 1.1 The proposed changes to the capital programme, detailed for each of the portfolio areas are listed below:
- 1.2 Leisure & Environment – 10 schemes affect the capital programme at quarter 3:
 - (a) Stokesley Leisure Centre Improvement Scheme – An additional budget of £7,680 is required for dryside flooring, additional drainage and plumbing in the wet and dry side changing rooms.
 - (b) Stokesley Leisure Centre Re-Design of Reception Area - £15,000 is to roll forward to 2017/18 as the work is planned to take place alongside the Hambleton Improvement Scheme.
 - (c) Leisure Centre Automatic Doors - £30,000 is to roll forward to 2017/18 as the work is planned to take place alongside the Hambleton Improvement Scheme.
 - (d) Forum – Capital Repairs - £41,300 is to roll forward to 2017/18 as further discussions are planned with the Forum to develop the priority projects that have been identified to enable the project to start in 2017/18.
 - (e) Bedale Public Art – the total cost of this project is £50,000 and £35,000 will be coming from a Section 106 Agreement and £15,000 will be grant funding from the Arts Council. Expenditure of £5,500 is required in 2016/17 and will be funded by the Arts Council and the rest of the expenditure will be spent in 2017/18.
 - (f) Waste and Street Scene – Telematics – project will not be completed in 2016/17 due to service pressures which have led to delays in the work being carried out by Harrogate Borough Council. This affects the project as Hambleton District Council are working closely with them to establish the best approach to improve efficiency and health and safety in waste collection therefore it is requested to roll forward £12,050 to 2017/18.
 - (g) Waste & Street Scene – Training Room – this scheme is overspent due to Building Control requirements and additional Health and Safety measures regarding fire resistance work. An additional £5,090 is required for the additional work.
 - (h) Bedale Sweeper Shed – An additional budget of £6,800 is required as asbestos was found during a routine survey. The additional budget will be used for the removal of the asbestos by an approved contractor.
 - (i) CCTV Camera Replacement Programme/wireless network & upgrade - £5360 is to roll forward to 2017/18 as it is required for retention.
 - (j) Roller Shutter Doors – Depot – this is a new scheme as work is required following a health and safety assessment. The cost of the scheme is £8,000 and will be funded from a saving from the Roller Shutter Door – Workspaces of £2,000 and also from an underspend from Workspaces Air Con Refurbishments of £5,480. The remaining £520 will be funded from capital receipts

1.3 Economy & Planning – 11 schemes affect the capital programme at quarter 3:

- (a) Public Lighting Replacement - £10,000 is required to roll forward as there has been slower progress on site due to delays by the electricity company Northern Grid. This has resulted in delays in processing Streetworks licences.
- (b) Public Lighting Energy Reductions – This scheme is now complete and the underspend of £622 is to be returned to the fund.
- (c) Air Conditioning – Legislation Requirement Corporate – This scheme is still in progress and a saving of £9,000 has been identified which will fund the Combined Heat and Power Unit at Bedale Leisure Centre.
- (d) Combined Heat and Power Unit at Bedale Leisure Centre – This is a new scheme as the Combined Heat and Power Unit at Bedale Leisure Centre has stopped working and requires a major mechanical overhaul. The cost of this will be £9,000 and will be funded from the saving identified in Air Conditioning – Legislation Requirement Corporate.
- (k) Civic Centre – Disabled Access Doors and Ramp – £11,000 additional budget is required to complete this scheme and undertake additional works to the entrance steps. A saving of £11,000 will be made on the Civic Centre Toilet Part 2 scheme to finance the additional spend.
- (l) Civic Centre Toilets Part 2 – A saving of £11,000 will be made on this scheme and this will finance the additional works that are being made to the Disabled Access Door and Ramp at the Civic Centre.
- (m) Bedale Gateway Car Park - £530,380 to be rolled forward to 2017/18. Planning permission has been granted in October 2016. A further Cabinet report will be considered in February 2017 and it will confirm the next actions on this scheme.
- (n) Workspace Air Con Refurbishments – This scheme is now complete and the saving of £5,480 will partly fund the Roller Shutter Doors at the Depot.
- (o) Workspaces Health and Safety Aspects - £18,000 to roll forward to 2017/18 to implement the project.
- (p) Workspaces Roller Shutter Doors – The work that is to be carried out on this scheme will cost £6,000. The remaining budget of £2,000 will be used to partly finance the Roller Shutter Doors at the Depot
- (q) Disabled Facilities Grant – An additional £99,821 external funding has been received from the Better Care Fund and therefore this scheme has been increased. The Hambleton District Council funding of £50,000 has been returned to the fund as this is no longer needed. Expenditure is anticipated to be £385,723, however this includes a £49,526 repayment to NYCC following the approval of the project resulting in £336,197 available for DFG grants in 2016/17.

1.4 Finance – 3 schemes affect the capital programme at quarter 3

- (a) Information Communications Technology Improvements – A total of £40,000 is required to be rolled forward into 2017/18. This is due to PC Replacements of £20,000 not being required in 2016/17 and also £20,000 for Storage and Backup. It has also been identified that £16,486 can be returned to the Computer Fund as this is no longer required.

- (b) Information Communications Technology Leisure Improvements – A number of Information Communications Technology leisure projects that total £56,745 will not be completed in this financial year so will be rolled forward to 2017/18.
- (c) Information Communications Technology Geographic Information System Upgrade – This scheme is now complete and there is an underspend of £2,032 that is to be returned to the Fund.

1.5 Economic Development Fund – 9 schemes affect the capital programme at quarter 3:

- (a) Economic Development Improvement Infrastructure Central Northallerton – Additional £37,540 is required for the Demolition Consultant costs and also additional demolition contract works at the Prison Site due to asbestos. These costs will be funded from the Economic Development Fund.
- (b) Market Towns Investment Plans – Bedale - £5,000 to roll forward as only the Vibrant Market Towns officer work to be undertaken in 2016/17
- (c) Market Towns Investment Plans – Easingwold - £6,000 to roll forward as only the Vibrant Market Towns officer work to be undertaken in 2016/17
- (d) Market Towns Investment Plans – Northallerton - £10,000 to roll forward as only the Vibrant Market Towns officer work will be undertaken in 2016/17
- (e) Market Towns Investment Plans – Stokesley - £10,000 to roll forward as only the Vibrant Market Towns officer work will be undertaken in 2016/17
- (f) Market Towns Investment Plans – Thirsk - £10,000 to roll forward as only the Vibrant Market Towns officer work will be undertaken in 2016/17
- (g) Industrial Estates/Employment Land - £75,000 to roll forward as waiting for the completion of the Local Plan implementation.
- (h) Industrial Park Review - £150,000 to be rolled forward to 2017/18 to be further developed.
- (i) Economic Development Improvement Infrastructure Dalton Bridge – An additional £3,000 is required for additional legal fees for Grants and S278 agreement review. The additional costs will be funded from the Economic Development Fund. £20,000 expenditure and corresponding income will no longer be processed through Hambleton District Council as it is now going to be a direct payment between the businesses.

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

- (a) Loan to Local Housing Association – Further tranches of loans have been drawn earlier than expected in quarter 3 to the value of £1,200,000. The total amount borrowed by the Local Housing Association in 2016/17 is £16,200,000.

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

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

TREASURY MANAGEMENT POSITION 2016/17 – QUARTER 3 UPDATE

1.0 LEGISLATIVE REQUIREMENT

- 1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 Accordingly, treasury management is defined as:
- “The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.4 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management recommends that Members be updated on Treasury Management activities regularly (Treasury Management Strategy Statement, Annual and Mid-Year reports, as well a quarterly updates). This report therefore ensures this council is implementing best practice in accordance with the code.
- 1.5 The Council's capital expenditure plans at Quarter 3 are financed by either external grants or contributions, capital receipts received in the year, capital reserves or borrowing.
- 1.6 During 2016/17 the Council supported the loan to the Local Housing Association by short term borrowing. This was repaid in quarter 2 and the council used surplus funds to fund the expenditure. Due to the overall financial position and the underlying need to borrow for capital purposes, external borrowing of £1,200,000 was undertaken in September 2016 from the Public Works Loan Board at a rate of 1.05% over 5 years.
- 1.7 The capital financing requirement, which indicates the total amount of borrowing that can be taken and is potentially required to support the capital expenditure programme, is set at £25,000,000. The capital expenditure of the Council is however mainly supported by grants, contributions and reserves.
- 1.8 The following table shows the treasury management position as at 31 December 2016:-

	31 Dec 16	Rate
	£000's	%
Capital Financing Requirement	25,000	
Borrowing	1,200	1.05
Investments	7,490	0.44

Table 1: Borrowing and Investment position at 31 December 2016

- 1.9 The table shows that changes in the capital expenditure programme only affects the treasury management position through the surplus funds that are available to the Council to invest, to earn investment income. The loan to the local Housing Association has been supported by surplus funds, including a further £1,200,000 in quarter 3, resulting in a total of £26,200,000 being loaned to the Housing Association to date. Therefore the investment position at 31 December 2016 of £7,490,000 is lower compared to the position at 31 December 2015 of £24,660,000.

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 2016/17 – 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 2016/17, and includes the Annual Investment Strategy approved by Cabinet on 9 February 2016. 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, investment rates available in the market were broadly stable during the first half of the quarter but then took a slight downward path in the second half concluding with a significant drop after the referendum based on a sharp rise in expectations of an imminent cut in Bank Rate and "lower for longer" expectations thereafter.

- 3.4 The average level of funds available for investment purposes during quarter 3 – 31 December 2016 - was £14,445,145. 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 cash flow movement balances of £7,490,000 at 31 December 2016.

3.5

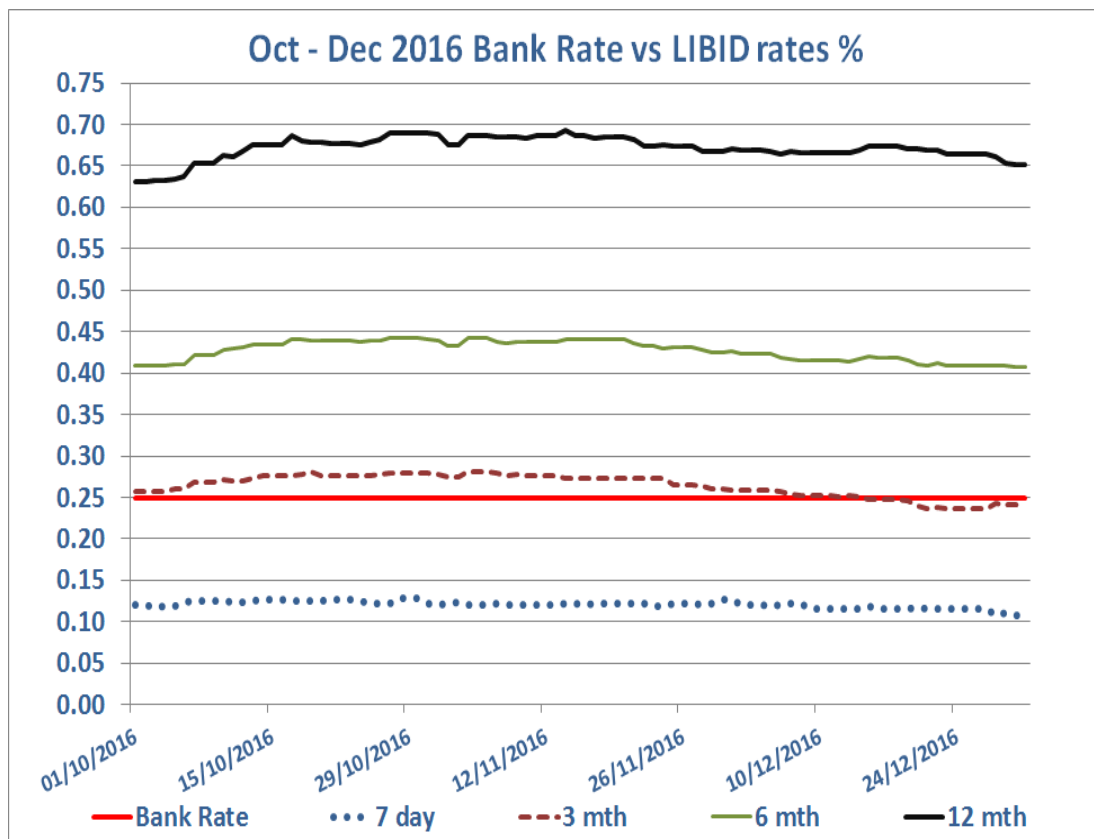
Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.12%	0.35%	£20,643
3 month	0.26%	0.59%	£27,446

Table 2: Investment performance for quarter 3 at 31 December 2016

- 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 0.33% and the 7 day benchmark by 0.23%.
- 3.7 The Council's budgeted investment return for 2016/17 was approved at £94,500. This was reduced by £51,330 in Quarter 1 to £43,170. This was due to the use of the Council's surplus funds to support the capital expenditure loan to the local Housing Association, therefore a lower amount of investment interest is earned. This will be continue to be closely monitored as if the expected Bank of England Base Rate is reduced the rates available to the council will also be affected. The interest earned from the Housing Association Loans is estimated to be £1,038,390 in 2016/17.

4.0 **BORROWING 2016/17 – Quarter 3 Update**

- 4.1 As depicted in the graph(s) below, there has been significant volatility in Public Works Loan Board rates during quarter 3 as rates rose from historically very low levels at the beginning of the quarter but then fell back somewhat towards the end of December 2016..



Graph 1: Public Works Loan Board (PWLB) Interest rates for Quarter 3 of 2016/17

- 4.2 During the quarter ended 31 December 2016, the 50 year PWLB target (certainty) rate for new long term borrowing started at 2.10% and ended at 2.70%. Capital Asset Services – the Council's treasury management advisers – review this rate on a regular basis and therefore this will be closely monitored in the coming weeks with regards to the general volatility on the market.

- 4.3 The table below shows the Public Works Loans Board interest rates which were available for loans during quarter 3 of 2016/17. 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	0.76%	1.04%	1.56%	2.32%	2.15%
Date	28/12/2016	03/10/2016	03/10/2016	03/10/2016	04/10/2016
High	0.99%	1.58%	2.34%	2.97%	2.72%
Date	26/10/2016	14/11/2016	12/12/2016	12/12/2016	12/12/2016
Average	0.88%	1.40%	2.09%	2.74%	2.51%

Table 3: Public Works Loan Board (PWLB) certainty rates, quarter ended 31 December 2016

- 4.4 **Treasury Borrowing** – Due to the overall financial position and the underlying need to borrow for capital purposes, external borrowing of £1,200,000 was undertaken in September 2016 from the Public Works Loan Board at a rate of 1.05% over 5 years.
- 4.5 It is anticipated that further borrowing will be undertaken in quarter 4 of this financial year.
- 4.6 **Rescheduling of Borrowing** – the Council had no debt that could be rescheduled in quarter 3 of 2016/17 under the regulations.
- 4.7 **Repayment of Borrowing** – the council repaid a short term loan of £15,000,000 in quarter 2 of 2016/17. There were no repayments in quarter 3 of 2016/17.

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

- 5.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) were approved in the Treasury Management Strategy Statement by Council on 25 February 2016 and are in compliance with the Council's Treasury Management Practices. No changes have been made or are required to be made in the first nine months of 2016/17 to the Prudential and Treasury Indicators that were set prior to the beginning of the financial year.
- 5.2 During the financial year to date the Council has operated within the Treasury and Prudential Indicators approved which are attached at Annex E.
- 5.3 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31 December 2016.

Economic Update

1.1 ECONOMIC BACKGROUND

UK Gross domestic product growth rate in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it still remained one of the leading rates among the G7 countries. Growth has been fairly robust at +0.6% quarter on quarter, +2.2% year on year in quarter 3 of 2016 to confound the pessimistic forecasts by the Bank of England in August and by other forecasters, which expected to see near zero growth during 2016 after the referendum. Prior to the referendum, the UK economy had been facing headwinds for exporters from the appreciation of sterling against the Euro plus weak growth in the EU, China and emerging markets, and the dampening effect of the Government's continuing austerity programme. The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, there was then a sharp recovery in confidence and business surveys and the fall in the value of sterling has had a positive effect in boosting manufacturing in the UK due to improved competitiveness in world markets.

The Bank of England meeting on 4 August addressed its forecast of a slowdown in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. The Inflation Report cut the forecast for growth in 2017 from 2.3% to just 0.8%. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. While the Monetary Policy Committee was prepared to cut Bank Rate again by the end of 2016, Carney also warned that the Bank could not do all the heavy lifting and suggested that the Government would need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation). The new Chancellor Phillip Hammond announced after the referendum result, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November and which he duly delivered.

The robust growth in quarter 3 of +0.6%, plus forward indicating business surveys also being very positive on growth, caused the Monetary Policy Committee in November to pull back from another cut in Bank Rate. The November Inflation Report also included a forecast for inflation to rise to around 2.7% in 2018 and 2019, well above its 2% target, due to a sharp rise in the cost of imports as a result of the sharp fall in the value of sterling after the referendum. However, the Monetary Policy Committee is expected to look thorough a one off upward blip from this devaluation of sterling in order to support economic growth, especially if pay increases continue to remain subdued and therefore pose little danger of stoking core inflationary price pressures within the UK economy.

The American economy had a patchy 2015 with sharp swings in the growth rate leaving the overall growth for the year at 2.4%. Growth in quarter 1 of 2016 of +0.8% on an annualised basis, and quarter 2 at +1.4%, was disappointing. However, quarter 3 came in very strongly at +3.5% and forward indicators are pointing towards robust growth in 2017, especially if Trump's expansionary plans are put into effect.

The Fed embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, caused a delay in the timing of the second increase of +0.25% until this December's meeting. Three or four further increases are now expected in both 2017 and 2018.

In the Eurozone, the European Central Bank commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December 2015 and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March 2016 meeting, it also increased its monthly asset purchases to €80bn. In December 2016, it extended its quantitative easing programme; monthly purchases at €80bn will continue to March 2017 and then continue at €60bn until December 2017. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise from around zero towards the target of 2%. Gross domestic product growth rose by 0.6% in quarter 3 2016 (1.7% year on year) but forward surveys are, at last, positive about a modest upturn to growth while inflation has also started to increase significantly. There have been many comments from forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand in their economies and economic growth.

Japan has struggled for many years to boost anaemic growth despite massive fiscal and monetary stimulus, but quarter 3 came in at +2.7% year on year. Chinese economic growth has been weakening and medium term risks have been increasing.

1.2 INTEREST RATE FORECAST

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

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

The Monetary Policy Committee cut Bank Rate from 0.50% to 0.25% on 4 August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling after early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the Monetary Policy Committee will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits – the Authorised Limit and the Operational Boundary - as detailed below. The Council approved the Treasury and Prudential Indicators (affordability limits), for the 2016/17 financial year at Council on 25 February 2016 in the Treasury Management Strategy Statement.

The main purpose of the indicators is to control how much a Council needs to borrow. In 2016/17, The Treasury Management Strategy Statement approved the capital financing requirement at £25 million which gives the Council the ability to either use surplus funds to support the capital expenditure for the loan to a local Housing Association or for other capital expenditure purposes or to take external borrowing.

The Prudential and Treasury Indicators are detailed below as approved at Council prior to the beginning of the 2016/17 financial year – Original Budget - and at Q3 Actual:

1. PRUDENTIAL INDICATORS	2016/17	2016/17
Extract from budget and rent setting report	Original Budget	Actual Q3
	£'000	£'000
Capital Expenditure	20,530	19,187
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	25,000	25,000
in year borrowing requirement	25,000	25,000
Capital Financing Requirement 31 March 2017	25,000	25,000
Incremental impact of capital investment decisions	£	£
Increase in Council Tax (band D) per annum	Nil	Nil

2. TREASURY MANAGEMENT INDICATORS	2016/17	2016/17
	Original Budget	Actual Q3
	£'000	£'000
Authorised Limit for external debt -		
borrowing	£35,000	£35,000
other long term liabilities	£1,000	£1,000
TOTAL	£36,000	£36,000
Operational Boundary for external debt -		
borrowing	£29,000	£29,000
other long term liabilities	£600	£600
TOTAL	£29,600	£29,600
Actual external debt	£0	£1,200

Upper Limit on fixed interest rates based on net debt	106%	106%
Upper Limit on variable interest rates based on net debt	-6%	-6%
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	Lower limit	Upper limit
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	20%
40 years to 50 years	0%	20%

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: FINANCIAL STRATEGY 2017/18 TO 2026/27

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

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to consider the Financial Strategy 2017/18 to 2026/27. The financial strategy was last approved in September 2016 in order for the Council to sign up to the four year funding settlement and approve the Efficiency Plan that needed to be notified to Government and published by October 2016.

