

# Public Document Pack

**HAMBLETON**  
DISTRICT COUNCIL

## AGENDA

Committee Administrator: Democratic Services Officer (01609 767015)

Friday, 23 August 2019

Dear Councillor

### NOTICE OF MEETING

Meeting **CABINET**  
Date **Tuesday, 3 September 2019**  
Time **9.30 am**  
Venue **Council Chamber, Civic Centre, Stone Cross, Rotary Way, Northallerton, DL6 2UU**

Yours sincerely

*J. Ives.*

Dr Justin Ives  
Chief Executive

<b>To:</b>	Councillors	Councillors
	M S Robson (Chairman)	Mrs I Sanderson
	P R Wilkinson (Vice-Chairman)	S Watson
	Mrs B S Fortune	D A Webster

Other Members of the Council for information

## **AGENDA**

### **Page No**

#### 1. MINUTES

To confirm the decisions of the meeting held on 2 July 2019 (CA.6 - CA.10), previously circulated.

#### 2. APOLOGIES FOR ABSENCE

#### Resources Management

#### 3. 2019/20 Q1 CAPITAL MONITORING AND TREASURY MANAGEMENT REPORT 1 - 22

This report provides the Quarter 1 update at 30 June 2019 on the progress of the capital programme 2019/20 and the treasury management position. A full schedule of the capital programme 2019/20 schemes is attached at Annex A of the report, together with the relevant update on progress of each scheme.

In accepting the recommendations, Cabinet will approve and recommend to Council the net decrease of £1,987,222 in the capital programme to £42,329,484 as detailed in Annex B and also in the capital programme attached at Annex A of the report; the increase of capital expenditure is funded from earmarked reserves at £3,910,983 where £145,645 is funded from capital receipts, £228,950 is from the Computer Fund and £3,536,388 is from external grants/contributions; the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2 of the report; the Council agrees to the Set-Off Agreement with Lloyds Bank Plc and that the Section 151 Officer is designated as the Proper Officer of the Council to sign the contract once Cabinet approval has been received as in paragraph 4.6 of the report and the treasury management and prudential indicators at Annex E of the report.

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

#### 4. 2019/20 Q1 REVENUE MONITORING REPORT 23 - 30

This report provides an update on the revenue budget position of the Council and the reserve funds at the end of June 2019.

In accepting the recommendations, Cabinet will approve and recommend to Council that the budget remains at £9,085,870 as detailed in paragraph 3.2 of the report; the total movement of the Economic Development Fund of £3,620 at paragraph 7.3 of the report to be allocated and to note that the Economic Development Fund remaining balance to be allocated at paragraph 7.4 of the report is £548,802; the allocation from the Council Tax Payers Reserve at paragraph 7.5 of £1,510,000; the allocation from the One Off fund at paragraph 7.6 of £257,280; the allocation from the Repairs and Renewal Fund at paragraph 7.9 of £50,000; and to note the waiver of procurement rules at paragraph 8.2 of the report.

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

#### 5. COMMERCIAL PROPERTY PORTFOLIO 31 - 56

In January 2019, Cabinet approved the creation of a Commercial Property Portfolio in principle, subject to the development and approval of an investment strategy. This report seeks approval to acquire properties in line with the investment strategy and governance arrangements.

In accepting the recommendations, Cabinet will approve and recommend to Council that the investment strategy is approved; authority is delegated to the Chief Executive to set up a wholly owned company for the purposes of acquiring and managing

investment properties and to appoint legal and financial advisors in line with the Council's procurement rules; to appoint Lambert Smith Hampton as property advisors and property managers; in consultation with the Portfolio Holder for Economic Development and Finance to make minor amendments to the Investment Strategy that may be necessary; and authority is delegated to the S151 Officer for the financing of the commercial property portfolio.

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

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| 6. | COUNCIL PLAN 2019-2023 | 57 - 74 |
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This report seeks approval for the new Council Plan 2019-2023 which demonstrates the Council's vision, purpose and priorities.

In accepting the recommendation, Cabinet will approve and recommend to Council the revised Council Plan 2019-23.

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

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| 7. | ANNUAL REPORT ON THE AUDIT, STANDARDS AND GOVERNANCE AND STANDARDS COMMITTEE'S ACTIVITIES FOR 2019/20 | 75 - 78 |
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This report presents a report which analyses the work undertaken by the Audit, Governance and Standards Committee up to 31 March 2019. An analysis of the work undertaken is attached at Appendix A.

In accepting the recommendation, Cabinet will endorse the report of the Audit, Governance and Standards Committee.

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

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| 8. | EXCLUSION OF THE PUBLIC AND PRESS |
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To consider passing a resolution under Section 100A(4) of the Local Government Act 1972 excluding the press and public from the meeting during consideration of items 9, 10 and 11 on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1, 2, 3 and 4 of Part 1 of Schedule 12A to the Act.

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| 9. | CREMATORIUM | 79 - 86 |
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This report sets out the business case for the development of a crematorium and seeks support for the project.

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

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| 10. | HOMELESSNESS PREVENTION SERVICES | 87 - 90 |
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This report provides an update on changes to the support service to homeless people in Hambleton.

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

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| 11. | COMMUNITY HOSPICE FOR HAMBLETON | 91 - 98 |
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This report seeks approval for the disposal of Lambert Hospital.

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

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## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
3 September 2019

**Subject:** **2019/20 Q1 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 1 update at 30 June 2019 on the progress of the capital programme 2019/20 and the treasury management position. A full schedule of the capital programme 2019/20 schemes is attached at Annex A, together with the relevant update on progress of each scheme.
- 1.2 Capital expenditure is intrinsically linked with treasury management as the way that the capital programme is funded, directly affects the treasury management arrangements of the Council. The majority of the Council's capital expenditure is funded by grants, capital receipts, reserves and borrowing. The use of the Council's funds affects the daily treasury management cash flow position, as well as the requirement to investment surplus funds.

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

- 2.1 The 2019/20 capital programme was approved by Cabinet on 12 February 2019 at £43,883,526. At 2018/19 outturn, £433,180 capital expenditure was carried forward in to the new financial year revising the capital programme 2019/20 to £44,316,706.
- 2.2 A breakdown of the movement in the revised capital programme in 2019/20 is as follows:

<b>Portfolio</b>	<b>Original 2019/20 £</b>	<b>2018/19 carried forward £</b>	<b>Revised 2019/20 £</b>
Leisure & Communities	348,642	13,671	362,313
Environment	232,650	9,455	242,105
Economy & Planning	2,607,678	142,451	2,750,129
Finance & Commercial	415,469	165,776	581,245
Economic Development Fund	277,887	40,339	318,226
Corporate Schemes	40,001,200	61,488	40,062,688
<b>Total</b>	<b>43,883,526</b>	<b>433,180</b>	<b>44,316,706</b>

Table 1: Capital Programme 2019/20

- 2.3 At this Quarter 1 monitor, a net decrease to the capital programme of £1,987,222 results in a total revised capital programme of £42,329,484.
- 2.4 The net decrease of £1,987,222 to be approved in this report is detailed in Annex B and is made up of:-
- a) increase in expenditure of £374,595 supported from Council reserves;
  - b) decrease in capital expenditure of £2,391,205 due reduced expenditure of £275,698 for the Treadmills Phase 1 scheme. In addition, a reduction for Ground Source Heat Pumps

scheme of £1,913,200 is requested due to scheme no longer taking place. Disabled Facilities Grant contribution funded from Hambleton District Council of £202,307 is requested to be return to fund due to changes to internal policy.

- c) roll forward of £3,507,000 for the CRM/Mitel Telephony Integration scheme of £7,000 and Treadmills Phase 1 project of £3,500,000 to 2020/21;
- d) external funding - increase in expenditure of £3,536,388 for Disabled Facilities grant of £77,134 due additional grant funding received, £3,160,893 for the Northallerton Connections scheme funded from Local Enterprise Partnership (LEP) funding and increase in expenditure of £180,000 for Thirsk & Sowerby Sports Village and Bedale Bridge and Cycle scheme of £118,361 which are both being funded from Section 106 Agreements;