Financial Strategy 2017/1 to 2026/27

- 1.2 The Financial Strategy 2017/18 to 2026/27 is set out in Annex A and Annex A(1) and is being reported at this time to inform the Council's estimated financial position prior to the beginning of the new financial year and include the Government's revised funding position for 2017/18.
- 1.3 The Efficiency Plan that included the four year funding settlement approved by Council in September 2016 remains current and is not included as part of this report.
- 1.4 The four-year funding settlement 2016/17 to 2019/20 was the first time that Government had provided longer term funding information to improve the Council's financial planning and aid the medium term financial stability. However this funding position has changed slightly for 2017/18, with the reduction of New Homes Bonus grant of £308,177.
- 1.5 The Financial Strategy shows the Council's financial resilience over the next 10 years taking into account Government funding, other resources, service pressures and priorities. The financial strategy is divided into the following sections and is consistent with the information approved by Council September 2016:-
- Benefits of and principles underpinning the Financial Strategy for 2017/18 to 2026/27;
 - The national economic context;
 - Government policy;
 - Local Government Finance Settlement;
 - New Homes Bonus;
 - Business Rates
 - Local income position;
 - Spending pressures;
 - Financial risk analysis.
- 1.6 The key issues for the Financial Strategy that remain consistent with the strategy approved in September 2016 are:-
- The impact of the continued reduction in funding for Local Government from Central Government.

- The implication of the new 100% Business Rates Retention Scheme and how this will operate to potentially compensate for the loss of the Government funding settlement.
- The impact of the low Bank Base Rate on the ability of the Council to generate investment income from balances.
- Significant income streams generated from capital schemes and economic development projects across the council.
- Ongoing spending pressures and the need to realise savings, whilst continuing to provide a good level of services.

1.7 The Council's financial standing significantly deteriorated as a direct result of the funding settlement announced in December 2015. The four year funding settlement for 2016/17 to 2019/20 approved by Council in September 2016 confirmed the reduction in Revenue Support Grant to zero in 2019/20 and now the funding settlement for 2017/18 includes a further reduction in funding with the reduction in new homes bonus.

1.8 The introduction of the 100% Business Rate Retention scheme after 2019/20 leaves it uncertain as to the level of funding available to support Council's services in future. At this stage, the financial strategy assumes that the Council's funding position and services to be provided, although may alter with increased or decreased service burdens matched with increased or decreased funding, overall will remain constant.

1.9 In accordance with the Financial Strategy the Council will be required to find £1.4m of savings or income generating schemes in the next four years to ensure its financial position remains robust.

1.10 In achieving these savings or generated income it is anticipated that balances will remain stable throughout the Financial Strategy at between £9.1m and £11.9m, with the 10 year position showing a balance of £10.4m

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 2017/18 to 2026/27 at Annex 'A' and 'A'(1) of the report.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: None

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FINANCIAL STRATEGY 2017/18 TO 2026/27

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

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

2.0 BENEFITS AND PRINCIPLES UNDERPINNING THE FINANCIAL STRATEGY 2017/18 TO 2026/27:

- 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 2017/18 to 2026/27 are set out below:-
- the overall Financial Strategy will ensure the Council's resources are targeted towards meeting its strategic priorities;
 - the Council Plan and associated activities will inform a review of the Financial Strategy on an annual basis. The annual review will include an update of the 10 year financial forecast, expected developments within the Council together with the anticipated financial impact of any legislative changes;
 - the Council undertakes to maintain its level of expenditure within the boundaries set in the Annual Revenue Budget. If, following monthly budget monitoring, expenditure is expected to exceed original estimates, plans will be prepared detailing the actions required to ensure that spending at the year-end does not exceed the original estimate;
 - the Council will maintain its General Reserve at an adequate level to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget without reliance on the use of the General Reserve;

- the Council will maintain earmarked reserves for specific priorities that are consistent with its strategic objectives. The use of these reserves will be consistent with the principles set out in the Financial Strategy and will be reviewed annually;
- the Council will balance the need to increase Council Tax with the delivery of its priorities, taking into account the economic challenges facing its communities;
- opportunities for securing external funding will be sought. The implications of the cessation or withdrawal of funding will also be reviewed to ensure that options are considered prior to undertaking externally funded schemes.

3.0 NATIONAL ECONOMIC CONTEXT:

Brexit

- 3.1 The UK economy appears to have weathered the initial shock of the Brexit vote, although the value of the pound remains near a 30-year low. Opinion is sharply divided over the long-term effects of leaving the EU. Some major firms such as Easyjet and John Lewis have pointed out that the slump in sterling has increased their costs. Britain also lost its top AAA credit rating, meaning the cost of government borrowing will be higher. But share prices have recovered from a dramatic slump in value, with both the FTSE 100 and the broader FTSE 250 index, which includes more British-based businesses, trading higher than before the referendum. The Bank of England cut interest rates from 0.5% to 0.25% after the vote and there has not been the economic slump or recession that some had predicted.

Inflation

- 3.2 The Consumer Price Index is currently below the target level of 2% however the recent fall in the value of sterling is likely to result in an increase in Consumer Prices Index over the next 3 to 4 years. There is therefore likely to be acceleration in the pace of increase in inflation which is interesting when the Monetary Policy Committee which wants to help promote growth in the economy by keeping Bank Rate low. The position will continue to be monitored.

Bank Base Rate

- 3.3 Following the vote to leave the European Union, in order to support growth in the economy, the Bank Base Rate has been cut from 0.5% in August 2016 to 0.25%. This is a record low and the first cut since 2009. Quantitative easing was also approved in August 2016 to support growth. Projections anticipate that no further action on Bank Base Rate will take place in 2016 or 2017 as it is expected the pace of recovery of growth to be weak during this period of uncertainty. It is estimated that the next time the bank Base rate will rise is in 2019/20. This has a significant impact on the Council's ability to generate investment income and will continue to be regularly monitored and revised.

4.0 GOVERNMENT POLICY AND IMPACT:

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

Spending Review 2010

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

Spending Round 2013

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

Autumn statement 2015

- 4.4 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.

Four Year Settlement March 2016

- 4.5 The announcement in the December 2015 Autumn statement confirmed that four year funding settlements for local authorities would be provided by the Government. This provides increased certainty for Council's to plan for the medium term when there are continual changes in grant funding. Department of Local Government and Communities in March 2016 stated that for Councils to sign up to the four year settlement an Efficiency Plan needed to be published by October 2016, this was approved at Council in September 2016.

Autumn statement 2016

- 4.6 It was expected that the changes in the Local Government Finance settlement for 2017/18 would be minimal due to the 4 Year funding settlement provided by Government from 2016/17 to 2019/20. The headline reduction was 12.46% mainly due to the expected cut in Revenue Support Grant. Overall, 'core spending' available to local authorities was estimated at 1.14% due to the cut in Revenue Support Grant being offset by an expected increase in council tax, 5.60%.
- 4.7 That said, the reduction to funding in 2017/18 was higher than anticipated due to the significant changes announced to New Homes Bonus grant. Reduction in 'spending power' was greatest national for district council's at 5.19%. The reduction in new homes bonus grant for this Council in 2017/18 was £308,177, a loss of 6.2%.

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

- 5.1 The indicative four year funding settlement released by the Government in December 2015 provides details of the baseline funding which supports local authorities – a combination of business rates to be collected locally and Revenue Support Grant and Rural Services Grant provided by Government. The provisional financial settlement indicates that by 2020 Revenue Support Grant and Rural Services Grant will cease. In reality this means that the Council will, over the next 4 years, lose a further £1.6m in funding.
- 5.2 The business rates that are collected locally and are one of the funding sources (along with Government Grants and council Tax) that support the Council's net budget was part of the new funding mechanism introduced for Local Government on 1 April 2013 that replaced formula grant. The 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.
- 5.3 The proportion of income retain under the Business Rate Retention funding model was 50% was returned to Government, 40% retained by the District Council, 18% by the County Council and 2% to the Fire Authority.

- 5.4 The scheme has developed since 2013 with the Government allowing the Council to enter a Business Rate Pool with other local councils in North Yorkshire (excluding Selby District Council and Harrogate Borough Council). The effect of this pool is that any business rates collected by pool members above the Government's target will be retained by the pool, 50% will not be forfeited to Central Government. The Business Rate Pool continues to operate in 2016/17.
- 5.6 In future, with the loss of grant funding from Government, the business rate retention scheme has further developed and currently the Government is out to consultation until 26 September 2016 on the 100% Business Rate Retention Scheme. This will mean that the whole of local government will retain 100% business rates but with increased funding will come the responsibility of increased burdens. Council's will have increased responsibilities to provide additional services locally. Further information on 100% Business Rate Retention Scheme will be clarified over the next couple of years.
- 5.7 In the main, with the introduction of the 100% Business Rate Retention Scheme, local authorities believe that they will be no worse off overall than the current financial position. New burdens will be provided by councils, savings and efficiency will need to be made and 100% business rates will be retained. In the development and changes of the scheme there will always be individual winners and loses, but this is currently unknown.
- 5.8 The Financial Strategy attached at Annex A1, includes the information provided by the provisional four year funding settlement and also makes prudent assumptions with regards to the 100% Business Rates Retention scheme. From 2020/21 it is currently assumed that the Council receives no new responsibility burdens and that business rates increase at 4%.

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 Department of Communities and Local Government 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 in 2020/21,
- 6.2 The new Homes bonus has been reduced in 2017/18 by £308,177 to £1,533,620, following the Government Consultation at the beginning of 2016. This was not announced in the Autumn 2016 statement, instead it was clarified in the Local Government Finance Settlement in 15 December 2016. This is in contrast to the Four Year finance settlement where the New Homes Bonus had been stated at £1,841,797.
- 6.3 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.
- 6.4 Similar to the Business Rate Retention scheme there is a split of this income, with 80% retained by the District Council, 18% to the County Council and 2% to the Fire Authority. New Homes Bonus represents an opportunity for the Council to generate significant levels of grant that can assist in dealing with the unprecedented levels of formula grant reductions facing the Council.
- 6.5 The cessation of New Homes Bonus Grant by 2020/21 represents a further reduction to the Council of £1.0m per year for two years. These assumptions are reflected in the Financial Strategy at Annex A1.

7.0 LOCAL INCOME POSITION:

Council Tax

- 7.1 The Localism Act 2011 gives a provision for a referendum to veto excessive Council Tax increases. This effectively places a limit on the level of Council Tax set by the Council. If the Council exceeds the Government's prescribed limits the public would be able to vote to agree or veto any considered 'excessive' increase.
- 7.2 The potential additional cost of a referendum and re-billing would be significant and negate the benefit from the Council Tax increase. Therefore increasing Council Tax above the prescribed limits would require careful consideration.
- 7.3 The Government has currently prescribed a limit for the increase in Council Tax at below 2% or £5. The Financial Strategy assumes a prudent increase in Council Tax of £5 on a Band D equivalent property per annum for the duration of the Strategy.

Interest on Balances

- 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 2017 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. The Financial Strategy assumes all fees and charges increase overall by 2% for the duration of Strategy. In future years the Council will give consideration to the impact on its services, local economic circumstances and the Financial Strategy in applying appropriate fees and charges.

Capital and Prudential Borrowing

- 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 borrowing £25m to £35m to finance the funding provided to a local Housing Association and also borrowing £1.2m to finance the funding provided to the Business Improvement District as part of the development of the Dalton Bridge Scheme. The borrowing will be funded through a mix of using internal borrowing - the Council's own resources - and external prudential borrowing. This mix will ensure the maximum interest receipt return to the Council whilst maintaining a robust cash flow.

Reserves and Balances

- 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 2016/17 Council Tax in February 2016.
- 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) £1.4m of efficiencies or income generating schemes will be found during the period of the Strategy
- 2) maximise income generating projects - the interest receipt from the loan to the local Housing Association and charging for green waste;
- 3) revenue levels will be maintained to maximise interest income to support the revenue budget through the tax-payers reserve;
- 4) the New Homes Bonus Grant will continue to be paid until 2020/21;
- 5) the provisional four year funding settlement provided in December 2015 is used;
- 6) a prudent increase in Council Tax of £5 on a Band D equivalent property per annum is included for the duration of the Strategy

7.10 It is anticipated in the Financial Strategy for 2017/18 the Council will have Reserves and Balances of £11.1m. 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 and is also in the budget for 2017/18.

Pensions

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

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. The quarterly movement of the recycling market is continually being reviewed and the effect taken into account during quarterly monitoring reports. The Financial strategy has assumed that this position will not worsen in the foreseeable future.

Energy prices

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 2017/18 and 2026/27. 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
The four year funding settlement from Government reduces grant funding sooner than expected in 2019/20.	Loss of Income	3	5	15	Approve the Efficiency Plan to qualify for provisional four year funding settlement detailed in December 2015
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
100% Business Rate Retention Scheme currently under consultation for 2019/20 does not provide fairly for all council's – rural v urban or Devolution Arrangements receive increased funding	Loss of income	3	5	15	Lobby Government and respond to any consultations
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 2017 would impact on the Council's ability to generate investment income from balances.	Loss of income	4	3	12	Look for other investment opportunities

Risk	Implication	Prob*	Imp*	Total	Preventative action
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 £1.4m 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

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						ANNEX A(1)					
						2022/23	2023/24	2024/25	2025/26	2025/27	
<u>Inflation</u>											
						%	%	%	%	%	
Council Tax base		1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	
Government support		-15.00	-16.00	-3.00	0.00	0.00	0.00	0.00	0.00	0.00	
Interest rates		0.25	0.50	0.50	0.75	1.00	1.50	1.75	2.75	2.75	
Budget increase		2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	
<u>Council tax</u>											
Retained business rate increase above RPI %		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
Council tax increase £		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
Council Tax per household £		99.48	104.48	109.48	114.48	119.48	124.48	129.48	134.48	144.48	
Number of band D properties		35,640	36,032	36,428	36,829	37,234	37,643	38,057	38,476	39,327	
Increase in Band D Properties		551	392	396	401	405	410	414	419	428	
<u>Government Support</u>											
Additional BR	26%	348,128	210,825	240,000	249,600	124,800	128,544	132,400	136,372	140,463	144,677
Retained Business Rates		1,949,562	2,010,000	2,070,000	2,360,000	2,430,800	2,503,724	2,578,836	2,656,201	2,735,887	2,817,963
Revenue Support Grant	13%	621,640	370,000	90,000	0	0	0	0	0	0	0
Rural Grant Funding		504,627	388,175	504,627	0	0	0	0	0	0	0
Collection Fund Surplus / Deficit Transfer		241,214	-68,000	118,000	68,000	-50,000	150,000	-40,000	120,000	-70,000	100,000
New Homes Bonus		1,533,620	1,172,470	1,124,972				0	0	0	0
Council Tax	43%	3,545,429	3,764,587	3,988,138	4,216,151	4,448,698	4,685,850	4,927,682	5,174,267	5,425,681	5,682,000
	18%	8,744,220	7,848,057	8,135,737	6,893,751	6,954,298	7,468,118	7,598,918	8,086,840	8,232,031	8,744,640
						2022/23	2023/24	2024/25	2025/26	2025/27	
Operational budget		7,967,600	7,354,812	6,743,320	6,761,885	6,876,715	7,000,875	7,139,653	7,139,653	7,282,446	7,282,446
		7,967,600	7,354,812	6,743,320	6,761,885	6,876,715	7,000,875	7,139,653	7,139,653	7,282,446	7,282,446
Less :											
Additional Income		(466,200)	(343,714)	(114,021)	(20,008)	(13,112)	(1,215)	0	0	0	0
Investment Income		(165,420)	0	0	0	0	0	0	0	0	0
Budget Savings		(125,380)	(400,000)	0	0	0	0	0	0	0	0
NET REVENUE BUDGET		7,210,600	6,611,098	6,629,299	6,741,877	6,863,603	6,999,660	7,139,653	7,139,653	7,282,446	7,282,446
FINANCED BY :											
External support		5,198,791	4,083,470	4,147,599	2,677,600	2,505,600	2,782,268	2,671,236	2,912,573	2,806,350	3,062,641
Council tax		3,545,429	3,764,587	3,988,138	4,216,151	4,448,698	4,685,850	4,927,682	5,174,267	5,425,681	5,682,000
Contribution (to)/from Council Taxpayer Reserve		(1,533,620)	(1,236,959)	(1,506,438)	(151,874)	(90,695)	(468,459)	(459,265)	(947,187)	(949,585)	(1,462,194)
		7,210,600	6,611,098	6,629,299	6,741,877	6,863,603	6,999,660	7,139,653	7,139,653	7,282,446	7,282,446

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Council Taxpayer										
Opening balance	4,336,792	3,295,412	4,532,371	4,538,809	4,390,683	3,981,378	2,649,837	2,809,102	3,456,290	3,105,875
Add : New homes bonus	0	0	0	0	0	0	0	0	0	0
Add : Interest on balances	0	0	0	0	0	0	0	0	0	0
	4,336,792	3,295,412	4,532,371	4,538,809	4,390,683	3,981,378	2,649,837	2,809,102	3,456,290	3,105,875
Less: Transfers to support Council Tax	(1,533,620)	(1,236,959)	(1,506,438)	(151,874)	(90,695)	(468,459)	(459,265)	(947,187)	(949,585)	(1,462,194)
Less: Transfers to One Off Fund	700,000	500,000	200,000	0	0	500,000	0	0	0	0
Less: Transfers to /(from) R&M Fund	0	(1,000,000)	0	0	200,000	0	0	0	0	0
Less: Transfers to Computer Fund	0	0	1,000,000	0	0	1,000,000	0	0	1,000,000	0
Less: Transfers to Grants Fund	0	0	0	0	0	0	0	0	0	0
Less: Transfers to Economic Development Fund	0	0	0	0	0	0	0	0	0	0
Less: Transfers to capital	1,875,000	500,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
	3,295,412	4,532,371	4,538,809	4,390,683	3,981,378	2,649,837	2,809,102	3,456,290	3,105,875	4,268,069
Repairs and Renewals Fund										
Opening balance	2,439,767	2,060,767	947,767	795,767	683,767	742,767	570,767	430,767	314,767	198,767
Add: Transfers (to)/from Taxpayers Reserve	0	(1,000,000)	0		200,000		0		0	0
Add: Transfers to Computer Fund										
	2,439,767	1,060,767	947,767	795,767	883,767	742,767	570,767	430,767	314,767	198,767
Less : Repairs	239,000	22,000	22,000	26,000	26,000	26,000	30,000	30,000	30,000	30,000
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	24,000	0	44,000	0	24,000	0	24,000	0	0	0
Less: Renewals - Corporate	66,000	41,000	36,000	36,000	41,000	96,000	36,000	36,000	36,000	36,000
	2,060,767	947,767	795,767	683,767	742,767	570,767	430,767	314,767	198,767	82,767
Computer Fund										
Opening balance	810,884	454,719	302,719	990,889	888,889	726,889	1,574,889	1,472,889	1,196,889	2,046,889
Add: Transfers from Council Taxpayers Reserve	0	0	1,000,000	0	0	1,000,000	0	0	1,000,000	0
Add: Transfers from Repairs and Renewals Fund										
	810,884	454,719	1,302,719	990,889	888,889	1,726,889	1,574,889	1,472,889	2,196,889	2,046,889
Less : Payments in year - CAPITAL & REVENUE	356,165	152,000	311,830	102,000	162,000	152,000	102,000	276,000	150,000	160,000
	454,719	302,719	990,889	888,889	726,889	1,574,889	1,472,889	1,196,889	2,046,889	1,886,889
Grants Fund										
Opening balance	264,012	164,012	84,012	15,250	15,250	15,250	15,250	15,250	15,250	15,250
Add: Transfers from Council Taxpayers Reserve	0	0	0	0	0	0	0	0	0	0
	264,012	164,012	84,012	15,250	15,250	15,250	15,250	15,250	15,250	15,250
Less : Payments in year	100,000	80,000	68,762	0	0	0	0	0	0	0
	164,012	84,012	15,250	15,250	15,250	15,250	15,250	15,250	15,250	15,250
Economic Development Fund										
Opening balance	1,889,088	1,052,241	760,784	499,294	2,019,194	1,339,594	899,594	479,594	279,594	279,594
Add: Capital Receipt from Sale of Prison Site	0	0		2,200,000	0	0	0	0	0	0
Repaid borrowing from Business Improvement District	10,000									
	1,899,088	1,052,241	760,784	2,699,294	2,019,194	1,339,594	899,594	479,594	279,594	279,594
Less :Payments	846,847	291,457	261,490	680,100	679,600	440,000	420,000	200,000	0	0
	1,052,241	760,784	499,294	2,019,194	1,339,594	899,594	479,594	279,594	279,594	279,593
One Off Fund										
Opening balance	3,768	172,664	85,539	54,352	154,352	154,352	654,352	514,352	514,352	514,352
Add: Transfers	700,000	500,000	200,000	0	0	500,000	0	0	0	0
Less: Trsf to Capital Funding	(200,000)									
Add: fee refund from Sale of Prison site				300,000						
	503,768	672,664	285,539	354,352	154,352	654,352	654,352	514,352	514,352	514,352
Less : Payments in year	331,104	587,125	231,187	200,000	0	0	140,000	0	0	0
	172,664	85,539	54,352	154,352	154,352	654,352	514,352	514,352	514,352	514,352