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

Portfolio	Current Approved Expenditure £	Revised Expenditure Q1 £	Variance Increase/ (decrease) £	Request for additional funding £	Funding no longer required £	Request of roll forward to 2020/21 £	External Funding £
Leisure & Communities	362,313	581,313	219,000	39,000	-	-	180,000
Environment	242,105	342,105	100,000	100,000	-	-	-
Economy & Planning	2,750,129	5,910,855	3,160,726	6,645	(202,307)	-	3,356,388
Finance & Commercial	581,245	803,195	221,950	228,950	-	(7,000)	-
Economic Development	318,226	318,226	-	-	-	-	-
Fund Corporate Schemes	40,062,688	34,373,790	(5,688,898)	-	(2,188,898)	(3,500,000)	-
<b>Total</b>	<b>44,316,706</b>	<b>42,329,484</b>	<b>(1,987,222)</b>	<b>374,595</b>	<b>(2,391,205)</b>	<b>(3,507,000)</b>	<b>3,536,388</b>

Table 2: Capital Programme Q1 2019/20

- 2.6 To 30 June 2019 capital expenditure of £553,653 had been incurred or committed representing 4% of the revised Quarter 1 capital programme position of £12,329,484 when the Property Fund of £30m is excluded. At Quarter 1 many of the schemes are at stages of design, planning, development or have started on site. It is expected that the capital programme will come in on target at the end of the financial year.
- 2.7 The proposed changes to the Capital Programme, which require approval by this Cabinet, are detailed for each of the 4 portfolio areas, the Economic Development Fund and the Corporate Schemes at Annex B.

### 3.0 FUNDING THE CAPITAL PROGRAMME:

- 3.1 For 2019/20, at Quarter 1, the capital programme of £42,329,484 is being funded from £34,312,302 of external borrowing, £4,650,478 of external grants/contributions, £1,751,754 of Capital Receipts , £803,195 from the Computer Fund, £322,300 from the Council Tax

Payers Reserve, £318,226 from the Economic Development Fund, £87,368 from Revenue contributions and £83,861 from the Repairs and Renewals Reserve.

- 3.2 The external grant funding is higher than original estimated by £3,536,388. This is as a result of an increase of £77,134 for the Disabled Facilities Grant Scheme funded from the Better Care Fund due to more grant being received than first anticipated. In addition, £180,000 for Thirsk & Sowerby Sports Village and £118,361 for Bedale Bridge and Cycle scheme of s106 agreements have been received. Finally, a contribution of £3,160,893 from the Local Enterprise Partnership (LEP) has been allocated in regards to the Northallerton Connections scheme.
- 3.3 The capital receipts estimated to be received during 2019/20 is £240,000.
- 3.4 Therefore at year end in accordance with accounting practice the capital programme will be financed using all available in year funding prior to using the Council's capital reserves. At Quarter 1 it is estimated that £1,511,754 of reserve funding will be used.
- 3.5 The overall funding position continues to be closely monitored to ensure the overall capital programme remains affordable and sustainable over the 10 year approved capital plan.
- 3.6 It should be noted that the report reflects the capital programme position as if approval has been agreed by Cabinet. This is detailed in the recommendations below.

#### **4.0 TREASURY MANAGEMENT POSITION 2019/20**

- 4.1 The Treasury Management review at Quarter 1 2019/20 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 investment position at Quarter 1, 30 June 2019 was a balance of instant access funds of £330,000 with an average interest rate return of 0.73%.
- 4.3 The interest received from the investment in 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. However the Interest earned in the first quarter from the £35,000,000 loaned to the Local Housing Association is £368,690
- 4.4 At Quarter 1, one new temporary loan was taken from a local authority for cashflow purposes. £1,000,000 was borrowed from 24<sup>th</sup> May 2019 to 3 June 2019 at a rate of 0.90%. The long term loans taken from the Public Works Loan Board are still outstanding at £12.7m. One loan with an interest rate of 1.05% will be repaid on 5<sup>th</sup> September 2021. £9,000,000 is due to be repaid on 7<sup>th</sup> March 2069 and has a rate of 2.45% and £2,500,000 has a maturity date of 25<sup>th</sup> March 2064 and has a rate of 2.24%.
- 4.5 The Council has operated within the treasury and prudential indicators set out at Annex E. The approved limits were not breached during the first three months of 2019/20.
- 4.6 The Council has a banking contract with Lloyds Bank Plc from 1 April 2017 for seven years plus the option of an additional three years. Lloyds provide services for seven accounts

within the Council including the day to day payments and income accounts as well as separate election accounts. As part of the contract, the Council uses a set off agreement which gives the Bank the legal right to off-set or transfer credit balances between accounts held with the bank i.e. they have the right to set-off credit balances in one account against debit balances in another account. Lloyds Bank Plc has now requested that this arrangement is agreed in writing between the Council and Lloyds Bank Plc and for the Section 151 Officer, who is to be the designated Proper Officer of the Council, to sign the Set Off Agreement once Cabinet approves the contract to be signed.

## **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 the income earned on investments or reduced interest paid on borrowing contributes to the Council's funding position which supports 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 first Quarter of 2019/20 are the disabled facilities grant scheme and disabled access to the Civic Centre.

## **10.0 RECOMMENDATIONS:**

- 10.1 Cabinet approves and recommends to Council that:-
  - (1) the net decrease of £1,987,222 in the capital programme to £42,329,484 as detailed in Annex B and also in the capital programme attached at Annex A;
  - (2) the increase of capital expenditure is funded from earmarked reserves at £3,910,983 where £145,645 is funded from capital receipts, £228,950 is from the Computer Fund and £3,536,388 is from external grants/contributions;
  - (3) the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2;



- (4) The Set-Off Agreement with Lloyds Bank Plc and that the Section 151 Officer is designated as the Proper Officer as in paragraph 4.6; and
- (5) the treasury management and prudential indicators at Annex E.

LOUISE BRANFORD-WHITE  
DIRECTOR OF FINANCE (S151 OFFICER)

**Background papers:** Capital programme working papers Qtr1  
Treasury Management working papers Qtr1

**Author ref:** SC

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Councillor / Officer	Capital Scheme	Budget 2019/20	2018/19 B/Fwd	Total 2019/20	Qtr 1	Budget Approved at Qtr 1	Third Party Cont	Third Party Cont Qtr 1	Cost to the Council £	Expenditure at 30/06/2019	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Explanation
		£	£	£	£	£	£	£	£	£	£	£	£	
<b>Cllr Fortune</b>	<b>Leisure &amp; Communities</b>													
	NLC - Internal Painting		3,861	3,861		3,861			3,861	1,270	3,861	-	-	Work not yet scheduled.
	NLC - Spinning Bikes			-	14,000	14,000			14,000		14,000	14,000	14,000	Request of £14,000 for enhanced spinning bike equipment. Implementation programme currently being reviewed.
	NLC - Pool Tank Tiles	20,000		20,000		20,000			20,000		20,000	-	-	Scheme to be revised. NLC flume condition report has identified priority works.
	NLC - Flat Roof Enhancement			-	10,000	10,000			10,000		10,000	10,000	10,000	Quotation received to refurbish the leaking roof above the new consultation room, work to be delivered in Quarter 2
	SLC - Re-design of Reception Area	33,900	-	33,900		33,900			33,900		33,900	-	-	Work to be programmed as part of a series of improvements at the centre.
	SLC - AWP Improvements	10,000		10,000		10,000			10,000		10,000	-	-	Work to be programmed as part of a series of improvements at the centre.
	SLC - Activity Room	20,000		20,000		20,000			20,000		20,000	-	-	Work to be programmed as part of a series of improvements at the centre.
	SLC - Underwater Detection System	60,000		60,000		60,000			60,000		60,000	-	-	Project group in place, scheduled for delivery in Quarter 3
	BLC - Water Pumps	10,000		10,000		10,000			10,000		10,000	-	-	Work not yet scheduled.
	BLC - Gym Floor	6,000		6,000		6,000			6,000		6,000	-	-	Quotation received, work to be delivered in Quarter 2
	SLC & T&SLC - Shower Areas	10,000		10,000		10,000			10,000		10,000	-	-	Work not yet scheduled. A programme will be developed to link with other work at SLC and T&SLC
	T&SLC - Feasibility Study			-	15,000	15,000			15,000		15,000	15,000	15,000	Request of £15,000 to enable feasibility work to be undertaken for the facility.
	Gym Equipment Refresh	24,000		24,000		24,000			24,000		24,000	-	-	Work not yet scheduled.
	All Leisure Centres - Pool Plant Equipment Replacement	27,333	3,600	30,933		30,933			30,933		30,933	-	-	Work currently being planned and scheduled for delivery throughout the year.
	All Leisure Centres - Energy Management	9,409	591	10,000		10,000			10,000		10,000	-	-	Work not yet scheduled.
	All Leisure Centres - Pool access		5,619	5,619		5,619			5,619		5,619	-	-	Work not yet scheduled.
	All Leisure Centres - (except NLC) Gym Equipment	48,000		48,000		48,000			48,000		48,000	-	-	Work not yet scheduled.
	Thirk & Sowerby Sports Village	70,000	-	70,000	180,000	250,000	70,000	180,000	-	82,251	250,000	180,000	-	Request of an additional £180,000 for the ongoing scheme which is funded by s106.