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
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2025/27
Resources brought forward	2,665,698	1,884,008	1,858,794	1,829,912	1,793,363	1,818,149	1,330,271	1,330,231	1,348,531	1,367,172
PLUS : New Receipts										
Add: Transfers from Council Taxpayers Reserve	1,875,000	500,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Add: Transfers from One-off Fund	200,000	0	0	0	0	0	0	0	0	0
Sale of land	883,000	0	0	0	0	0	0	0	0	0
Sale of Assets	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Waste Reciprocal Cont.	65,957	66,286	66,618	66,951	67,286	67,622	67,960	68,300	68,641	0
Grants	158,000	113,500	116,500	113,500	113,500	116,500	100,000	100,000	100,000	100,000
	3,191,957	689,786	493,118	490,451	490,786	494,122	477,960	478,300	478,641	410,000
LESS : Capital Expenditure	3,973,647	715,000	522,000	527,000	466,000	982,000	478,000	460,000	460,000	460,000
Total resources available	1,884,008	1,858,794	1,829,912	1,793,363	1,818,149	1,330,271	1,330,231	1,348,531	1,367,172	1,317,172
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2022/24	2022/25	2022/25	2022/26
Revenue reserves										
Council taxpayers	3,295,412	4,532,371	4,538,809	4,390,683	3,981,378	2,649,837	2,809,102	3,456,290	3,105,875	4,268,069
Repairs and Renewals Fund	2,060,767	947,767	795,767	683,767	742,767	570,767	430,767	314,767	198,767	82,767
Computer Fund	454,719	302,719	990,889	888,889	726,889	1,574,889	1,472,889	1,196,889	2,046,889	1,886,889
Grants Fund	164,012	84,012	15,250	15,250	15,250	15,250	15,250	15,250	15,250	15,250
Economic Development Fund	1,052,241	760,784	499,294	2,019,194	1,339,594	899,594	479,594	279,594	279,594	279,593
One Off Fund	172,664	85,539	54,352	154,352	154,352	654,352	514,352	514,352	514,352	514,352
	7,199,815	6,713,192	6,894,361	8,152,135	6,960,230	6,364,689	5,721,954	5,777,142	6,160,727	7,046,920
Capital Receipts										
Resources available	1,884,008	1,858,794	1,829,912	1,793,363	1,818,149	1,330,271	1,330,231	1,348,531	1,367,172	1,317,172
	1,884,008	1,858,794	1,829,912	1,793,363	1,818,149	1,330,271	1,330,231	1,348,531	1,367,172	1,317,172
General Fund Working Balance	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Balances	11,083,823	10,571,986	10,724,273	11,945,498	10,778,379	9,694,960	9,052,185	9,125,673	9,527,899	10,364,092

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: 2017/18 CAPITAL PROGRAMME BUDGET, TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS

All Wards

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

1.0 PURPOSE AND BACKGROUND:

- 1.1 This report considers the 10 year Capital Programme covering the financial years 2017/18 to 2026/27, the 2017/18 Capital Programme and the Treasury Management Strategy Statement; including the Annual Investment Strategy and Minimum Revenue Provision Policy Statement.
- 1.2 The 10 year Capital Programme is set within the fiscal parameters of the Financial Strategy, a key feature of which is to ensure that at the end of the 10 year Strategy sufficient reserve funds – grants, contribution and capital receipts – remain available so that the Council's capital plans are affordable, sustainable and prudent. In addition to reserves being maintained the Council can also use borrowing to support the Capital programme. The Financial Strategy which supports the Capital Programme 2017/18 to 2026/27 is being approved at this February 2017 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 2017/18 to 2026/27 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 2017/18 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 2017/18 to 2026/27
 - (b) the Capital Programme for the coming financial year 2017/18, which is informed by the 10 year Capital Programme
 - (c) the Treasury Management Strategy Statement 2017/18
 - (d) the Minimum Revenue Policy Statement 2017/18
 - (e) the Prudential and Treasury Indicators 2017/18

2.0 10 YEAR CAPITAL PROGRAMME 2017/18 to 2026/27:

2.1 The 10 year Capital Programme 2017/18 to 2026/27 shows capital expenditure of £25,359,352, which is funded by reserves, contributions, capital receipts, borrowing and surplus funds of £28,710,558, which leaves a balance of funding of £3,351,206. £984,784 of this reserve funding balance is allocated for a revenue purpose to support Repairs & renewals of the Council's assets, ICT development and development of the economy this leaves £2,366,422 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 2017/18 to 2026/27 is financed from 4 earmarked reserves as well as borrowing or reduction in surplus funds:

	£
Repairs and Renewals Fund	1,076,000
Computer Fund	1,860,995
Capital Receipts Reserve	9,043,647
Economic Development Fund	3,378,710
Borrowing / Surplus Funds	<u>10,000,000</u>
	25,359,352

In essence, the Capital Programme is split into these four sections; the detailed Capital Programme is shown in Annexes A1, A2, A3, A4, A5 and A6.

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

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

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

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

2.7 **Economic Development Fund** – Annex A4 details the Economic Development Fund which was created in 2014/15 when £5,000,000 was allocated. The Investment Plan was approved at Cabinet on 2 December 2014. Funding remaining to be allocated at quarter 3 2016/17 is £1,219,597.

2.8 **Borrowing / Surplus funds** – Borrowing or surplus funds can be used to support the Capital Programme in accordance with the Treasury Management Strategy Statement. Specifically, on 16 December 2014 Cabinet approved the loan to local Housing Association to assist the local area in increasing housing opportunities for the community and also on 7 July 2015 the loan to the Business Improvement District. Therefore, the Treasury Management Strategy Statement details the maximum amount of borrowing that can occur during 2017/18. There is still the flexibility that surplus funds could contribute to the funding of the loans and both these options will be considered in the light of the treasury management economic and interest rate environment.

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

3.0 **2017/18 CAPITAL PROGRAMME BUDGET:**

3.1 The Capital Programme 2017/18 totals £9,554,070 and is funded as follows:

	£
Repairs and Renewals Fund	110,000
Computer Fund	184,270
Capital Receipts Reserve	459,800
Borrowing / Surplus Funds	<u>8,800,000</u>
	9,554,070

3.2 The Capital Programme 2017/18 is attached at Annex 'B'. This details the capital expenditure cost and also the total cost to the Council, along with associated funding received from third parties in respect of the schemes. In addition, where a scheme appears for a number of years, an estimation of the costs in future years is also given.

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

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

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

3.5 The 10 year Capital Programme and the 2017/18 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 2017/18 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS:

4.1 The Treasury Management Strategy sets out a framework for how the Council will manage its investments, cash flows and borrowings for 2017/18. The Treasury Management Strategy Statement including the Annual Investment Strategy, the Minimum Revenue Provision Policy Statement and Prudential and Treasury Management Indicators is attached at Annex 'C'. Specifically the Treasury Management Strategy:

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

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

4.3 The Treasury Management Strategy Statement for 2017/18 reflects the improved stability of the banking sector, as well as a more risk averse approach to the system of credit ratings. The proposed Strategy is influenced by the Capital expenditure plans for 2017/18 and the next 10 years. It can be summarised as follows:

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

Individual Limits – These limits will be set at 30% of total investments or £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.

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 2017/18 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 (Director of Finance), in relation to Treasury Management, details that those charged with governance are responsible for Treasury Management activities within the organisation, this is attached at Annex 'E' and is recommended to be approved by Cabinet and Council.
- 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 2017/18:

Risk	Implication	Prob	Imp	Total	Preventative action
Proposed capital schemes for 2017/18 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.

Risk	Implication	Prob	Imp	Total	Preventative action
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 2017/18 and future years. This report provides detail of the Capital Programme 2017/18 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 2017/18 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 2017/18 to 2026/27 at £25,359,352 be approved, as detailed in paragraph 2.2 and attached at Annex 'A';
- 2) the Capital Programme 2017/18 at £9,554,070 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; and
- 7) the Scheme of Delegation and role of the S151 Officer attached at Annex 'E' be approved.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: None

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Capital Programme 2017/18

10 YEAR CAPITAL PLAN 2017/18 TO 2026/27

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
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	
	£	£	£	£	£	£	£	£	£	£	£
INCOME											
Opening balance	(2,439,767)	(2,060,767)	(947,767)	(795,767)	(683,767)	(742,767)	(570,767)	(430,767)	(314,767)	(198,767)	
Add: Transfers to / (from) Taxpayers Reserve		1,000,000	0	0	(200,000)	0	0	0	0	0	
	(2,439,767)	(1,060,767)	(947,767)	(795,767)	(883,767)	(742,767)	(570,767)	(430,767)	(314,767)	(198,767)	(1,639,767)
EXPENDITURE											
Repairs and Renewals - Revenue	239,000	22,000	22,000	26,000	26,000	26,000	30,000	30,000	30,000	30,000	481,000
Public lighting replacement	46,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	370,000
Air conditioning - Legislative requirement Leisure	20,000	0	0	0	0	0	0	0	0	0	20,000
CHP Unit at Bedale Leisure Centre											0
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	10,000	0	0	0	0	10,000
Civic Centre- Internal Painting	0	5,000	0	0	5,000	0	0	0	0	0	10,000
Gym equipment refresh	24,000	0	24,000	0	24,000	0	24,000	0	0	0	96,000
Pool Tank Tiles Hambleton Leisure Centre	0	0	20,000	0	0	0	0	0	0	0	20,000
Car Parks - Reinstatements	0	0	0	0	0	50,000	0	0	0	0	50,000
TOTAL REPAIRS AND RENEWALS CAPITAL EXP	140,000	91,000	130,000	86,000	115,000	146,000	110,000	86,000	86,000	86,000	1,076,000
BALANCE ON REPAIRS & RENEWALS FUND	(2,060,767)	(947,767)	(795,767)	(683,767)	(742,767)	(570,767)	(430,767)	(314,767)	(198,767)	(82,767)	

10 YEAR CAPITAL PLAN 2017/18 TO 2026/27

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
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	
	£	£	£	£	£	£	£	£	£	£	£
INCOME											
Opening balance	(810,884)	(454,719)	(302,719)	(990,889)	(888,889)	(726,889)	(1,574,889)	(1,472,889)	(1,196,889)	(2,046,889)	
Add: Transfers from Council Taxpayers Reserve		0	(1,000,000)	0	0	(1,000,000)		0	(1,000,000)		
	(810,884)	(454,719)	(1,302,719)	(990,889)	(888,889)	(1,726,889)	(1,574,889)	(1,472,889)	(2,196,889)	(2,046,889)	(3,810,884)
EXPENDITURE											
ICT REVENUE COSTS	63,000	0	0	0	0	0	0	0	0	0	63,000
ICT Improvements - 2017/18	293,165	152,000	311,830	102,000	162,000	152,000	102,000	276,000	150,000	160,000	1,860,995
TOTAL ICT CAPITAL EXPENDITURE	356,165	152,000	311,830	102,000	162,000	152,000	102,000	276,000	150,000	160,000	1,923,995
BALANCE ON COMPUTER FUND	(454,719)	(302,719)	(990,889)	(888,889)	(726,889)	(1,574,889)	(1,472,889)	(1,196,889)	(2,046,889)	(1,886,889)	

CAPITAL RECIEPTS RESERVE	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	
	£	£	£	£	£	£	£	£	£	£	
INCOME											
Opening Balance	(2,330,698)	(1,884,008)	(1,858,794)	(1,829,912)	(1,793,363)	(1,818,149)	(1,330,271)	(1,330,231)	(1,348,531)	(1,367,172)	
Add: Capital Receipts Estimated	(883,000)		0	0	0	0	0	0	0	0	
Add: Capital receipts - sale of bins	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	
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	0	0	
Add: Trsf from Council Tax payers Reserve	(1,875,000)	(500,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	
Add: Revenue contrn - One off Fund (Increasd leisure Receipts)	(200,000)										
Add: External Funding for Bedale Leisure Centre Hoist	0	0	0	0	0	0	0	0	0	0	
Add: External Funding for Bedale Public Art	(44,500)	0	0	0	0	0	0	0	0	0	
Add: Revenue contributions for Kerbside bins	(65,957)	(66,286)	(66,618)	(66,951)	(67,286)	(67,622)	(67,960)	(68,300)	(68,641)	0	
Add: Revenue contributions for LED Public Lightning	(13,500)	(13,500)	(16,500)	(13,500)	(13,500)	(16,500)	0	0	0	0	
Total Estimated Capital Receipts	(5,857,655)	(2,573,794)	(2,351,912)	(2,320,363)	(2,284,149)	(2,312,271)	(1,808,231)	(1,808,531)	(1,827,172)	(1,777,172)	(10,360,819)
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 energy reductions	0	0	0	0	0	0	0	0	0	0	0
Public lighting LED Lights	0	0	0	0	0	0	0	0	0	0	0
Car Park Restatements	50,000	0	50,000	0	0	262,000	0	0	0	0	362,000
Bedale Gateway Car Park	530,380	0	0	0	0	0	0	0	0	0	530,380
Civic Centre- Window Replacements	0	0	0	0	0	0	10,000	0	0	0	10,000
Adoption of Roads - Leeming Bar	0	0	0	0	0	0	0	0	0	0	0
Adoptions - Electric Bollards - Thirsk & Northallerton	0	0	0	0	0	0	0	0	0	0	0
All Leisure Centres - Digital Transaction Software	0	0	0	0	0	0	0	0	0	0	0
Car Parks - P&D Machines Replacements	0	0	0	0	0	140,000	0	0	0	0	140,000
Bedale North End Cobbles	0	0	0	0	0	120,000	0	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	0	0	0	0	0	0	0	0
Civic Centre - Toilet Refurbishments	0	0	0	0	0	0	0	0	0	0	0
Civic Centre - Disabled Access Doors and Ramp	0	0	0	0	0	0	0	0	0	0	0
ICT Server Room Civic Centre & Springboard	0	0	0	0	0	0	0	0	0	0	0
Bedale Cycle Scheme	392,035	0	0	0	0	0	0	0	0	0	392,035
District Council Boundary Signs	0	10,000	0	0	0	0	0	0	0	0	10,000
Central Depot - Additional Parking	0	0	0	0	0	0	0	0	0	0	0
Leisure Centre Automatic Doors	30,000	0	0	0	0	0	0	0	0	0	30,000
Waste and Street Scene - Telematics	12,050	0	0	0	0	0	0	0	0	0	12,050
Waste and Street Scene - Training Room	0	0	0	0	0	0	0	0	0	0	0
Hambleton Leisure Centre Improvement Scheme	1,950,005	100,000	0	0	0	0	0	0	0	0	2,050,005
Hambleton All Weather Pitch Refurbishment	0	0	0	0	0	0	0	0	0	0	0
Hambleton Leisure Centre - Fire Alarm System	15,217	0	0	0	0	0	0	0	0	0	15,217
Hambleton Leisure Centre - External Render	8,000	0	0	0	6,000	0	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	175,000	0	0	0	0	0	0	0	0	0	175,000
Bedale Leisure Centre - Improvement Scheme	0	0	0	0	0	0	0	0	0	0	0
Stokesley Leisure Centre improvement scheme	0	0	0	0	0	0	0	0	0	0	0
Forum - Capital Repairs	41,300	0	0	24,000	0	0	0	0	0	0	65,300
CCTV Camera Replacement Programme	5,360	0	0	0	0	0	0	0	0	0	5,360
Workspaces Air Con Refurbishments	0	0	6,000	0	0	0	0	0	0	0	6,000
Car Park Creation Leeming Bar LBFEC	0	0	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0	0	0	0	0
Workspaces - Health and safety aspects	18,000	0	0	0	0	0	0	0	0	0	18,000
Workspaces - Roller Shutter Doors	0	0	0	8,000	0	0	8,000	0	0	0	16,000
Workspace - Lift Works (LOLER)	0	0	6,000	0	0	0	0	0	0	0	6,000
Central and Stokesley Depot - Welfare Facilities improvements	0	0	0	0	0	0	0	0	0	0	0
Central Depot - HGV Full Roof Replacement	0	45,000	0	0	0	0	0	0	0	0	45,000
Civic Centre: Replace Computer Room 1&2 Air conditioning unit	0	0	0	0	0	0	0	0	0	0	0
Civic Centre: UPS and Fire Suppression replacement scheme	0	0	0	0	0	0	0	0	0	0	0
Central Depot - Access Road resurfacing	0	0	0	35,000	0	0	0	0	0	0	35,000
Car Parks - upgrading Pay & Display Machines	0	0	0	0	0	0	0	0	0	0	0
Hambleton LC - Sauna replacement	12,000	0	0	0	0	0	0	0	0	0	12,000
Stokesley LC - Sauna replacement	0	0	0	0	0	0	0	0	0	0	0
Thirsk All Weather Pitch - Refurbishment of showers	0	0	0	0	0	0	0	0	0	0	0

HLC - Rebound boards (linked to floor being done)	18,000	0	0	0	0	0	0	0	0	0	18,000
HLC - Sports hall sprung floor	60,000	0	0	0	0	0	0	0	0	0	60,000
Civic Centre - Food Lab	0	0	0	0	0	0	0	0	0	0	0
Springboard Car Park - Resurface with Tarmac	0	0	0	0	0	0	0	0	0	0	0
Civic Centre - Double Glazed window replacement scheme	12,000	0	0	0	0	0	0	0	0	0	12,000
Hambleton LC - Air handling energy saving rotor replacement	0	0	0	0	0	0	0	0	0	0	0
Civic Centre - Refurbishment of kitchenettes	0	0	0	0	0	0	0	0	0	0	0
Civic Centre - External Woodwork replacement scheme Dormers	20,000	0	0	0	0	0	0	0	0	0	20,000
Civic Centre - External Woodwork replacement scheme Stairwells	10,000	0	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	32,000	0	0	0	0	0	0	0	0	0	32,000
Stokesley LC - Menerga Air Handling Unit	0	0	0	0	0	0	0	0	0	0	0
St Marys Closed Churchyard - Boundary Wall repairs	10,000	0	0	0	0	0	0	0	0	0	10,000
Bedale Sweeper Shed	0	0	0	0	0	0	0	0	0	0	0
Stokesley LC - sub circuit distribution	0	0	0	0	0	0	0	0	0	0	0
Workspaces Air Con Refurbishments	0	0	0	0	0	0	0	0	0	0	0
Sandbag Storage Scheme	0	0	0	0	0	0	0	0	0	0	0
Bedale Leisure Centre Hoist	0	0	0	0	0	0	0	0	0	0	0
PC Screens - Planning	0	0	0	0	0	0	0	0	0	0	0
Bid Software - Northgate	0	0	0	0	0	0	0	0	0	0	0
Bedale Public Art	44,500										44,500
Depot - Roller Shutter Doors											0
HLC - Main Office Heating & Ventilation	9,000	0	0	0	0	0	0	0	0	0	9,000
HLC - External Glazing	8,000	0	0	0	0	0	0	0	0	0	8,000
SLC - Air Handling Unit	12,000	0	0	0	0	0	0	0	0	0	12,000
SLC - Trend Control Systems	6,800	0	0	0	0	0	0	0	0	0	6,800
BLC - Trend Control Systems	6,000	0	0	0	0	0	0	0	0	0	6,000
TLC - Stoarge (Plant Room)	8,000	0	0	0	0	0	0	0	0	0	8,000
BLC - Gas Boiler Refurbishment	24,000										24,000
LED Lantern Replacement Scheme	42,500	0	0	0	0	0	0	0	0	0	42,500
HLC - Sports Hall Lighting	10,000	0	0	0	0	0	0	0	0	0	10,000
Northallerton Depot Fire Alarm System	7,500	0	0	0	0	0	0	0	0	0	7,500
Northallerton Depot External Works	8,000	0	0	0	0	0	0	0	0	0	8,000
Workspace Investment Scheme	158,000	0	0	0	0	0	0	0	0	0	158,000
ADDITIONAL SCHEMES	0	400,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	2,800,000
TOTAL CAPITAL RECEIPTS EXPENDITURE	3,973,647	715,000	522,000	527,000	466,000	982,000	478,000	460,000	460,000	460,000	9,043,647
BALANCE ON Capital receipts reserve	(1,884,008)	(1,858,794)	(1,829,912)	(1,793,363)	(1,818,149)	(1,330,271)	(1,330,231)	(1,348,531)	(1,367,172)	(1,317,172)	(1,317,172)