	<b>Total Scheme Value Leisure &amp; Communities</b>	<b>348,642</b>	<b>13,671</b>	<b>362,313</b>	<b>219,000</b>	<b>581,313</b>	<b>70,000.00</b>	<b>180,000.00</b>	<b>331,313</b>	<b>83,521.33</b>	<b>581,313</b>	<b>219,000</b>	<b>39,000</b>	
<b>Cllr Watson</b>	<b>Environment</b>													
	Purchase of bins and boxes for refuse and recycling	60,000	7,799	67,799		67,799	10,000		57,799	10,150	67,799	-	-	Ongoing programme with the budget estimated to be spent by end of March 2020.
	Waste and Street Scene - Telematics	12,050	-	12,050		12,050			12,050		12,050	-	-	This is now being included in a wider digital depot scheme which is part of a council's digitalisation programme. Currently looking at options with a management team report due at the end of July.
	Northallerton Depot - Improvement scheme	-	-	-	96,000	96,000			96,000		96,000	96,000	-	Improvements to the Depot of £45,000 for HGV Roof replacement, £15,000 of security improvements, £21,000 for condition survey repairs at Bridge End House and £15,000 for Darlington Road Depot has been combined as once scheme for Northallerton Depot Improvement scheme totalling £96,000
	Northallerton Depot - HGV Full Roof Replacement	45,000	-	45,000	(45,000)	-			-	-	(45,000)	-	-	Improvements to the Depot of £45,000 for HGV Roof replacement, £15,000 of security improvements, £21,000 for condition survey repairs at Bridge End House and £15,000 for Darlington Road Depot has been combined as once scheme for Northallerton Depot Improvement scheme totalling £96,000
	Northallerton Depot External Works		4,917	4,917		4,917			4,917		4,917	-	-	Now part of the depot review currently being undertaken
	Northallerton Depot - Fleet Washers	11,600		11,600		11,600			11,600		11,600	-	-	Order being placed early July, installation due end of August.
	Northallerton Depot - Health & Safety & Security Improvements	15,000		15,000	(15,000)	-			-	-	(15,000)	-	-	Improvements to the Depot of £45,000 for HGV Roof replacement, £15,000 of security improvements, £21,000 for condition survey repairs at Bridge End House and £15,000 for Darlington Road Depot has been combined as once scheme for Northallerton Depot Improvement scheme totalling £96,000
	Stokesley Depot Welfare	20,000	(3,261)	16,739		16,739			16,739	1,741	16,739	-	-	Scheme complete awaiting invoices.
	Bridge End House - Condition Survey Urgent Repairs	21,000		21,000	(21,000)	-			-	-	-	(21,000)	-	Improvements to the Depot of £45,000 for HGV Roof replacement, £15,000 of security improvements, £21,000 for condition survey repairs at Bridge End House and £15,000 for Darlington Road Depot has been combined as once scheme for Northallerton Depot Improvement scheme totalling £96,000
	Darlington Road Depot - Condition Survey Urgent Repairs	15,000		15,000	(15,000)	-			-	-	(15,000)	-	-	Improvements to the Depot of £45,000 for HGV Roof replacement, £15,000 of security improvements, £21,000 for condition survey repairs at Bridge End House and £15,000 for Darlington Road Depot has been combined as once scheme for Northallerton Depot Improvement scheme totalling £96,000
	Fly Tipping Project Equipment Surveillance	21,000		21,000		21,000			21,000		21,000	-	-	Orders to be placed early July, to be completed by end of September
	WASS - Digital Depot System				100,000	100,000			100,000		100,000	100,000	100,000	Request of £100,000 for digital waste operations system which includes direct access to crew whilst undertaking rounds
	Dash Camera Small Fleet	12,000		12,000		12,000			12,000		12,000	-	-	All purchased, 2 mobile units on site, awaiting new vehicles to install remainder to be completed by end of November
	<b>Total Scheme Value Environment</b>	<b>232,650</b>	<b>9,455</b>	<b>242,105</b>	<b>100,000</b>	<b>342,105</b>	<b>10,000</b>	<b>-</b>	<b>332,105</b>	<b>11,892</b>	<b>342,105</b>	<b>100,000</b>	<b>100,000</b>	
<b>Cllr Mrs Sanderson</b>	<b>Economy &amp; Planning</b>													
	Public lighting replacement	36,000	(1,770)	34,230		34,230			34,230	15,456	34,230	-	-	Scheme progressing as scheduled.
	LED Lantern Replacement Scheme	112,000	(17,399)	94,601		94,601	31,130		63,471	48,930	94,601	-	-	Scheme progressing as scheduled.
	Air Conditioning - Legislation requirement	10,000	3,358	13,358		13,358			13,358		13,358	-	-	Scheme progressing as scheduled.
	Energy Efficiency (Market Assessment)	3,600	4,560	8,160		8,160			8,160		8,160	-	-	Scheme to progress at the end of year.