ECONOMIC DEVELOPMENT FUND	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	
	£	£	£	£	£	£	£	£	£	£	
INCOME											
Opening Balance	(1,889,088)	(1,052,241)	(760,784)	(499,294)	(2,019,194)	(1,339,594)	(899,594)	(479,594)	(279,594)	(279,594)	
Add: Estimated Capital Receipts from sale of prison site				(2,200,000)							
Add: Estimated returned of borrowed funds from the BID	(10,000)	0	0	0	0						
	(1,899,088)	(1,052,241)	(760,784)	(2,699,294)	(2,019,194)	(1,339,594)	(899,594)	(479,594)	(279,594)	(279,594)	(4,099,088)
EXPENDITURE											
Economic Development Revenue Expenditure	368,037	51,357	21,390	0	0						440,784
Economic Development Capital Expenditure	478,810	240,100	240,100	680,100	679,600	440,000	420,000	200,000			3,378,710
TOTAL ECONOMIC DEVELOPMENT FUND EXPENDITURE	846,847	291,457	261,490	680,100	679,600	440,000	420,000	200,000	0	0	3,819,494
BALANCE ON ECONOMIC DEVELOPMENT FUND	(1,052,241)	(760,784)	(499,294)	(2,019,194)	(1,339,594)	(899,594)	(479,594)	(279,594)	(279,594)	(279,594)	(279,594)

BORROWING / SURPLUS FUNDS	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	
	£	£	£	£	£	£	£	£	£	£	
INCOME											
Add: Borrowing / Surplus Funds	(8,800,000)	0	0	0	0	0	0	0	0	0	(8,800,000)
Add: Borrowing / Surplus Funds	0	0	0	0	0	0	0	0	0	0	0
EXPENDITURE											
Loan to Housing Association	8,800,000	0	0	0	0	0	0	0	0	0	8,800,000
BID Project	1,200,000	0	0	0	0	0	0	0	0	0	1,200,000
BALANCE ON BORROWING / SURPLUS FUNDS	1,200,000	0	0	0	0	0	0	0	0	0	1,200,000

TOTAL CAPITAL PROGRAMME	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	
	£	£	£	£	£	£	£	£	£	£	
REPAIRS AND RENEWALS FUND	140,000	91,000	130,000	86,000	115,000	146,000	110,000	86,000	86,000	86,000	1,076,000
COMPUTER FUND	293,165	152,000	311,830	102,000	162,000	152,000	102,000	276,000	150,000	160,000	1,860,995
CAPITAL RECIEPTS RESERVE	3,973,647	715,000	522,000	527,000	466,000	982,000	478,000	460,000	460,000	460,000	9,043,647
ECONOMIC DEVELOPMENT FUND	478,810	240,100	240,100	680,100	679,600	440,000	420,000	200,000	0	0	3,378,710
BORROWING SURPLUS FUNDS	10,000,000	0	0	0	0	0	0	0	0	0	10,000,000
BALANCE ON BORROWING / SURPLUS FUNDS	14,885,622	1,198,100	1,203,930	1,395,100	1,422,600	1,720,000	1,110,000	1,022,000	696,000	706,000	25,359,352

Cabinet Member/ Responsible Officer	Repairs & Renewals Fund				Estimated completion date
		Capital Expenditure 2017/18 Only £	Third Party Contribution £	Cost to the Council £	
Cllr Phillips MJ	Leisure & Environment Purchase of bins and boxes for refuse and recycling	50,000		50,000	Ongoing
Cllr Fortune PS	Gym Equipment Refresh	24,000		24,000	Mar-18
Cllr Knapton JI	Economy, Planning & Housing Public lighting replacement	36,000		36,000	Mar-18
Repairs & Renewals Fund Capital Programme 2017/18		110,000	0	110,000	

Cabinet Member/ Responsible Officer	Computer Fund				Estimated completion date
		Capital Expenditure 2017/18 Only £	Third Party Contribution £	Cost to the Council £	
Cllr Knapton JI	Finance & Resources ICT Improvements	184,270	0	184,270	Mar-18
Computer Fund Capital Programme 2017/18		184,270	0	184,270	

Cabinet Member/ Responsible Officer	Capital Fund				Estimated completion date
		Capital Expenditure 2017/18 Only £	Third Party Contribution £	Cost to the Council £	
Cllr Fortune PS	Leisure & Environment Hambleton Leisure Centre - Main Office Heating & Ventilation	9,000		9,000	Jul-17
PS	Hambleton Leisure Centre - External Glazing	8,000		8,000	Sep-17
PS	Hambleton Leisure Centre - Sports Hall Lighting	10,000		10,000	Dec-17
PS	Stokesley Leisure Centre - Air Handling Unit	12,000		12,000	Oct-17
PS	Stokesley Leisure Centre - Trend Control Systems	6,800		6,800	Oct-17
PS	Bedale Leisure Centre - Trend Control Systems	6,000		6,000	Oct-17
PS	Bedale Leisure Centre - Gas Boiler Refurbishment	24,000		24,000	Oct-17
PS	Thirsk Leisure Centre - Storage (Plant Room)	8,000		8,000	Mar-18
Cllr Phillips MJ	Purchase of bins and boxes for refuse and recycling	10,000	10,000	0	Ongoing
MJ	Northallerton Depot Fire Alarm System	7,500		7,500	Jun-17
MJ	Northallerton Depot External Works	8,000		8,000	Oct-17
Cllr Phillips MJ	Economy, Planning & Housing Disabled Facilities Grant	150,000	100,000	50,000	Mar-18
Cllr Fortune PS	Evolution Car Park Extension	158,000		158,000	Mar-18
Cllr Knapton JI	LED Lantern Replacement Scheme	42,500		42,500	Mar-19
Capital Fund Capital Programme 2017/18		459,800	110,000	349,800	

Cabinet Member/ Responsible Officer	Borrowing / Surplus Funds				Estimated completion date
		Capital Expenditure 2017/18 Only £	Third Party Contribution £	Cost to the Council £	
Cllr Knapton JI	Finance & Resources Loan to Housing Association	8,800,000		8,800,000	Mar-19
Borrowing / Surplus Funds Programme 2017/18		8,800,000	0	8,800,000	

Cabinet Member/ Responsible Officer	Total Capital Programme 2017/18				Estimated completion date
		Capital Expenditure 2017/18 Only £	Third Party Contribution £	Cost to the Council £	
Cllr Phillips	Leisure & Environment	183,300	10,000	173,300	
Cllr Fortune	Economy, Planning & Housing	386,500	100,000	286,500	
Cllr Knapton	Finance & Resources	8,984,270	0	8,984,270	
Total Capital Programme 2016/17		9,554,070	110,000	9,444,070	

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TREASURY MANAGEMENT STRATEGY STATEMENT -
MINIMUM REVENUE POSITION STRATEGY and
ANNUAL INVESTMENT STRATEGY 2017/18

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 (MRP) (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, Governance and Standards Committee.

1.3 Treasury Management Strategy for 2017/18

- 1.3.1 The strategy for 2017/18 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 2017/18 – 2019/20:

- 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	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Total	13,951,716	19,187,330	14,885,622	1,198,100	1,203,930

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

- 2.4 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need. In 2017/18, borrowing may occur to support the Capital programme, mainly due to the loan to the local Housing Association.

Capital Expenditure £000	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Total	13,951,716	19,187,330	14,885,622	1,198,100	1,203,930
Financed by:					
Capital receipts	1,688,505	999,445	1,939,690	35,214	38,882
Capital grants	318,265	392,539	479,500	100,000	100,000
Capital reserves	1,944,946	1,529,717	3,946,875	743,000	741,830
Revenue	0	65,629	79,457	79,786	83,118
Net financing need for the year	10,000,000	17,400,000	8,800,000	0	0

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

- 2.5 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's 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 the local Housing Association and the loan to the Business Improvement District, the CFR is required as this is a prudent approach to the need to borrow. This also provides the Council with the flexibility to use borrowing to support the capital programme if it chooses to do so but still allows the use of surplus funds. If external borrowing is taken, consideration will be given to the Treasury Management environment to ensure that the best option is achieved in relation to interest rates in the short and long term.
- 2.8 The CFR also includes any other long term liabilities (e.g. Private Finance Initiative schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no such Private Finance Initiative schemes or Finance Leases.
- 2.9 The Council is asked to approve the CFR projections below:-

	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Capital Financing Requirement					
CFR – non housing	10,000,000	27,400,000	36,200,000	36,200,000	36,200,000
CFR - housing	0	0	0	0	
Total CFR	10,000,000	27,400,000	36,200,000	36,200,000	36,200,000
Movement in CFR	10,000,000	17,400,000	8,800,000	0	0

	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Net financing need for the year (above)	10,000,000	17,400,000	8,800,000	0	0
Less MRP and other financing movements	0	0	0	0	0
Movement in CFR	10,000,000	17,400,000	8,800,000	0	0

Minimum Revenue provision (MRP) Policy Statement

- 2.10 It is a statutory requirement that the Council reports on the Minimum Revenue Position and explains this policy. The Minimum Revenue Provision Policy describes that the Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement) through a revenue charge known as the Minimum Revenue Provision – MRP. The Council is also allowed to undertake additional voluntary payments if required. This is known as the Voluntary Revenue Provision - VRP.
- 2.11 This Council in 2017/8 will have a Capital Financing Requirement of £36,200,000 to support the total capital programme, however borrowing is only likely to occur where insufficient surplus funds are available.
- 2.12 Communities of Local Government (CLG) Regulations have been issued which require the Full Council to approve a **Minimum Revenue Provision (MRP) Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following Minimum Revenue Provision Statement:
- 2.13 For capital expenditure incurred before 1 April 2008, or which in the future will be Supported Capital Expenditure, the 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 Private Finance Initiative scheme or finance leases are applied as Minimum Revenue Provision (MRP), though this Council does not expect to have these repayments in 2017/18 or in the foreseeable future.
- 2.16 The Capital Financing Requirement for the loan to the local Housing Association will be a maximum of £35,000,000 in 2017/18 and future years. The agreement with the local Housing Association states they will make bullet repayments to the Council at years 5, 10, 15, 20 and 25. The bullet repayments made throughout the life of the loan will be set aside by the Council when received to ensure that prudent provision is made for regular repayment. These regular bullet points will be earmarked and used as the Minimum Revenue Provision that the Council needs to make on a regular basis to reduce the Capital Financing Requirement. Therefore, if a total of £35,000,000 is loaned to the local Housing Association by the end of 2017/18, the first time the MRP charge will be made to the revenue account to reduce the level of CFR will be 2020/21 and at regular intervals thereafter. The Capital Financing Requirement for the Business Improvement District will be a maximum of £1,200,000, making the total £36,200,000, as with the loan to the Local Housing Association, the loan to the Business Improvement District of £1,200,000 also sets

aside receipts received to repay the borrowing that has been incurred on an annual basis for the next 5 years.

Core funds and expected investment balances

- 2.17 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances. Working capital balances (Debtors and Creditors) shown in the table are estimated for year end; these may fluctuate during the year. In 2017/18, 2018/19 and 2019/20 it should be noted that if the Council does not borrow £35,000,000 to fund the local Housing Association loan and instead uses its own core fund resources, then the 'Expected Investments' balances in the table below would be lower. The Council will run its cash close to zero, therefore reducing its external borrowing costs.

Year End Resources £000	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Fund balances / reserves	14,329,041	11,744,311	7,633,641	7,523,118	7,944,387
Capital receipts	2,438,256	2,665,698	1,884,008	1,858,794	1,829,912
Provisions	-	-	-	-	-
Other	2,977,703	2,789,991	1,992,351	1,998,088	2,195,701
Total core funds	19,745,000	17,200,000	11,510,000	11,380,000	11,970,000
Under/(over) borrowing	10,000,000	17,200,000	11,510,000	11,380,000	11,970,000
Expected investments	9,745,000	-	-	-	-

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.

%	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Ratio	0	0	0	0	0

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

£	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Council tax - band D	£0.00	£0.00	£0.00	£0.00	£0.00

- 2.23 The table indicates no revenue costs associated with capital investment decisions because it is not anticipated that any borrowing will be taken and surplus funds will be used to support expenditure. The potential borrowing that will occur will be not direct cost to the council as the agreement between the Council and the local Housing Association will cover the costs incurred.

3.0 **BORROWING:**

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

3.2 **Current Portfolio Position**

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

£m	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
External Debt					
Debt at 1 April	0	0	10,200,000	24,690,000	24,820,000
Expected change in Debt	0	10,200,000	14,490,000	130,000	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	10,200,000	24,690,000	24,820,000	24,820,000
The Capital Financing Requirement	10,000,000	27,400,000	36,200,000	36,200,000	36,200,000
Under / (over) borrowing	10,000,000	17,200,000	11,510,000	11,380,000	11,380,000

Total investments at 31 March					
Investments	9,745,000	0	0	0	0
Investment change	0	-9,745,000	0	0	0

Net Debt / (Net Investment)	-9,745,000	9,745,000	0	0	0
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3.2.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

3.2.3 The Director of Finance (Section 151 Officer) reports that the Council complied with this prudential indicator in the current year 2016/17 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.

Operational boundary	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt	6,200,000	39,000,000	39,000,000	39,000,000
Other long term liabilities	0	600,000	600,000	600,000
Total	6,200,000	39,600,000	39,600,000	39,600,000

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

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

Authorised limit £000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt	40,000,000	40,000,000	40,000,000	40,000,000
Other long term liabilities	1,000,000	1,000,000	1,000,000	1,000,000
Total	41,000,000	41,000,000	41,000,000	41,000,000

3.4 Prospects for Interest Rates

- 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
Dec 2016	0.25	1.60	2.90	2.70
Mar 2017	0.25	1.60	2.90	2.70
Jun 2017	0.25	1.60	2.90	2.70
Sep 2017	0.25	1.60	2.90	2.70
Dec 2017	0.25	1.60	3.00	2.80
Mar 2018	0.25	1.70	3.00	2.80
Jun 2018	0.25	1.70	3.00	2.80
Sep 2018	0.25	1.70	3.10	2.90
Dec 2018	0.25	1.80	3.10	2.90
Mar 2019	0.25	1.80	3.20	3.00
Jun 2019	0.50	1.90	3.20	3.00
Sep 2019	0.50	1.90	3.30	3.10
Dec 2019	0.75	2.00	3.30	3.10
Mar 2020	0.75	2.00	3.40	3.20

- 3.4.2 The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.
- 3.4.3 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.
- 3.4.4 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a

rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

- 3.4.5 PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
 - Italian constitutional referendum 4.12.16 resulted in a 'No' vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
 - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
 - Dutch general election 15.3.17;
 - French presidential election April/May 2017;
 - French National Assembly election June 2017;
 - German Federal election August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.

- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

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

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of the Federal funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

Investment and borrowing rates

- Investment returns are likely to remain low during 2017/18 and beyond;
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. 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 capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

3.5 Borrowing Strategy

- 3.5.1 The Council in 2015/16 the Council was debt free, however in 2016/17 it is likely that borrowing will occur in relation to the capital programme, specifically the loan to the local housing association and the loan to the Business Improvement District. The maximum amount of borrowing as stated above in section 2 in line with the Capital financing requirement is £35,000,000. Alternatively, the Council may choose to use some of its surplus funds rather than borrow 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 will be used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.
- 3.5.2 If the Council does undertake borrowing then interest rates will be viewed from 1 year to 50 years, in accordance with the interest rates available from the markets as well as the Governments Public Works Loans Board. For 2017/18 interest rates span between 5 years at 1.70%, 25 at 3.0% or 50 years at 2.80%. The interest rates trend is to increase slightly across all years as the 2017/18 year progresses. Therefore, in the current volatile money market, the borrowing target rate for 2017/18 is set at 3.0%. 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 2017/18 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised 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 support the capital programme as previously described in section 2 above and also provide the flexibility for additional borrowing when overnight temporary borrowing needs to occur. It should be noted that at this stage options have been left open when borrowing will occur due to the current volatility in the market.

	2016/17	2017/18	2018/19
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	107	104	105
Limits on variable interest rates based on net debt	-7	-4	-5
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 It is not anticipated therefore that there will be a need to borrow in advance of need during 2017/18. 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 It is not anticipated that in 2017/18 that debt rescheduling will occur. However, in order to cover all possibilities in the Treasury Management Strategy Statement it should be noted that short term borrowing rates will be considerably cheaper than longer term fixed interest rates, therefore, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).
- 3.7.2 The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
 - helping to fulfil the treasury strategy;
 - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 3.7.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 3.7.4 All rescheduling will be reported to the Cabinet, at the earliest meeting following its action.

3.8 Municipal Bond Agency

- 3.8.1 It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to Local Authorities sometime in the future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLb). 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 CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

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

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

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

- 3.9.13 Investment instruments identified for use in the financial year are listed in appendix 5.4 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

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

- **Individual Limits** – These limits will be set at 30% of total investments or £3.0m per counterparty whichever is the higher. There are 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 2017/18, 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 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 The UK sovereign rating is currently AA and following advice from Capita Asset Services, the Council's Treasury Management Advisors, and the Council will still operate with UK counterparties.
- 3.11.3 The Council has determined that, other than the United Kingdom where no limit will apply, a maximum of 30% of total investments or £3.0m whichever is the lower will be invested in a single institution of a AAA sovereign rated country
- 3.11.4 In addition, this policy restricts the total of investments in foreign countries to 40% of the total investments.

3.12 Investment Strategy

- 3.12.1 **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 3.12.2 **Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.25% until Quarter 2 2019 and not rise above 0.75% by Quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:
- 2016/2017 0.25%
 - 2017/2018 0.25%
 - 2018/2019 0.25%
 - 2019/2020 0.50%
- 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 0.25%
 - 2017/18 0.25%
 - 2018/19 0.25%

- 2019/20 0.50%
- 2020/21 0.75%
- 2021/22 1.00%
- 2022/23 1.50%
- 2023/24 1.75%
- Later years 2.75%

3.12.4 The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace

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

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

Maximum principal sums invested > 364 days			
£000	2017/18	2018/19	2019/20
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.

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

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. During 2016/17 Audit, Governance & Standards Committee received training providing an overview of treasury management following their meeting in October 2016. 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

<i>Institution / Counterparty</i>	<i>Minimum 'High' Credit Criteria</i>	<i>Use</i>
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

APPROVED COUNTRIES FOR INVESTMENT
Current List as at 16 December 2016

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.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qata
- UK

AA-

- Belgium

**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 Finance (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.

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 scrutinising 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) Director of Finance (Section 151 Officer)

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- all operational decisions are delegated by the Council to the Director of Finance 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

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: REVENUE BUDGET 2017/18

All Wards

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

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of the report is to present at a strategic level the revenue budget proposals for the next financial year 2017/18.
- 1.2 The summary estimates in this report are shown at Annex 'A' and present the 2015/16 Actual; 2016/17 Original budget; 2016/17 latest Approved and 2017/18 Estimate budget. Commentary on the budget proposal is also contained in Annex 'A'. Theme budgets are shown at Annex 'B'.

2.0 BUDGET 2017/18:

- 2.1 The original estimate for 2017/18 shows a net budget of £7,210,600. This is £600,770 lower than the budget set in 2015/16 which was £7,811,370.
- 2.2 The decrease in the budget relates to two specific areas - the expected income to be earned for the charging of green waste and the income to be earned from the loan to the third party Housing Association.
- 2.3 Considering the financial climate in which the Council is currently operating, with cost pressures facing local government and a tighter funding position from a reduction of Government grants, this is a satisfactory budget position. The council continues to provide efficient and effective services for the community.

3.0 FINANCIAL STRATEGY:

- 3.1 The revenue budget estimate for 2017/18 is within the financial constraints of the Financial Strategy included previously on this Cabinet agenda.
- 3.2 The ten year Financial Strategy makes a number of assumptions around the level of grant support to be received by the Council, the business rate retention scheme and the level of Council Tax to be collected. These assumptions and the revenue budget provide a balanced position for 2017/18.

4.0 RISK ASSESSMENT:

- 4.1 The key financial risks and associated implications for the Revenue Budget 2017/18 are detailed below, a score of high, medium or low has been given to the likelihood of each risk occurring and the impact of risk on the Financial Strategy should it occur:-

Risk	Implication	Probability	Impact	Total	Preventative action
The four year funding settlement is further reduced by the Government	Loss of funding	3	5	15	Continually search for other income generating options

Risk	Implication	Proba bility	Impa ct	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
Third Party Housing Association does not draw upon the offered loan according to the profile in 2017/18.	Loss of Income	4	3	12	This would result in a timing difference in interest received and reserves would be used and then replaced at a later date to support the budget.

5.0 FINANCIAL IMPLICATIONS:

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

6.0 LEGAL IMPLICATIONS:

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

7.0 EQUALITY/DIVERSITY ISSUES:

7.1 There are no specific equality implications to this report.

8.0 RECOMMENDATIONS:

8.1 It is recommended that Cabinet approves and recommends to Council the revenue budget for 2017/18 at £7,210,600.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Author ref: LBW
Contact: Louise Branford-White
Director of Finance
Direct Line No: 01609 767024

Background papers: Budget Setting papers 2017/18; Financial Strategy 2017/18

REVENUE BUDGET – ESTIMATES 2017/18**1.0 ESTIMATES 2017/18**

- 1.1 The table below details the revenue budget for 2017/18 at a strategic level. It shows the restructure that has occurred during 2016/17 and therefore the change in the way the budget is portrayed.

	2015/16 Actual £	2016/17 Original £	2016/17 Latest £	2017/18 Estimate £
Customer and Leisure	1,509,373	1,679,690	1,601,710	-
Environmental and Planning Services	4,130,261	4,835,750	4,958,170	-
Support Services	1,551,361	1,186,100	985,030	-
Internal Drainage Boards	105,379	109,830	107,490	-
Net Budget	7,296,374	7,811,370	7,652,400	-
Leisure & Environment	-	-	5,288,360	4,758,820
Economy & Planning	-	-	1,169,430	1,183,990
Finance	-	-	(54,210)	39,190
Law & Governance	-	-	1,141,330	1,118,960
Internal Drainage Boards	-	-	107,490	109,640
Net Budget	-	-	7,652,400	7,210,600

- 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 2017/18 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 2017/18 revenue budget, these include:-
- The revenue budget assumes that the Bank of England base will remain low at 0.25% throughout 2017/18 and the foreseeable future. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the Monetary Policy Committee will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in until quarter 2 2019; this will impact on the ability of the Council to generate investment income from balances;

- All fees & Charges have been reviewed for 2017/18, with an overall increase of 2.17%. 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 2017/8 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 2017/18.
- 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; Council tax did not rise for five years up to 2016/17 as a result of Central Government offering a Council Tax Freeze Grant, however this has not been paid for 2016/17 or 2017/18 due to the reduction in local government funding.

2.3 Within the Financial Strategy it is estimated that the Council will lose 11.1% of its funding (revenue support grant, rural service delivery grant, new home bonus, business rates) over the 4 year period since the introduction of the four year funding settlement for 2016/17. In 2017/18 there is a loss of 6.2%.

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 RESERVES AND BALANCES:

3.1 As the revenue budget has been set within the constraints of the Financial Strategy, the assumed level of revenue reserves and balances at 31 March 2017 remain consistent with the Financial Strategy.

3.2 A summary of anticipated revenue reserves and balances at 31 March 2018 is set out below:-

Reserve	Balance £
Council Tax-payers	3,295,412
Repairs and Renewals Fund	2,060,767
Computer Fund	454,719
Grants Fund	164,012
One-Off Fund	172,664
General Fund Working Balance	2,000,000
Economic Development Fund	1,052,241
TOTAL	9,199,815

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

4.0 FINANCIAL OUTLOOK:

- 4.1 Although the revenue budget 2017/18 and Financial Strategy represent a robust position, the Council is not immune to the continued significant economic and financial challenges facing the whole of the public sector in the UK.
- 4.2 The changes to the Local Government Finance Settlement have seen a headline reduction of 12.46% in the Settlement Funding Assessment mainly due to a significant cut in Revenue Support Grant. Overall Core Spending Power nationally is expected to reduce by only 1.14% in 2017/18, where the cut in revenue Support Grant is offset by an expected increase in council tax, 5.60%. The Core Spending Power is the overall impact on local authorities of changes in funding and locally-raised council tax. It reflects the impact of changes on local authority budgets. For District Council's the Core Spending Power includes:
- Settlement Funding Assessment – revenue support grant, retained business rates, rural services delivery grant
 - New homes bonus
 - Council Tax
- 4.3 Reductions in spending power are greater in District Council's, nationally -5.19%, particularly due to the cuts in New Homes Bonus where districts have an 80% share in two tier areas. The Core Spending Power for this Council in 2017/18 has reduced by 6.2%.
- 4.4 The reduction to funding in 2017/18 was higher than anticipated due to the significant changes announced to new homes bonus grant. The reduction in new homes bonus grant for this Council in 2017/18 was £308,177. Future proposals from Government to withhold payments from authorities' not supporting growth (houses built after appeal, Local Plan) have been delayed until 2018-19. This Council will have published its 15 year Local Plan by the end of 2018/19 thereby will avoid reducing new homes bonus payments.
- 4.5 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.
- 4.6 In addition to the reduction in grant funding, it is also necessary to consider the volatility of inflation, the economic environment and BREXIT, changes in energy prices, reduced investment interest rates and the Council's ability to generate income.
- 4.7 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 at the present time.

- 4.8 Due to the Council's revenue reserve balances it is in a better financial position than most to deal with these financial challenges. It should be noted that as a result of the Local Government Finance Settlement over the 10 year financial strategy the revenue reserve balances continue to fall significantly. Therefore, to maintain the current reserve position it is vital that other income generating opportunities are identified and also efforts must be made in setting future budgets to, where possible, preserve these reserve levels and protect the Council's financial position.

ESTIMATES SUMMARY**2017/18****Summary of Expenditure/(Income)**

2015/16 Actuals	Details	2016/17		2017/18 Estimate
		Original	Latest	
£		£		£
4,764,873	Leisure & Environment	5,245,830	5,288,360	4,758,820
818,597	Economy & Planning	1,197,810	1,169,430	1,183,990
354,524	Finance	186,760	(54,210)	39,190
1,253,001	Law & Governance	1,071,140	1,141,330	1,118,960
7,190,995		7,701,540	7,544,910	7,100,960
105,379	Internal Drainage Boards	109,830	107,490	109,640
7,296,374	<u>TOTAL</u>	7,811,370	7,652,400	7,210,600

Leisure & Environment

SUMMARY

2015/16 Actuals	Details	2016/17		2017/18 Estimate
		Original	Latest	
£		£	£	£
44,029	CCTV	20,890	20,600	55,600
22,819	Community Safety (HDC)	33,640	33,920	50,010
626	Community Safety (Partnership)	1,730	1,730	6,550
35,131	Arts Development	38,390	38,390	17,110
8,977	Lifestyles	14,460	14,460	34,800
3,771	Hambleton Forum	3,090	3,280	3,660
182,067	Sports Development & Community Recreation	173,760	173,760	173,430
144,747	Hambleton Leisure Centre	209,120	142,320	265,560
172,958	Stokesley Leisure Centre	219,600	206,440	217,700
202,418	Bedale Leisure Centre	258,640	244,680	243,620
219,203	Thirsk Swimming Pool	156,140	214,350	206,790
44,483	Thirsk All Weather Pitch	20,170	15,690	15,620
35,613	Galtres Centre	40,630	40,710	35,500
32,731	Open Spaces	39,090	39,060	38,720
51,227	Leisure Services	75,790	75,830	24,870
(15,079)	Facilities Unit	-	(30)	-
56,720	Emergency Planning	49,400	49,400	40,270
(16,208)	Operational Services	-	(12,110)	-
829,582	Street Cleansing	704,580	819,930	731,830
1,610,857	Waste Collection	1,626,830	1,553,950	1,659,010
413,402	Recycling	800,960	837,690	351,570
(25,814)	Environmental Health	-	5,300	-
188,579	Food Safety	208,620	208,120	188,670
74,828	Pest Control	91,410	114,750	49,850
187,145	Public Health	189,660	190,670	124,340
50,722	Environmental Health Licensing	46,150	46,150	37,650
209,339	Pollution Reduction	223,080	209,320	186,090
4,764,873	NET EXPENDITURE	5,245,830	5,288,360	4,758,820

Economy & Planning

SUMMARY

2015/16 Actuals	Details	2016/17		2017/18 Estimate
		Original	Latest	
£		£	£	£
64,917	Community Development (HDC)	44,400	44,400	44,760
(215,948)	Workspace Management	(142,890)	(198,950)	(278,970)
33,152	Business Grants	30,700	26,770	28,180
27,221	Environmental Grants & Initiatives	13,460	13,460	16,840
328,672	Business & Economy	318,870	334,560	390,340
36,768	Grants & Subscriptions	38,250	38,250	38,250
(2,460)	Information Management	-	10,050	-
(130,440)	Development Management	136,990	136,910	106,230
175,116	Planning Policy	190,150	190,250	213,200
3,105	Registered Social Landlords	3,160	3,160	3,060
4,281	Land Charges	30	30	870
(745)	Housing Services	-	(10)	-
81,948	Housing Strategy	111,670	111,670	85,380
81,784	Housing Standards	67,550	67,550	69,680
249,891	Homelessness	274,800	297,300	286,390
35,501	Private Sector Housing Renewal	27,540	27,540	25,700
32,604	Housing Advice	48,740	48,740	46,990
70,677	Building Control Partnership	80,580	80,580	94,590
(20,008)	Design & Maintenance	-	100	165,170
15,313	Administrative Buildings	47,430	47,300	51,060
24,368	Defences against Flooding	15,500	15,500	3,940
8,479	Cemetries & Closed Churchyards	8,990	8,990	9,590
(307,319)	Off Street Parking	(356,150)	(359,080)	(414,120)
212,232	Footway Lighting	198,160	184,630	186,070
(54,936)	Market Undertakings	(73,020)	(73,800)	(77,020)
(40,446)	Depots	7,680	8,080	7,020
1,142	Visitor Centres	2,050	2,070	1,350
8,267	World of James Herriot	2,710	2,920	4,450
95,461	Health & Safety at Work	100,460	100,460	74,990
818,597	<u>NET EXPENDITURE</u>	1,197,810	1,169,430	1,183,990

Finance

SUMMARY

2015/16 Actuals	Details	2016/17		2017/18 Estimate
		Original	Latest	
£		£	£	£
(19,825)	Customer Services	-	(8,720)	-
14,935	Public Transport	22,360	22,360	13,580
(2,958)	Communications	-	14,990	-
(2,278)	Payroll	-	(2,440)	-
(8,702)	Business Support	-	6,250	-
(312,032)	Interest & Investment Income	(861,520)	(1,084,810)	(1,191,440)
569,055	Corporate Management	396,550	424,980	463,040
51,772	Non Distributed Costs	52,680	29,940	93,720
(421,678)	Corporate Management & Support	-	14,540	-
(8,188)	Resources	-	(42,150)	-
291,824	Housing Benefits	312,570	388,070	469,960
259,904	Local Tax Collection	353,120	271,710	253,330
(18,310)	Revenues & Benefits Services	-	90	-
(6,405)	Reprographics	-	10	-
(32,590)	ICT Services	(89,000)	(89,030)	(63,000)
354,524	<u>NET EXPENDITURE</u>	186,760	(54,210)	39,190

Law & Governance

SUMMARY

2015/16 Actuals	Details	2016/17		2017/18 Estimate
		Original	Latest	
£		£	£	£
1,060,264	Democratic Services	875,400	890,700	891,110
(1,260)	Committee Services	-	(10)	-
190,075	Elections	192,490	201,630	196,940
11,537	Personnel	-	18,150	-
(14,181)	Legal Services	-	20,230	-
6,566	Licensing	3,250	10,630	30,910
1,253,001	<u>NET EXPENDITURE</u>	1,071,140	1,141,330	1,118,960

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: COUNCIL TAX 2017/18

All Wards

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

1.0 PURPOSE AND BACKGROUND:

- 1.1 This report considers the level of Council Tax for 2017/18 and the policy on reserves. It also provides Members with details of the Council's formula grant funding settlement for 2017/18 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 2017/18. Council Tax had not risen for five years until 2016/17 when an increase occurred due to Central Government no longer offering a Council Tax Freeze grant due to the reduction in Local Government funding.
- 1.3 Detailed budget proposals have been considered previously on this Cabinet agenda. The Revenue Budget for 2017/18 is £7,210,600, a decrease of £600,770 from 2016/17 due to the expected income to be received from green waste charges and income generated from the interest earned on the loan to the third party Housing Association.
- 1.4 The Council Tax, the implications of the Local Government Finance Settlement and the budget for 2017/18 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 2016 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 2017/8 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 2017/18:-

- (a) for the whole Council area as 35,639.62 [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 A1. Figures will be completed when all precept amounts have been received and will be reported at Council on 21 February 2017.
- (2) That the Council has calculated the Council Tax requirement for the Council's own purposes for 2017/18 (excluding Parish precepts) as £3,545,429.40
- (3) That the following amounts be calculated for the year 2017/18 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:-

Figures for Stokesley Parish Council are to be determined on 13 February 2017 and therefore the following figures will be reported at Council on 21 February 2017

- (a) **District/Parish Gross Expenditure**
£ 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)**
£ 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**
£ 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)**
£ 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**
£ 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)**
£99.48 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 will issue precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area and this will be as indicated in the table below and at Annex 'A'(1).

(5) **Council Tax Bands for All Councils**

Figures for North Yorkshire County Council, North Yorkshire Fire and Rescue Authority and Police and Crime Commissioner North Yorkshire are yet to be determined and will be reported at Council on 21 February 2017.

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 2017/18 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
£	£	£	£	£	£	£	£
66.32	77.37	88.43	99.48	121.59	143.69	165.80	198.96

North Yorkshire County Council – excluding Adult Social Care

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

North Yorkshire County Council – Adult Social Care

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

North Yorkshire Fire and Rescue Authority

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

Police and Crime Commissioner North Yorkshire

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

(6) **Excessive Council Tax**

That the Council determines that the Council's basic amount of Council Tax for 2017/18 (at 3(f) above) is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992.

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

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

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 Officer)

Background papers: None

Author ref: LBW

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Director of Finance
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COUNCIL TAX 2017/18**1.0 INTRODUCTION AND BACKGROUND:**

- 1.1 This paper considers the level of Council Tax for 2017/18 in the light of the Revenue Budget for 2017/18 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 2017/18 is a net total of £7,210,600 which is a decrease of £600,770 on the 2016/17 budget at £7,811,370. This is as a result of expected income to be received from green waste charges and income generated from the interest earned on the loan to the third party Housing Association.
- 2.2 The Financial Strategy demonstrates that the budget of £7,210,600 is affordable and allows 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 2017/18; 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 15 December 2016.

3.0 FORMULA GRANT SETTLEMENT AND COUNCIL TAX:

- 3.1 The Chancellor's Autumn Statement on 23 November 2016 announced that the four year funding settlement for local authorities for 2016/17 to 2019/20 was confirmed. 97% of local authorities took-up the four year settlement and this Council approved its four year settlement in September 2016. The four year settlement shows the continuation of grant reductions for Local Government and it is estimated that the Council will lose £2,481,075 or 21.5% of its grant funding from Central Government excluding New Homes Bonus Grant over the 4 year period 2016/17 to 2019/20. These cuts are in addition to the grant funding already lost in the previous Parliament of £2,708,525 or 46.6%. For 2017/18 the reduction in core spending power is 6.2%.
- 3.2 The reduction to funding in 2017/18 was higher than anticipated due to significant changes announced to new homes bonus grant. The reduction in new homes bonus grant for this Council in 2017/18 was £308,177. In future if housing growth is less than 0.4% and the Council is not support housing growth through the local plan then no new homes bonus will be received.
- 3.3 The Local Government Finance Settlement for 2017/18 was announced on 15 December 2016 and is finalised in February 2017. The detail of the settlement for Hambleton is set out below, but in summary the Council is guaranteed to receive £4,609,450 of funding in 2017/18 from a combination of new revenue support grant, rural funding, new homes bonus grant and retained business rates. This is 3.2% lower than the amount received in 2016/17.

Detailed Funding Settlement

	2016/17 £
Hambleton District Council share of Business rates Target at 80%	10,421,188
Fixed tariff paid to the Government	(8,471,625)

Hambleton District Council Retained Business Rates Target	1,949,563
Revenue Support Grant	621,640
Rural Services Delivery Grant	504,627
New Homes Bonus	1,533,620
Total Funding Settlement	4,609,450

- 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 then the reduction in Business Rates will reduce the local share, not the amounts paid to Central Government. Any loss of income will be met 80% by Hambleton District Council, 18% by North Yorkshire County Council and 2% by North Yorkshire Fire and Rescue Authority.
- 3.4 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 2017/18 is £27,254,369; this is the latest estimate from the National Non-domestic Rates Return – NNDR1.
- 3.5 The 2017/18 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 when estimating appeals this figure can have a favourable or adverse effect on the business rate income collated in a year. For 2017/18 there is a collection fund surplus of £232,424.
- 3.6 Increases in Business Rate levels are set each year by Central Government and used to be based upon the RPI figure for September, but in recent years this has been capped at 2%. In the Local Government Finance Bill 2016/17 published on 13 January 2017 gives Her Majesty's Treasury (HMT) powers to vary the multiplier in future and not necessarily by RPI or CPI. The provisional rate poundage to be applied in 2017/18 has been announced as follows:-
- Non-Domestic Rate 47.9p
 - Small Business Rate 46.6p
- 3.7 In addition for 2017/8, all businesses have been revalued and the change in the multiplier attempts to ensure that on average business are charged the same amount of business rates and the Government receives no additional income nationally. There is a transition period that is introduced for the 2017 revaluation.
- 3.8 Under Schedule 7 of the Local Government Finance Act 1988, the provisional multipliers will be confirmed after either the Local Government Finance Bill 2016/17 has been approved by Parliament or by the end of March 2017.

4.0 COUNCIL TAX:

Council Tax Base

- 4.1 Each year the Council is required to formally set the Council Tax Base and advise the appropriate precepting bodies. This must be done by 15 January each year.

4.2 The Council Tax Base for 2017/18 is set at 35,639.62.

Council Tax Levels

4.3 If the assumptions made above are current then the 2017/18 Council Tax at Band D will be:-

2016/17 £		2017/18 £	Assumption
1,121.86	County Council (NYCC)	TBC	TBC increase
22.00	NYCC – Adult Social Care	TBC	TBC increase
217.00	Police Authority	TBC	TBC increase
65.88	Fire Authority	TBC	TBC increase
37.93	Parishes (average)	TBC	TBC increase
99.48	Hambleton	99.48	£5 increase
1,559.15			

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:	7,210,600
Financed by:-	
Formula Grant	621,640
New Homes Bonus Grant	1,533,620
Retained Business Rates	2,297,690
Collection Fund Surplus	241,214
Council Tax	3,545,429
Rural service Delivery Grant	504,627
Contribution to Reserves	<u>(1, 533,620)</u>
Balanced budget	0

5.2 It is estimated that the Council will make a contribution to the Council Taxpayers reserve of £1,533,620 to balance the 2017/18 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.

HAMBLETON DISTRICT COUNCIL**CABINET 7 FEBRUARY 2017****Parish Precepts and Council Tax Amounts 2017/18**

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1) COUNTY COUNCIL PRECEPT		Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
		£	£	£	£	£	£	£	£
COUNCIL TAX BASE	35,639.62								
BAND D EQUIVALENT	£ -	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2) COUNTY COUNCIL PRECEPT - ADULT SOCIAL CARE									
COUNCIL TAX BASE	35,639.62								
BAND D EQUIVALENT	£ -	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2) FIRE AUTHORITY PRECEPT									
COUNCIL TAX BASE	35,639.62								
BAND D EQUIVALENT	£ -	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3) POLICE & CRIME COMMISSIONER									
COUNCIL TAX BASE	35,639.62								
BAND D EQUIVALENT	£ -	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4) HAMBLETON DISTRICT COUNCIL		Council Tax Base- Band D							
TOTAL PARISH PRECEPTS		35,639.62	Band D Amount for Parish		(Average)				
HAMBLETON DC PRECEPT	3,545,429.40	35,639.62	Band D Amount for Hambleton without		Special Area Expenses (Parishes)				
TOTAL HAMBLETON AREA	3,545,429.40	35,639.62	Band D Amount for Hambleton DC		(Average)				
									99.48
5) OTHER INFORMATION		Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
		£	£	£	£	£	£	£	£
Average Hambleton DC Council Tax (ie excluding NYCC, Fire and Police Authority Precepts)									
Total Amount of Tax - Unparished Areas (ie HDC, NYCC, Fire and Police Precepts)									

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BUDGET CONSULTATION 2017/18 - SUMMARY

The Budget Consultation was carried out between 14 September and 28 October 2016 and was well-publicised to all residents and businesses across Hambleton District. In addition, a meeting was organised on 7 December 2016 in accordance with the statutory requirement to enable all businesses to be able to comment during the budget consultation.

From the 129 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 45 – 59 year old age group attracted the majority of responses.

Question four lists 14 service areas and respondents were asked to indicate their opinions of the services. The Waste Service, incorporating household, green, kerbside and street cleansing rated well with over 80% being satisfied with the service.

Question five asked respondents how the council should balance the budget. The most popular response in this consultation was an increase in Council Tax or an increase in fees and charges with a difference of only four replies. It was clear that the respondents were against providing fewer services. The council continues to be committed to providing good services to its residents and continues to have the third lowest council tax in the country therefore it is to increase the Council Tax by £5 on a band D equivalent property in 2017/18.

Question six asked respondents which services should have their funding increased. Street Cleanliness and Leisure Services were the most popular both with over 40% of respondents with a preference of increasing the funding in these areas. Benefits was the most common answer to have funding decreased. The council has committed capital expenditure to improve the facilities at the four Leisure Centres in the District.

Question seven showed that 85.3% of respondents were either very satisfied or satisfied with the way the council provides services. 5.1% were dissatisfied, whilst the remaining respondents either didn't reply or had no opinion.

Finally, when asked for any further suggestions on how the council could increase income or reduce costs, a range of suggestions and comments were received including raising Council Tax as it is one of the lowest in the country and new ideas for fees and charges.

Budget Consultation 2017/18

14 September-28 October 2016

7 paper and 129 online responses received = 136 total

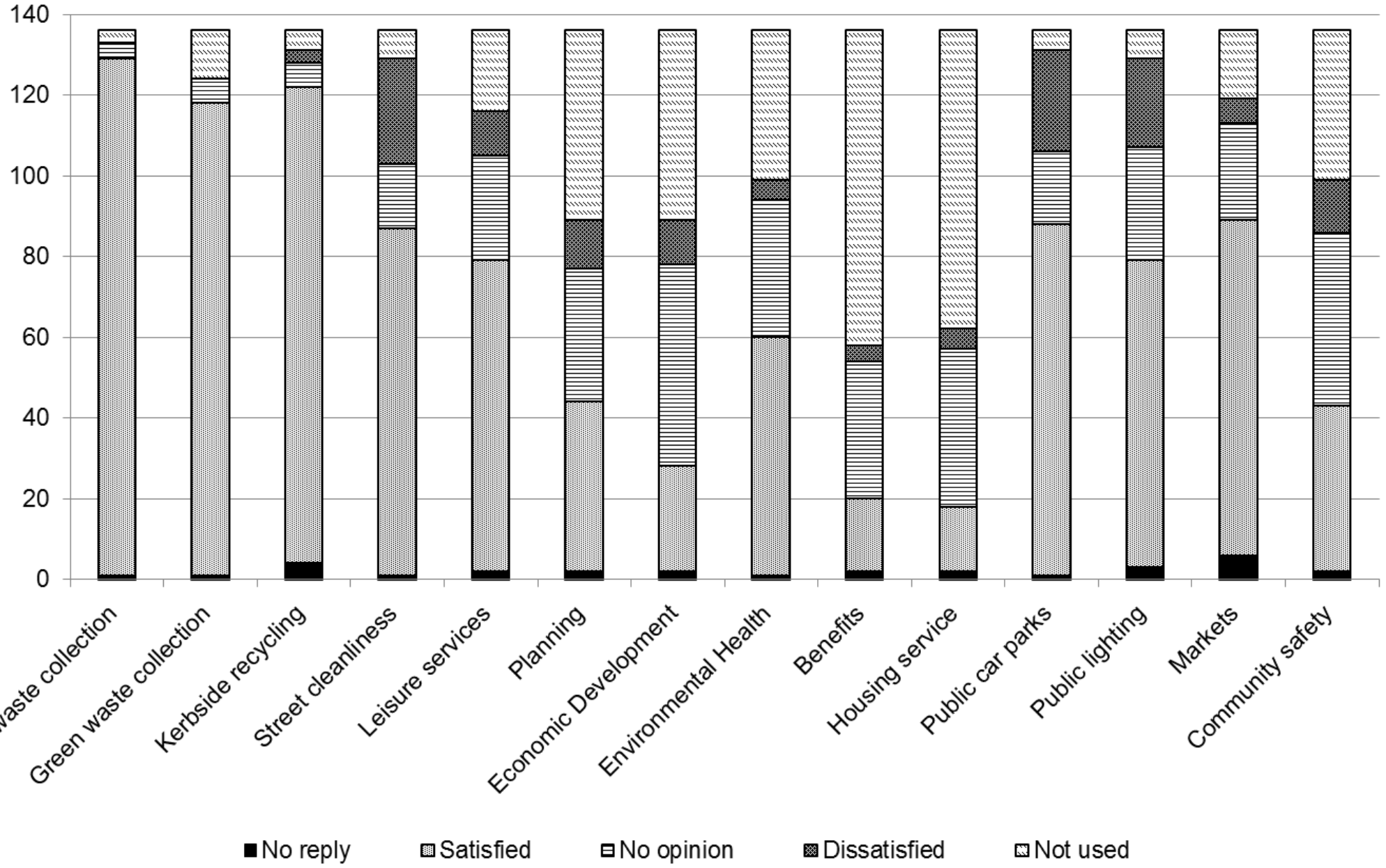
Q1	Which of the following towns do you live in or are closest to?	
	17 (12.5%)	Bedale
	13 (9.6%)	Easingwold
	67 (49.3%)	Northallerton
	19 (14.0%)	Stokesley
	18 (13.2%)	Thirsk
	2 (1.5%)	Prefer not to say

Q2	Are you responding as a ...?	
	8 (5.9%)	Business
	123 (90.4%)	Resident
	3 (2.2%)	Stakeholder group
	3 (2.2%)	Voluntary organisation
	1 (0.7%)	Prefer not to say

Q3	Which age group do you belong to?	
	0 (0.0%)	Under 18 years
	2 (1.5%)	19-24 years
	32 (23.5%)	25-44 years
	70 (51.5%)	45-59 years
	29 (21.3%)	60 years and over
	1 (0.7%)	Prefer not to say
	2 (1.5%)	No reply

Q4	What is your opinion of the following council services over the last 12 months?					
		No reply	Satisfied	No opinion	Dissatisfied	Not used
	Household waste collection <i>(black bin)</i>	1 (0.7%)	128 (94.1%)	4 (2.9%)	0 (0.0%)	3 (2.2%)
	Green waste collection <i>(green bin)</i>	1 (0.7%)	117 (86.0%)	6 (4.4%)	0 (0.0%)	12 (8.8%)
	Kerbside recycling <i>(blue bin and box)</i>	4 (2.9%)	118 (86.8%)	6 (4.4%)	3 (2.2%)	5 (3.7%)
	Street cleanliness <i>(including litter collection, graffiti removal, fly-tipping, dog warden)</i>	1 (0.7%)	86 (63.2%)	16 (11.8%)	26 (19.1%)	7 (5.1%)
	Leisure services <i>(including leisure centres, arts and culture, sports development, healthy lifestyles and CCTV)</i>	2 (1.5%)	77 (56.6%)	26 (19.1%)	11 (8.1%)	20 (14.7%)
	Planning <i>(including planning applications and planning policy)</i>	2 (1.5%)	42 (30.9%)	33 (24.3%)	12 (8.8%)	47 (34.6%)
	Economic Development <i>(support to businesses, management of council offices and land)</i>	2 (1.5%)	26 (19.1%)	50 (36.8%)	11 (8.1%)	47 (34.6%)
	Environmental Health <i>(including licensing, food hygiene inspections, nuisance complaints, private water supplies and pest control)</i>	1 (0.7%)	59 (43.4%)	34 (25.0%)	5 (3.7%)	37 (27.2%)
	Benefits <i>(housing benefits and council tax support)</i>	2 (1.5%)	18 (13.2%)	34 (25.0%)	4 (2.9%)	78 (57.4%)
	Housing service <i>(housing option advice, homelessness and provision of affordable housing)</i>	2 (1.5%)	16 (11.8%)	39 (28.7%)	5 (3.7%)	74 (54.4%)
	Public car parks <i>(pay and display, free car parks and disc parking)</i>	1 (0.7%)	87 (64.0%)	18 (13.2%)	25 (18.4%)	5 (3.7%)
	Public lighting <i>(marked with white squares and green numbers only)</i>	3 (2.2%)	76 (55.9%)	28 (20.6%)	22 (16.2%)	7 (5.1%)
	Markets <i>(Northallerton and Thirsk only)</i>	6 (4.4%)	83 (61.0%)	24 (17.6%)	6 (4.4%)	17 (12.5%)
	Community safety <i>(including anti-social behaviour, domestic abuse and alcohol awareness)</i>	2 (1.5%)	41 (30.1%)	43 (31.6%)	13 (9.6%)	37 (27.2%)

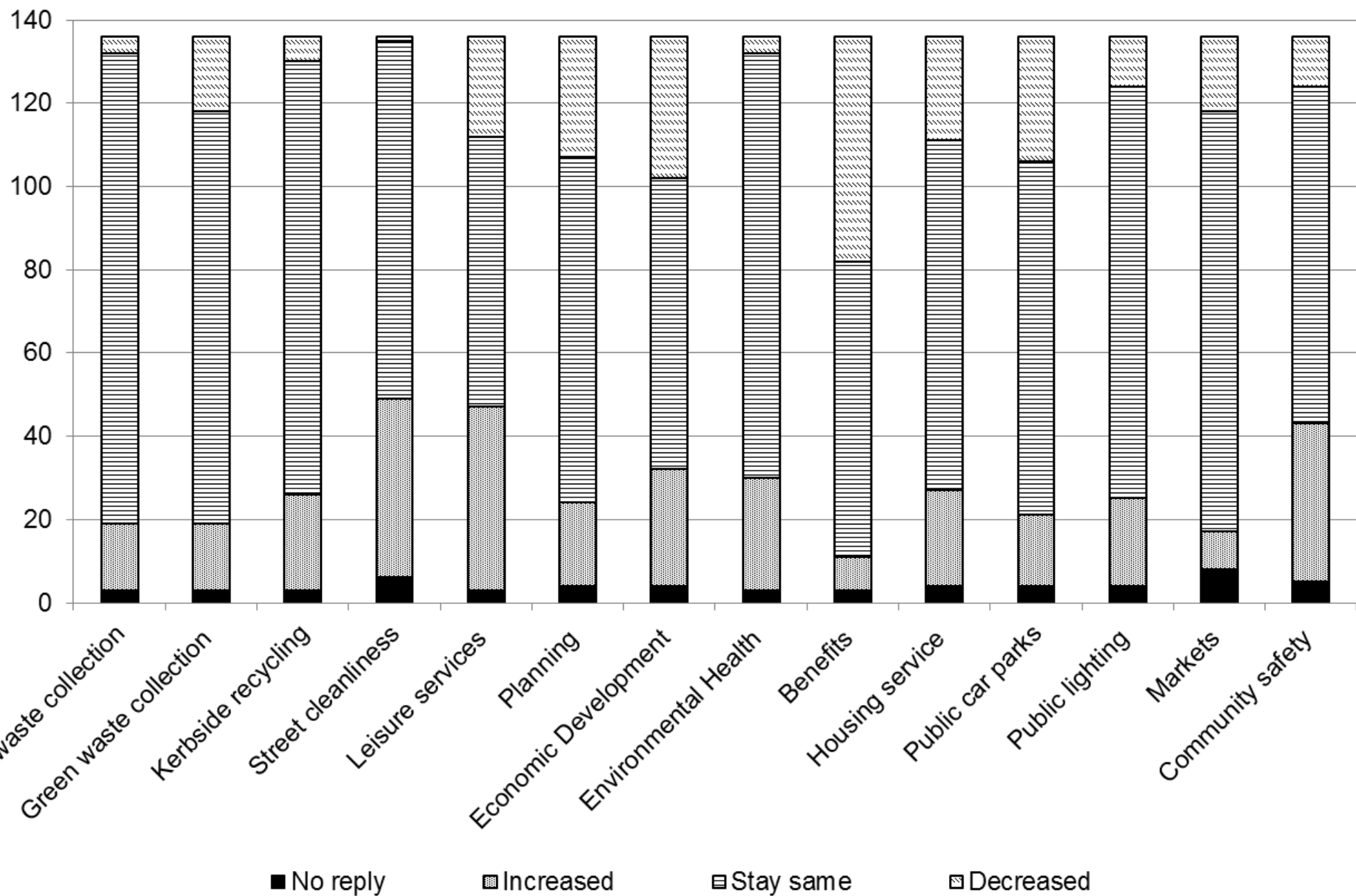
Number of Respondents



	Please expand your answer if necessary:
	28 responses received

Q5	In order to balance the council's budget, would you rather the council ...? (rank your responses according to how important they are to you):				
		No reply	Most important	Important	Least important
	Increased council tax levels	4 (2.9%)	41 (30.1%)	49 (36.0%)	42 (30.9%)
	Increased fees and charges	4 (2.9%)	45 (33.1%)	61 (44.9%)	26 (19.1%)
	Provided fewer services	5 (3.7%)	25 (18.4%)	21 (15.4%)	85 (62.5%)

Q6	Of the following council services, which do you think should have their funding increased, decreased or stay the same?				
		No reply	Increased	Stay same	Decreased
	Household waste collection <i>(black bin)</i>	3 (2.2%)	16 (11.8%)	113 (83.1%)	4 (2.9%)
	Green waste collection <i>(green bin)</i>	3 (2.2%)	16 (11.8%)	99 (72.8%)	18 (13.2%)
	Kerbside recycling <i>(blue bin and box)</i>	3 (2.2%)	23 (16.9%)	104 (76.5%)	6 (4.4%)
	Street cleanliness <i>(including litter collection, graffiti removal, fly-tipping and dog warden)</i>	6 (4.4%)	43 (31.6%)	86 (63.2%)	1 (0.7%)
	Leisure services <i>(including leisure centres, arts and culture, sports development, healthy lifestyles and CCTV)</i>	3 (2.2%)	44 (32.4%)	65 (47.8%)	24 (17.6%)
	Planning <i>(including planning applications and planning policy)</i>	4 (2.9%)	20 (14.7%)	83 (61.0%)	29 (21.3%)
	Economic Development <i>(support to businesses, management of council offices and land)</i>	4 (2.9%)	28 (20.6%)	70 (51.5%)	34 (25.0%)
	Environmental Health <i>(including licensing, food hygiene inspections, nuisance complaints, private water supplies and pest control)</i>	3 (2.2%)	27 (19.9%)	102 (75.0%)	4 (2.9%)
	Benefits <i>(housing benefits and council tax support)</i>	3 (2.2%)	8 (5.9%)	71 (52.2%)	54 (39.7%)
	Housing service <i>(housing option advice, homelessness and provision of affordable housing)</i>	4 (2.9%)	23 (16.9%)	84 (61.8%)	25 (18.4%)
	Public car parks <i>(pay and display, free car parks and disc parking)</i>	4 (2.9%)	17 (12.5%)	85 (62.5%)	30 (22.1%)
	Public lighting <i>(marked with white squares and green numbers only)</i>	4 (2.9%)	21 (15.4%)	99 (72.8%)	12 (8.8%)
	Markets <i>(Northallerton and Thirsk only)</i>	8 (5.9%)	9 (6.6%)	101 (74.3%)	18 (13.2%)
	Community safety <i>(including anti-social behaviour, domestic abuse and alcohol awareness)</i>	5 (3.7%)	38 (27.9%)	81 (59.6%)	12 (8.8%)



	Please expand your answer if necessary:
	15 responses received

Q7	Overall, how satisfied or dissatisfied are you with ...?						
		No reply	Very satisfied	Satisfied	No opinion	Dissatisfied	Very dissatisfied
	The way in which the council provides services	4 (2.9%)	34 (25.0%)	82 (60.3%)	8 (5.9%)	7 (5.1%)	1 (0.7%)
	Your local area as a place to live	3 (2.2%)	62 (45.6%)	60 (44.1%)	5 (3.7%)	5 (3.7%)	1 (0.7%)
	Please expand your answer if necessary:						
	17 responses received						

Q8	Do you have any other suggestions on how the council could increase income, reduce costs or make savings to support the budget?
	32 responses received

POLICY ON BALANCES AND RESERVES

1.0 BACKGROUND:

- 1.1 Section 25 of the Local Government Act 2003 requires the Council's S151 Officer (Chief Financial Officer – Director of Finance) to report to Members on the robustness of the estimates and the adequacy of the reserves for which the budget provides.
- 1.2 The purpose of this Annex is to:-
- support the statement required to conform to Section 25
 - confirm the use of the Council's balances and reserves, and
 - re-affirm the Council's policy on the level of balances and reserves
- 1.3 The Council currently maintains a number of balances and reserves, each of which has a purpose approved by Members. Each of the balances and reserves will be considered in turn later in this Annex.
- 1.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) considers that a case for introducing a statutory minimum level of reserves, even in exceptional circumstances has not been made. The Institute believes that Local Authorities, on the advice of their Finance Directors, should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary and there is a broad range within which authorities might reasonably operate depending on their particular circumstances.
- 1.5 There is no definitive guidance as to the minimum level of balances or reserves, either as an absolute amount or as a proportion of expenditure, since each Local Authority is independent, operates in a unique local environment and the decision is one of a number of inter-related decisions taken as part of its Financial Strategy. Section 32 of the Local Government Act 1992 requires billing authorities (such as Hambleton) to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Budgets are based upon forecasts of pay and price inflation, changes in interest rates, and the demand for and levels of service to be provided. The purpose of balances and reserves is to provide for unexpected changes from these forecasts and to provide for the financing of some expenditure. Consequently the provision of an appropriate level of balances and reserves is a fundamental part of prudent financial management over the medium term.

2.0 BALANCES AND RESERVES:

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

Budget Assumptions

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

Financial Standing and Management

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

Adequacy of inflation

- 2.2.2 Budgetary provision is made for inflation in respect of pay, prices and contract expenditure. The 2017/18 budget contains a sum of £126,600 for such inflation. An adverse variance of 1% in the assumptions made to these forms of expenditure could result in additional expenditure of £100,980.

Adequacy of interest rate assumption

- 2.2.3 Interest rate assumption are reported in the Treasury Management Strategy Statement. Interest rate assumptions are made for both borrowing and investments. The Council can borrow for its capital expenditure programme if required and also the Council's surplus funds are available for investment. The Council intends to use its surplus funds for the majority of the capital programme but will potentially borrow for the loan to the third party Housing Association. Interest rates are historically low and also volatile in the current market environment, therefore borrowing rates range between 1.6% and 3.0% during 2017/18 depending on the time period. Surplus funds have reduced due to their use in the support for the capital programme and therefore income generated will be lower. 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 0.25%. The 2017/18 budget assumes an average of 0.19% over the year. An adverse variance on interest rates to zero i.e. 0% or below would affect investment income, whereby no interest would be earned. 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 £17.86m in 2017/18. 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 £178,600.

Levels of income

2.2.5 The major income budgets (for fees and charges) in 2017/18 are those relating to:-

	£
Leisure Services	2,689,330
Development Control	797,250
Premises Development	734,860
Parking Charges	725,480
Local Taxation	205,710
Markets	174,750
Licensing	156,690
Land Charges	104,570
Environmental Services	115,430
Planning Services	56,730
Waste Collection	104,890
Recycling	567,210

Total income from fees and charges is budgeted to be £5.654m in 2017/18. The economy is clearly still experiencing difficulties at the moment and recovery continues to be volatile. A moderate fall in demand of say 3% would lead to a reduction in income of about £169,625.

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, on-going capital receipts, reserves and external borrowing. The timing of such receipts rarely matches the expenditure profile, often lagging by months.

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

2.2.10 Consequently it is necessary to maintain 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 and capital support to assist funding of the repairs and renewals". ***It is recommended that the purpose of the Repairs and Renewals Fund is maintained.***

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

2.5 Computer Fund

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

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

2.6 Community Safety Partnership Reserve

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

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

2.7 One-Off Fund

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

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

2.8 Strategic Forum Reserve

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

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

2.9 Grants Fund

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

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

2.10 Economic Development Fund

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

2.10.2 This fund was established in 2014/15 with a balance of £5,000,000. It is anticipated that this funding will last 5 years with the anticipation that financing will be returned to the fund from projects that have been beneficial to the community.

2.11 Take That Step

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

2.13 Winter Weather Campaign

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.***

2.14 Make a Difference Fund

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

2.15 Arts Grant Reserve

2.15.1 The purpose of this reserve is to fund arts development projects for the benefit of the community. ***It is recommended that the purpose of the Arts Grant Reserve is maintained.***

3.0 LEVEL OF BALANCES AND RESERVES:

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

3.2 It is considered important therefore that the level of balances is monitored to ensure that adequate levels are maintained to fulfil their purpose. To a large extent this is done through the Financial Strategy and also targets have been established where each Reserve has a year-end balance which is within a 10% tolerance of the balance reflected in the Council's financial strategy. Performance against the target will continue to be reported to Members as part of the year end procedures.

3.3 Experience has shown, however, that due to the nature of receipts and payments into and out of the One Off Fund, it is not possible to accurately forecast the level of this reserve at the year end. A more appropriate target for this reserve would be to ensure that a minimum balance is retained.

3.4 ***It is recommended that the targets for Reserve balances are:***

- a) A minimum balance for the One-Off Fund of £200,000; and***
- b) For all other Reserves, within a 10% tolerance on the year-end balance as reflected in the Financial Strategy.***

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: ADULT WEIGHT MANAGEMENT SERVICE

All Wards
Portfolio Holder for Leisure: Councillor Mrs B S Fortune

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to seek approval for the Council to submit a joint bid with other partners to operate part of the Adult Weight Management service advertised by North Yorkshire County Council.
- 1.2 Since September 2014 Hambleton District Council has delivered a pilot adult weight management programme on behalf of North Yorkshire County Council's Public Health within the district. The programme has been marketed as 'Take That Step'. To date the pilot, which ends on 30 June 2017, has been successful with over 700 referrals, 53% of whom achieved a 3% weight loss in their first 12 weeks. The pilot has been delivered at a 'nil' cost to the Council with grant income meeting expenditure. In addition to this the Council has also benefited with its 'Take That Next Step' product which provides the scheme's clients with a discounted leisure centre membership for a further 9 months to encourage them to complete a 12 month programme of exercise and nutrition. This generates a further £40,000/year in addition to the grant income.
- 1.3 Across the county schemes, with the same aim but different delivery models, have also been operated by the other District Councils. Following the pilot NYCC has advertised a contract for the service on the open market. This is for 5 years (with an option for a further 2 years), starting 3 July 2017. The contract is divided into 4 'Lots' across the county; Lot 1 is for a Hambleton and Richmondshire service. Originally the contract was advertised on 25 November 2016, with bids needed by 13 January 2017. HDC, and others, requested that this timescale be extended to enable the Council to consider its position and seek appropriate approvals, where necessary. NYCC agreed to this request and bids now have to be submitted by 15 February 2017. NYCC has stipulated that bidders can tender for any number of lots and that consortia bids are acceptable but that lots cannot be split.
- 1.4 This type of commissioned contract is becoming prevalent across the UK and a market is developing for the delivery of such contracts. Often leisure centres are used to deliver the schemes but not always and alternative models include the use of community halls and venues lead by leisure management contractors or companies such as Weight Watchers. With this contract it is feasible that one bidder could win all the lots and deliver the service through community halls.

Proposal

- 1.5 It is proposed that the Council submits a bid for the contract for the following reasons:
 - The work fits closely with the Council's "Enhancing Health and Wellbeing" priority (see 2.0)
 - Delivery of this service ensures that HDC is integral to tackling the wider health agenda of inactivity and therefore able to apply for Sport England, and other, funding
 - The team has an excellent existing level of insight into the needs of the Hambleton community

- The pilot scheme proved the ability of the team to deliver the service well
- A HDC scheme would guarantee the use of leisure centres to deliver the service
- Significant additional income, already factored into future revenue estimates, is generated through ancillary products, eg Take That Next Step. This would be at risk if another organisation was to operate the scheme

1.6 The best delivery model is for HDC to form a consortium, established for the purpose of operating this contract, with Richmondshire District Council (RDC) and North Yorkshire Sport (NYS), whereby each Council operates the service within its own boundaries, with NYS providing the administrative coordination, as well as acting as the “lead contact” (NYS is also likely to bid to perform a similar role within other lots).

2.0 LINK TO COUNCIL PRIORITIES:

2.1 Hambleton has a specific challenge with the obesity and excess weight of its residents; 65% are overweight, higher than the average for North Yorkshire and the rest of the country. Enhancing the health and well-being of our residents is a key priority and delivering this service would be a contributory element to tackling this challenge.

3.0 RISK ASSESSMENT:

3.1 Whilst there are risks in approving the recommendations they do not score above the threshold requiring strategic consideration.

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

Risk	Implications	Prob*	Imp*	Total	Preventative action
Another organisation is appointed to operate the service across Hambleton	HDC loses leisure centre income. Service is inferior to existing. Residents health conditions worsen. x4 employees are TUPE transferred	4	3	12	Submit bid. Develop alternative programmes.
No other organisation submits a bid	Uncertain what NYCC response would be but possible that they would set up an arrangement with HDC for the Hambleton area.	4	3	12	Submit bid. Ensure positive liaison with NYCC

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

4.0 FINANCIAL IMPLICATIONS:

4.1 The total 5 year contract value for Lot 1 (both Hambleton and Richmondshire areas) is £465,084, equating to an annual value of £92,554 made up of 2 elements:

- Annual ‘up front’ contract payment (40%) - £37,022
- Performance related pay (60%) - £55,532

4.2 Included within the 5 year sum is a one-off set-up budget of £2,314.

4.3 The total payment for the contract needs to meet the agreed operating costs of all members of the consortium. Within the tender guidance NYCC identifies the estimated activity levels and the specific details relating to the performance payments. These have been assessed

and, based upon the experiences of the pilot scheme, are believed to be realistic. On this basis Hambleton's share of the annual income would be £59,697. This income covers all of the associated expenditure to deliver the service, meaning that the scheme can be operated on a cost neutral basis. It is estimated that small efficiencies will be made year on year as deliverability improves. These savings will cover the employee costs, which are estimated to increase by 1% each year. See Appendix 1 for further details.

4.4 Overall the revenue effects of the service will be as follows:-

Revenue Effects	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Cost of service	<u>46,758</u>	<u>59,278</u>	<u>59,266</u>	<u>59,509</u>	<u>59,507</u>
Financed by: HDC payment from NYCC	<u>47,087</u>	<u>59,697</u>	<u>59,697</u>	<u>59,697</u>	<u>59,697</u>
	<u>329</u>	<u>419</u>	<u>431</u>	<u>188</u>	<u>190</u>

5.0 LEGAL IMPLICATIONS:

5.1 If the Adult Weight Management Service contract for Lot 1 (Hambleton and Richmondshire) was awarded to the consortium, Hambleton District Council would be signing up to a 5 year contract (with potential for a 2 year extension). HDC would be subject to the terms and conditions of the contract, including application of the Public Contracts Regulations 2015.

6.0 EQUALITY/DIVERSITY ISSUES

6.1 Successful award of the contract for the service will assist HDC in achieving its equality obligations. Specific to these, within this service area, is the prevalence of obesity in older age groups, of which Hambleton has a higher percentage than the national average. Obesity is also more prevalent within those with multi-faceted health conditions. Particular attention is also needed to ensuring that the referrals to the scheme reflect the rates of obesity across the district, as men and younger adults were under-represented within the pilot scheme.

7.0 RECOMMENDATIONS:

7.1 That Cabinet approves and recommends that:

- (1) Hambleton District Council forms a consortium with Richmondshire District Council and North Yorkshire Sport and submits a tender for Lot 1 of the Adult Weight Management service, and
- (2) Management Team is responsible for approving the final tender submission.

PAUL STAINES
DIRECTOR LEISURE & ENVIRONMENT

Background papers: NYCC Tender for Adult Weight Management Service
Author ref: SL
Contact: Steven Lister, Head of Service Leisure & Environment
01609 767033

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	Jul 17 - Mar 18 Year 1		Apr 18 - Mar 19 Year 2		Apr 19 - Mar 20 Year 3		Apr 20 - Mar 21 Year 4		Apr 21 - Mar 22 Year 5	
<u>Expenditure</u>										
Set up costs	£	2,314.00	£	-	£	-	£	-	£	-
Direct staff	£	36,618.00	£	48,810.00	£	49,298.10	£	49,791.08	£	50,288.99
Travel and expenses	£	1,000.00	£	1,200.00	£	1,200.00	£	1,200.00	£	1,200.00
Marketing	£	1,000.00	£	1,500.00	£	1,000.00	£	750.00	£	250.00
North Yorkshire Sport	£	5,826.00	£	7,768.00	£	7,768.00	£	7,768.00	£	7,768.00

Total	£	46,758.00	£	59,278.00	£	59,266.10	£	59,509.08	£	59,506.99
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Income

North Yorkshire County Council

Set up payment	£	2,314.00								
Upfront payment	£	17,909.25	£	23,879.00	£	23,879.00	£	23,879.00	£	23,879.00
Performance related pay	£	26,863.50	£	35,818.00	£	35,818.00	£	35,818.00	£	35,818.00

Total	£	47,086.75	£	59,697.00	£	59,697.00	£	59,697.00	£	59,697.00
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Total	£	328.75	£	419.00	£	430.90	£	187.92	£	190.01
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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: **SUPPORT FOR BUSINESS NETWORKS**

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

1.0 PURPOSE AND BACKGROUND:

- 1.1 This report outlines a proposal to develop a grant scheme specifically to support the further development of business networks across the District. It requests approval to allocate £40,000 from the Economic Development Fund to support the delivery of this initiative, which supports the Hambleton Economic Strategy (2014) themes of Business Support and Vibrant Market Towns.
- 1.2 With almost 4,000 businesses in our area across 31 sectors, business networks are particularly important. They not only provide an opportunity for introductions, but also a vehicle for providing useful information to businesses which they can sometimes miss. It has been evidenced that business networks improve communication, encourage mutual support between businesses, promote collaboration and assist in strengthening local supply chains and improve resilience and business confidence. They also provide a mechanism for the Council to engage with businesses, promote events and initiatives and build positive relationships.
- 1.3 There are 10 business networks which exist currently / are in development across Hambleton as follows:
- Thirsty Thursday in Stokesley,
 - First Monday based in and around Northallerton,
 - The Northallerton Small Business Group,
 - Northallerton Retail and Business Forum,
 - Thirsk and District Business Association,
 - YO60ners/YO61ners,
 - Handlesbanken Ladies Group, Northallerton
 - Great Ayton Business Forum
 - The Easingwold Town Business Group (in development),
 - Bedale Business Group (in development).
- 1.4 The Council has established links with all of the networks and it has been identified that access to resources to support them to deliver meetings, events and effectively promote themselves to increase their membership is a common challenge. There are generally one or two businesses within the network which take the lead and put additional time in on a voluntary basis as they are committed to driving the networks forward.
- 1.5 The proposed grant scheme would be available to the business networks to specifically support their further development and effectiveness. As the business networks are at differing stages in their development it is anticipated that a range of activities could be supported under the scheme – from website development to effective use of social media to improve marketing and promotion.

2.0 LINK TO COUNCIL PRIORITIES:

- 2.1 This project supports the Council's priority to support local economic growth. Further support for business networks is a project which has been included in the Council's Economic Strategy, Hambleton 'A Place to Grow' within the Business Support Priority Theme.

3.0 RISK ASSESSMENT:

- 3.1 There are no significant risks associated with the recommendation.

4.0 FINANCIAL IMPLICATIONS:

- 4.1 The costs of the scheme are included within the Economic Development Fund approved by Cabinet in December 2014 and have been earmarked for 2017-2018.

5.0 LEGAL IMPLICATIONS:

- 5.1 Specific criteria and grant conditions will be developed as part of the scheme.

6.0 EQUALITY/DIVERSITY ISSUES

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

7.0 RECOMMENDATIONS:

- 7.1 It is recommended that Cabinet approves
- a) the allocation of £40,000 from the Economic Development Fund to establish a delegated grant scheme to support business networks; and
 - b) that the delegated grant scheme is managed by the Business & Economy team who will develop detailed guidance and eligibility criteria.
 - c) subject to the details set out in paragraphs 1.4 and 1.5 the grant criteria be agreed in consultation with the Portfolio Holder.

HELEN KEMP
DIRECTOR OF ECONOMY AND PLANNING

Background papers:	None
Author ref:	SS
Contact:	Sam Swinbank Business & Economy Manager 7233

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

**Subject: IMPROVING CONNECTIONS BETWEEN NORTHALLERTON HIGH STREET
AND THE PRISON SITE**

All Wards

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

1.0 PURPOSE AND BACKGROUND:

- 1.1 This report provides background to work undertaken to date examining the east west connectivity in the town centre between the High Street and the development to take place on the former HMP Northallerton site. Authority is sought to prepare more detailed proposals for key links.
- 1.2 In order to maximise the economic potential of the re-development of the prison site and the relocation of the North Yorkshire Police Headquarters to Alverton Court the connectivity between these sites and the town centre needs to be inviting and easily accessible to pedestrians. Accordingly in June 2016 consultants, Gillespies, were asked to undertake a high level appraisal of all the connections that exist and their improvement potential.
- 1.3 A report has been produced which looks at a series of alleyways along with Zetland Street that could potentially form improved pedestrian linkages between the sites. Extracts from the report are attached at Annex A and the full report is placed in the Members' Lounge. Input has been sought from NYCC Highways as well as local Members. Broad agreement has been reached on three key links to improve, these being Zetland Street and the alleys of New Row and Central Arcade.
- 1.4 In May 2015 the Council purchased the former HMP Northallerton in order to have greater control over the redevelopment of the site to ensure it complements the town centre and the best use is made of the opportunity.
- 1.5 To ensure the benefits of the new development are maximised connections between the prison site and the High Street need to be high quality and easily accessible to encourage pedestrian flows. This will encourage exploration and dwell time in the town centre which in turn encourages higher levels of spending and improves the vibrancy of the High Street.
- 1.6 Various connections exist, many are in private ownership and their condition and utility is very variable. An assessment of the best routes to look to improve was therefore required as well as examining appropriate treatments that would encourage their use.

2.0 PROPOSALS:

- 2.1 Three options were presented for Zetland Street which include formalising loading bays, disabled parking and bus stops, reducing the route to a single carriage way, improving the environment with better quality materials and introducing some planting and landscaping. Additionally improvements to shop fronts have been included as an illustration of what could be achieved though it is anticipated these improvements would be private sector led. It is proposed that a preferred option based on Option 3 in the report will be worked up in more detail and visualisations of the improvements produced.

- 2.2 A number of alleyways and yards were examined and a framework for their improvements produced. This includes suggestions on the materials, signage, lighting and how the spaces address the points of access to the High Street and East Road. New Row and Central Arcade have been suggested by the local Members as the principle routes that should be improved. It is proposed that these improvement schemes will be worked up in more detail and also that further route improvements are included for the other alleyways as an annexe with the high level improvement suggestions to provide a framework for improvements should other parties wish to take forward wider improvements.
- 2.3 The proposal is to invite Gillespies to develop in more detail improvement schemes for Zetland Street, New Row and Central Arcade.
- 2.4 The aim is to develop a scheme that will attract external funding and a bid for LEP Local Growth Deal Round 3 has been submitted.

3.0 LINK TO COUNCIL PRIORITIES:

- 3.1 Ensuring strong linkages between the redeveloped prison site and the High Street to maximise their economic potential supports the Council's Vibrant Market Town element of its Economic Development priority.

4.0 RISK ASSESSMENT:

- 4.1 Risks associated with not approving the recommendations.

Risk	Implication	Prob.	Imp.	Total	Preventative Action
Reputational Risk to the Council	Council may be criticised if it is not seen to be ensuring there are strong linkages between prison site and town centre.	4	3	12	Undertake the study, develop improvement plans for appropriate connections.
Potential to spread the economic impact of the redevelopment is missed	Footfall is attracted to the prison site at the expense of the High Street.	3	4	12	Seek to improve connections between the sites to encourage wider exploration of the town.
Investment in the prison site is not fully realised, retail / commercial tenants may be put off.	Potential tenants may see the prison site as an isolated island without wider connectivity which may not generate sufficient footfall.	3	5	15	Improve connectivity between the site and the High Street.

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

4.2 Risks associated with approving the recommendations.

Risk	Implication	Prob.	Imp.	Total	Preventative Action
May not be able to implement proposals due to lack of funding	Poor connections remain, pedestrians are not encouraged to flow between the sites, economic potential is not maximised.	3	4	12	Identify funding from private and public sources that can assist with delivery.

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

5.0 FINANCIAL IMPLICATIONS:

5.1 The cost of undertaking the work to develop the detailed improvement proposals is £7,300 and this will be taken from the Economic Development Fund Vibrant Market Town Theme.

5.2 Delivery costs of the improvement proposals will be sought from external sources.

6.0 LEGAL IMPLICATIONS:

6.1 There are no legal implications in relation to developing the improvement scheme proposals.

7.0 EQUALITY/DIVERSITY ISSUES:

7.1 All improvement scheme proposals will be fully accessible to ensure there are no equality and diversity issues.

8.0 RECOMMENDATION:

8.1 It is recommended that improvement schemes for Zetland Street, New Row and Central Arcade be worked up in more detail.

MICK JEWITT

Background papers: None

Author ref: MH

Contact: Mark Haynes
Business & Economy Officer
Direct Line No: 01609 767056

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GILLESPIES

FINAL OPTIONS PAPER

NORTHALLERTON CONNECTIONS

Alley Analysis Table

Image	Name	Type	Ownership	Use & Connection	Legibility	Appearance	Safety	Conclusions
	1. Black Bull	Coaching Yard	Public House Single ownership	Pub/coaching yard Informal walkway and parking Links High Street, pub & East Road. Does not provide a strong link to the prison site.	Clear yard entrance	Stone cart tracks, painted entrance, hanging baskets, Tarmac parking area, rear bin storage	Straight, broad route Active use Poor overlooking to rear	Important public link to north with good improvement potential
	2. Flag Yard	Alley	Unregistered	Alley walkway Links High Street & Elder Rd/nightclub PROW Does not provide a strong link to the prison site.	Unmarked narrow entrance	Poor surfacing & chain link boundaries	Narrow dog-leg route Provides poor visibility After-dark nightclub use adds to poor safety	Unsafe route -use to be discouraged
	3. Golden Lion	Coaching Yard	Public House Single ownership	Pub/coaching yard & seating area Informally connects High Street to East Road - no PROW Provides a strong link to the prison site.	Clear yard entrance Dog-leg doesn't clearly indicate through-route	Simple flags / tarmac surface attractive buildings overlooking throughout	Broad active route Provides safety	Important private link - but with limited opportunities for improvement
	4. Chapel Entrance	Alley	Tesco Unregistered	Alley walkway connects High Street & East Road including rear parking & servicing Provides a strong link to the prison site.	Unmarked narrow entrance from High Street Clear pedestrian route from East Road	Character buildings flags at front, parking & bins dominate rear area mature planting from East Road	Overlooked to rear Narrow entrance provides less safe feel Parking conflict Street lighting	Important public link, directly connecting to the site - with good improvement potential
	5. New Row	Yard/Alley	Tesco Adjacent business owners	Alley walkway Main pedestrian entrance to foodstore from East Road & car park Provides a strong link to the prison site.	Clear yard entrance from High Street Clear connection from East Road to foodstore	Comprehensive resurfacing breeze block wall graffiti, litter bin	Very busy route Street lighting	Busy public link to south with opportunity for improvement - with local businesses
	6. Regency Mews	Alley & Mews	Multiple private owners	Walkway to mews shops and Tesco / car park Connects with New Row Does not provide a strong link to the prison site.	Attractive entrance from High Street Active entrance from car park	Attractive entrance, well maintained, adjacent buildings, block paved	Narrow but busy route with active uses Wall mounted lighting	Attractive secondary link connected to New Row - limited opportunities for improvement



Route has high potential



Route has potential



Route does not have potential

5. ZETLAND STREET PROPOSALS

Option 1



A clean symmetrical design with increased footpath widths and tree planting.

Key features:

- Improved pavement widths (by approx. 1m either side)
- Carriageway narrowed to two lane 5m road – single track at bus stop
- Clean symmetrical design incorporating paved taxi bays, disabled parking and bus stop
- Setted entrances to back yards off Zetland Street
- Semi-mature tree planting softens the street and gives it an appealing character
- Potential development sites either side of Zetland Street – East Road junction

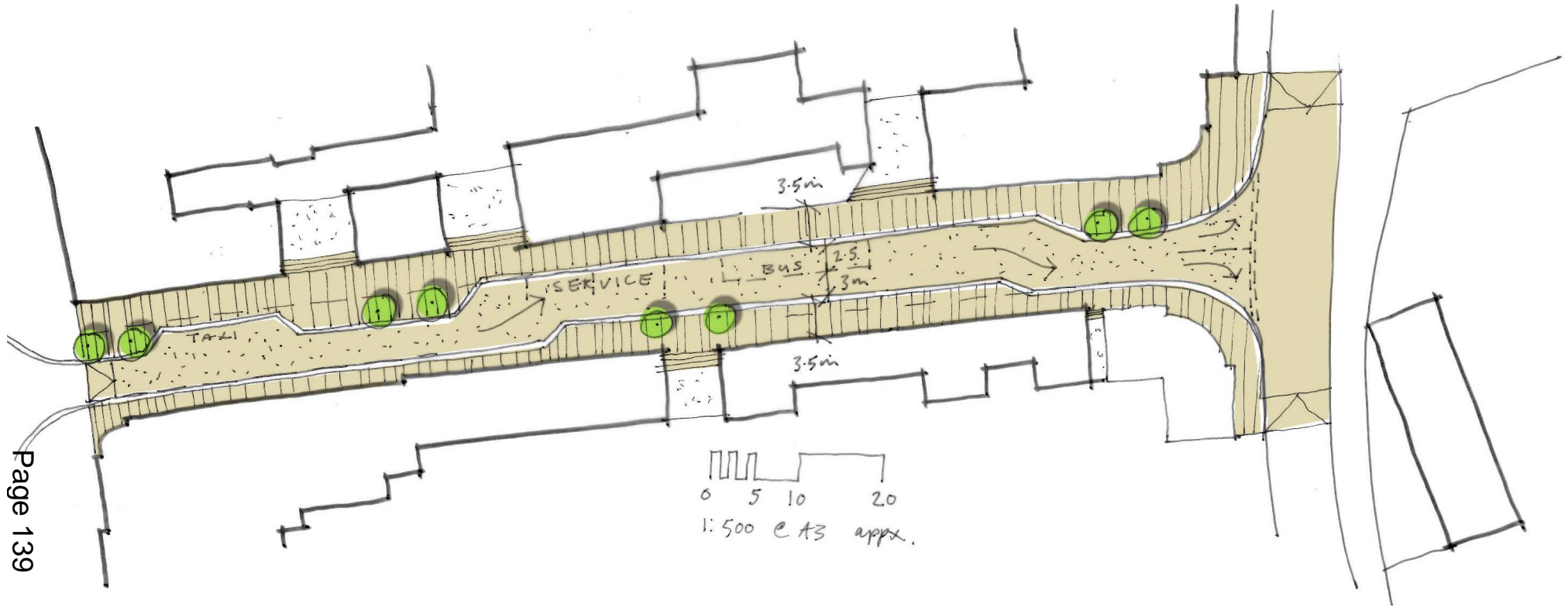
Challenges:

- Traffic volumes and loss of service/short stay parking
- ***Bus standards taken from London guidance***
- ***Paving widths too narrow on both sides of the road ; pinch points measuring 1.63 and 1.68m***
- ***Loss of 4 parking bays***



High quality materials,
Castle Street, Edinburgh

Option 2



Page 139

A design using staggered kerb alignments to calm traffic

Key features:

- Improved pavement widths in parts
- Carriageway narrowed to 5.5m road with single track section outside J. Cornish gallery
- Taxi bays, service parking and bus stop incorporated
- Setted entrances to back yards off Zetland Street
- Tree planting softens the street and reinforces the visual axis along Zetland Street
- Potential development sites either side of Zetland Street – East Road junction

Challenges:

- Traffic volumes and loss of disabled parking bays



Narrowed carriageway, Poynton

Option 3

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- Street Trees
- Pleached Trees
- Planter
- Bus Shelter
- Cycle Stands
- Bins
- Benches
- Paving (possibly sandstone)
- Kerb
- Road Surface (possibly coloured bitmac)
- Setts (possibly porphyry)
- Setts By Entrances
- Existing Kerb Line



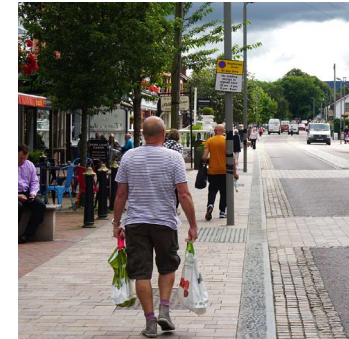
A clean design significantly narrowing the carriageway to one lane

Key features:

- Improved pavement widths (between 1 and 2 metres) particularly at J. Cornish Gallery and the shops opposite
- Carriageway narrowed to one 3.5m lane widening to two lanes at East Road
- Paved taxi bays, service parking/service bays and bus stop incorporated
- Pleached tree planting formalises the visual axis along Zetland Street
- Potential development sites either side of Zetland Street – East Road junction

Challenges:

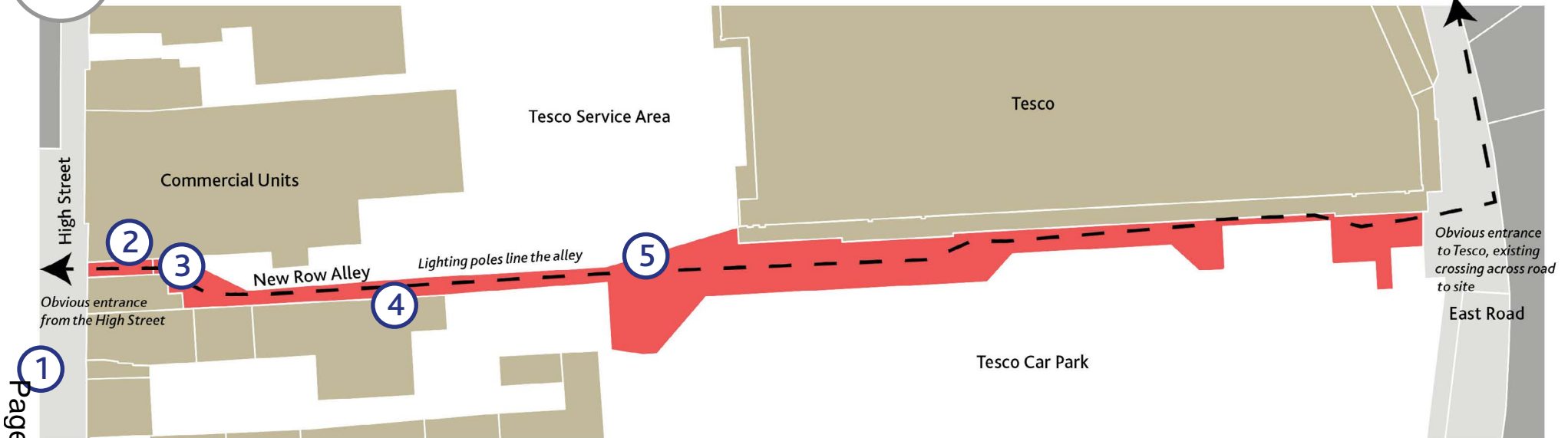
- Traffic volumes on single lane road formal tree arrangement and utilities
- *Bus standards taken from London guidance*
- *Paving widths too narrow on southern side of road; pinch point measuring 1.46m, however parking bay could be removed*
- *Loss of 1 parking bay*



Options for materials;
asphalt and natural stone

5

New Row



Page 142

0m 5m 10m 15m 20m 25m

— — — Pedestrian Route

Alley

- New Row is a long and narrow route with a distinctive coaching gateway to the High Street.
- It is the main pedestrian access from the High Street to Tesco at the rear and the route is well used and clear towards East Road.
- Materials are poor, made up primarily of tarmac, flag paving and a breeze block wall.
- The route can feel threatening because of the poor lighting, narrowness, graffiti and boarded up windows in places.
- New Row is a very important direct link to the site and has potential for improvement, given its constant use.



1



2



3



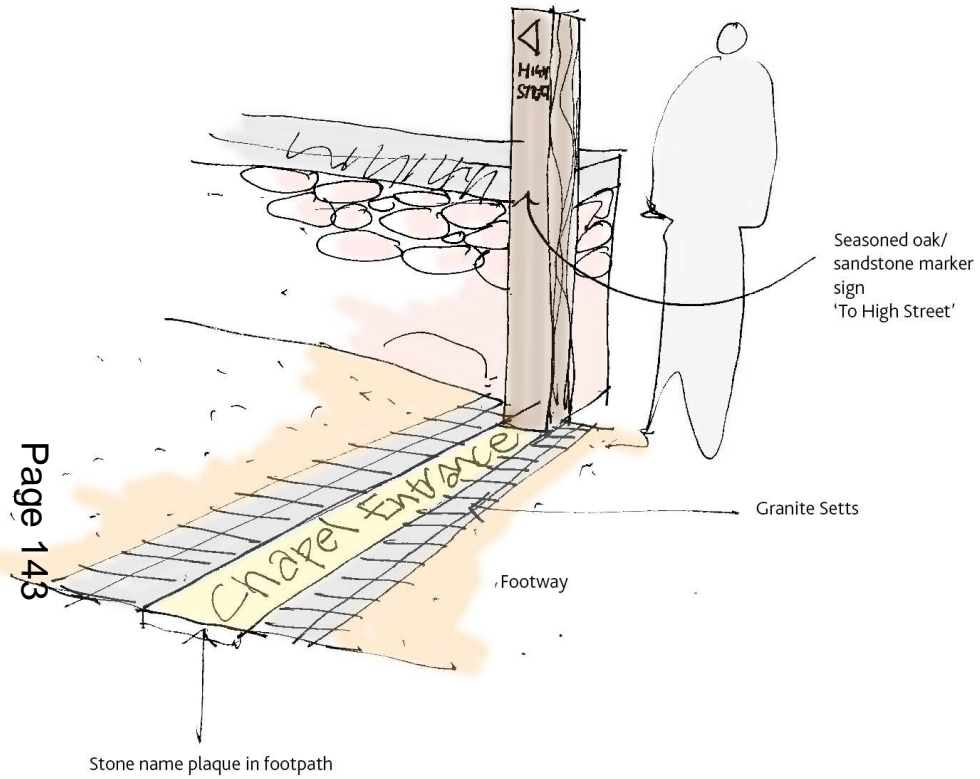
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5

GILLESPIES

'Back Door' Concept



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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: **DISCRETIONARY BUSINESS RATE RELIEF POLICY**

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

1.0 PURPOSE

- 1.1 To consider the revised Discretionary Rate Relief Policy (DRRP) effective from 1st April 2017 for approval at Council on 21 February 2017.
- 1.2 In order for the revised Discretionary Rate Relief Policy to be introduced from 1 April 2017, all businesses have been informed prior to 1 April 2016, 1 year in advance, that the current DRRP will be revoked.

2.0 BACKGROUND

- 2.1 The power for granting discretionary rate relief is provided in Section 47 of the Local Government Finance Act 1988 which has been amended by subsequent powers which allows the Council to grant relief under local discretion.
- 2.2 The Council has discretionary powers to grant discretionary rate relief to organisations to a maximum of 100% of the business rate liability. Those organisations in receipt of mandatory relief (Mandatory relief is available to charities and other not for profit organisations, including registered amateur sports clubs, who can apply for up to 80% where the property is occupied by the charity or club and is wholly, or mainly, used for charitable purposes, or as a registered community amateur sports club) can apply for 'top up' discretionary relief on the remaining business rates liability up to a maximum of 20%.
- 2.3 Once awarded the Council is committed financially and a decision can only be revoked following notice by the authority advising when the discretionary rate relief will end. The council is required to give 1 years notice. Ratepayers who currently receive discretionary rate relief received notice before 1 April 2016 that they would be required to renew their applications with effect from 1 April 2017 as the Council was considering reviewing its policy.
- 2.4 A priority of the discretionary rate relief policy is to support local and voluntary organisations and the aims of any organisation should support one or more of the Council's corporate priorities.
- 2.5 The council currently awards discretionary relief of £ £98,818 to 165 charities including shops and amateur sports clubs and other non for profit organisations such as village halls. Details of the awards are shown in the table below:

Rate relief type	Total amount of discretionary rate relief granted 2016/17 £	No of awards	Average award £	Range of awards
'Top up' rate relief (0%-20%)	73,394	156	470.47	£9.46 to £10,034
Discretionary Rate relief (0%- 100%)	25,424	9	2824.58	£736 to £6,057

2.6 Ratepayers who wish to receive discretionary rate relief must complete an application form and provide supporting evidence setting out their organisations aim and purpose along with annual accounts and reports showing achievements and the financial standing of the company. Discretionary rate relief awards are made using a range of criteria where each application will be reviewed on an individual basis under the Discretionary Rate Relief Policy and the outcome considered.

2.7 The Discretionary Rate Relief Policy for 1 April 2017 is attached at Annex A. It is based on the previous Discretionary Rate Relief Policy and also includes the:

- Increased emphasis on links to the Councils corporate aims and objectives
- Consideration of the organisations financial reserves
- Renewals of discretionary rate relief to be every 3 years

3.0 LINK TO COUNCIL PRIORITIES:

3.1 Discretionary Rate Relief awarded to businesses results in a decrease in the amount of business rates income that is collected. Business rates income is one of the funding streams of the Council which supports the budget and the overall aims and objectives of the Council.

4.0 RISK ASSESSMENT:

4.1 There are no major risks associated with approving the recommendation.

5.0 FINANCIAL IMPLICATIONS:

5.1 The cost of awarding Discretionary Rate Relief is included with in the Collection Fund accounts. The cost is split between Central Government (50%), Hambleton District Council (40%), North Yorkshire County Council (9%) and Fire (1%).

5.2 Using the above split the costs of the current awards to each preceptor and would be Central Government £49,409, Hambleton Council £39,527, North Yorkshire Council £8,894 and Fire £988

6.0 LEGAL IMPLICATIONS:

6.1 The Discretionary Rate Relief Policy reviews each application on an individual basis. It is necessary to consider each case on its own merits so that the Council does not fetter its discretion or act ultra vires to its powers, this will ensure that the Council's approach is lawful.

7.0 EQUALITY/DIVERSITY ISSUES:

7.1 There are no specific equality implications to this report.

8.0 RECOMMENDATIONS:

8.1 That Cabinet approves and recommends to Council that the Discretionary Rate Relief Policy be adopted.

LOUISEBRANFORD-WHITE
DIRECTOR OF FINANCE (S151 Officer)

Background papers: None

Author ref: LBW

Contact: Louise Branford-White
Director of Finance (s151 Officer)
Direct Line No: (01609) 767024

Policy for the Determination of Discretionary Business Rate Relief Applications from Charities, Community Amateur Sports Clubs and Not for Profit Organisations

The Council has discretionary powers to grant relief to organisations to a maximum of 100% of the business rate liability. Those organisations in receipt of mandatory relief can apply for 'top up' relief on the remaining business rates liability up to a maximum of 20%.

The Council's priority is to support local voluntary and community sector organisations and clubs that contribute to one or more of the Council's corporate priorities for local people. By voluntary and community sector organisations we mean non-governmental, community-based organisations which are value driven (their values arise from the community) and which reinvest their surpluses for further social, environmental or cultural objectives.

The Council believes that organisations should be encouraged to be financially independent.

Eligibility

Applications for discretionary relief are welcomed from organisations which are not established or conducted for profit. Their aims should be charitable or otherwise philanthropic or religious, or be concerned with education, social welfare, science literature or the fine arts. Relief may also be awarded when a property is used for recreation and is occupied by a club, society or other organisation not established or conducted for profit.

All applications will be considered on its individual merits.

Applications

Applications must be made by the ratepayer or a person with the authority to act on behalf of the organisation. The Council's application form must be completed.

Relief will be granted for a maximum of 3 years subject to there being no material change to the aims and objectives of the organisation. After which a fresh application is required for renewals of awards together with updated accounts.

Application forms for Discretionary Relief, must be supported with the following evidence:

- (i) Copy of the Governing Document setting out the organisation's purposes and how the organisation is administered. (This can be in one of several different forms including a Trust Deed, Constitution, Memorandum and Articles of Association, Will, Conveyance, Royal Charter, Scheme of the Charity Commissioners, or the Rules of the Organisation.)
- (ii) Copies of the organisation's Annual Reports (containing a brief summary of the main activities and achievements of the organisation) for the last 2 years.
- (iii) Copies of the organisation's Annual Accounts including Balance Sheet for the last 2 years.

It is the responsibility of the organisation or person applying for rate relief to provide sufficient information and documentary evidence to support their applications.

Where information is not provided this will result in an application being deferred for 30 working days, after which the application will be deemed to be withdrawn if the information has not been received.

Factors Taken into Account

The following factors for determining relief are not intended to be a rigid set of rules, neither are all the guidelines applicable to every organisation. Each case will be judged on its merits taking into account the contribution which each organisation / business makes to the District's amenities and its residents' lifestyles and well being.

Access / Membership

The Council will consider the importance of the organisation to the local community. For example

- Does the organisation provide a benefit to the community
- Would the organisations absence have a detrimental effect on the community

Whilst the Council accepts that organisations provide a valuable facility or service it must be remembered that any relief granted is partially funded by the local council tax payer and as such consideration will be given to the percentage of members/ users of the facility who reside in the district

- (a) Is the membership open to all sections of the community? If not, are there legitimate reasons for restriction, for example, capacity of the facility is limited?
- (b) How many members are there and are the majority residents of the district?
- (c) Are membership rates set at such a level that allows access to the wider community.
- (d) Does the organisation actively encourage membership from particular groups in the community which, in the authority's opinion, particularly deserve support?
- (d) Are the facilities made available to people other than club members, for example, schools, youth groups etc.?
- (e) Is the organisation affiliated to local or national organisations?

Financial criteria

The Council must consider the importance of the organisation to the local community. Two years accounts are required to support each application. The figures used to determine eligibility will normally be an average of the last two years to establish the overall financial stability of the organisation.

Information will be drawn from the audited balance sheet. Where this is not available, copies of bank statements with a profit and loss position must be provided.

The level of reserves should be examined. If the reserves held are restricted and evidence of this with an explanation of how the reserves will be used is provided, this factor will be taken into consideration.

Where an organisation is struggling financially, questions should be asked about the level of membership fees and other charges, i.e. are they realistic compared to those charged by similar organisations.

The council is keen to see that clubs and organisations are trying to be self sufficient where possible. Whilst income can be received from external grants, charging subscriptions and fund raising events can raise income.

Where an application is a renewal only the most recent years accounts will be needed as the previous accounts will be on file.

Provision of facilities

The council wishes to see facilities provided that compliment its own or facilities that the council itself does not provide as this will contribute to providing opportunity and access to as wide a group as possible.

Organisations/ clubs are encouraged to have facilities/ workshops/ training etc. which supports disadvantaged and under represented groups regardless of gender, race, sexual orientation and religion

Some sporting clubs have licensed bars which are open to participating and non participating club members. Consideration will be given to whether the facility is ancillary to the main aims of the organisation and how the organisations income /profits are used to fund facilities and activities of the organisation

Sports Clubs

Is the club eligible to register as a Community Amateur Sports Club and has an application been made ?

If it appears from these answers that a club is prima facie eligible, but won't apply for CASC status, this will be taken into consideration in deciding on the level of discretionary relief: it is recognised that, for very small clubs, the administration involved in applying may outweigh the benefits, though there are other tax advantages.

Community Interest Companies

Is the organisation eligible to register as a Community Interest Company and has it done so?

If it appears from these answers that an organisation is prima facie eligible, but won't apply for incorporation as a CIC, this will be taken into consideration in deciding on the level of discretionary relief: it is recognised that, for very small organisations, the administration involved in applying may outweigh the benefits.

Charity Shops

Where the application is in respect of a charity shop, the following are also taken into consideration:

- (a) the level of turnover;
- (b) the amount of non-donated goods for sale;
- (c) any other use of the premises, for example, does the shop also provide advice, or a meeting place for those that it seeks to help?

Strategic intent

The Council's vision is for Hambleton to be a place to grow, be healthy and be prosperous. The Council Plan sets out the key priorities for delivering this vision. The discretionary rates relief policy will work within these priorities as identified in the Council Plan by supporting the work of charities and not for profit organisations that work with Hambleton residents and encourage prosperity.

Each application will be considered to ensure the following is supported:

1. Driving economic prosperity
Hambleton will be a place where all business, new and old a can grow and be prosperous, alongside thriving market towns. Establish links with education
2. Enhancing health and Wellbeing
Hambleton will be a place where community health facilities, activities, events and interventions are provided and supported to improve the health and well being of residents
3. Caring for the environment
Hambleton will improve the efficiency of its waste collections and recycling to reduce the Councils carbon footprint year on year
4. Providing a special place to live
Hambleton will be a place where a diverse mix of housing types ensures that homes are affordable to all that need them and communities have a sense of identity and residents are able to live in the district independently

Appeals

There is no statutory right of appeal against a decision made by the Council in respect of Discretionary Rate Relief. However, an independent officer will review the case where it is believed that the policy has not been applied correctly. The applicant will be allowed to submit in writing additional or new information/evidence to support the application. The right of appeal process does not affect a ratepayer's legal right to challenge the decision by way of a judicial review

If an unsuccessful applicant requests an appeal, they will still need to continue to pay their rates bill. Once the appeal has been heard, the ratepayer will be informed, in writing, of the decision.

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of the Local Government Act 1972.

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