Councillor / Officer	Capital Scheme	Budget 2019/20	2018/19 B/Fwd	Total 2019/20	Qtr 1	Budget Approved at Qtr 1	Third Party Cont	Third Party Cont Qtr 1	Cost to the Council £	Expenditure at 30/06/2019	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Explanation
	Forum Atrium	10,000		10,000		10,000			10,000		10,000	-	-	Assessing options to improvement enhancement of atrium
	Facilities Lightening Protection	21,000		21,000		21,000			21,000		21,000	-	-	Contractor procured, scheme to start on various sites in Quarter 2 and Quarter 3
	World of James Herriot - External Enhancements	-	-	-	6,645	6,645			6,645	6,645	6,645	6,645	6,645	Additional works of £6,645 has been identified during enhancement in 2018/19 to the windows and roofing to insure weather tightness
	Civic Centre - External Woodwork Scheme - Dormers		8,735	8,735		8,735			8,735	7,394	8,735	-	-	The 2018/19 scheme is completed and working is undertaken to assess costs for additional work that has been identified. Additional capital spend is to be requested at Quarter 2.
	Civic Centre - External Woodwork Scheme - Stairwells		2,000	2,000		2,000			2,000	1,500	2,000	-	-	The 2018/19 scheme is completed and working is undertaken to assess costs for additional work that has been identified. Additional capital spend is to be requested at Quarter 3.
	Civic Centre/Northallerton Leisure Centre Increased Car Parking Provision		30,912	30,912		30,912			30,912	3,168	30,912	-	-	Procurement complete and works due to commence in Quarter 2.
	Civic Centre - Accommodation	50,000		50,000		50,000			50,000		50,000	-	-	Procurement in progress, works to commence in Quarter 2.
	Civic Centre - Roof Repairs	15,000		15,000		15,000			15,000		15,000	-	-	Procurement complete, work to commence in Quarter 2
	Car Park Reinstatements	50,000	52,127	102,127		102,127			102,127		102,127	-	-	Works to be scheduled in conjunction with Car Park improvement scheme.
	Car Park Improvement Scheme	550,000		550,000		550,000			550,000		550,000	-	-	Consultant support appointed and design works in progress. On-site project due to start in Quarter 3.
	Adoptions - Electric Bollards - Thirsk & Northallerton		31,558	31,558		31,558			31,558	634	31,558	-	-	First bollard installed in Thirsk Market Place, remaining bollard in Thirsk and Northallerton scheduled for Quarter 3 and 4.
	Bedale Gateway Car Park	521,710	-	521,710		521,710			521,710		521,710	-	-	Scheme is currently on hold and will be reviewed in Quarter 2
	Bedale Bridge and Cycle Scheme	387,205		387,205	118,361	505,566	335,000	118,361	52,205		505,566	118,361	-	Request of £118,361 increased budget due to additional s106 funding received of the same amount. New contractor appointed to review viable project options to be presented to the Council for direction during Quarter 2 2019/20
	St Mary's Closed Churchyard Wall Repairs		1,449	1,449		1,449			1,449		1,449	-	-	Works complete and awaiting final invoices.
	Boundary Signs	6,969	214	7,183		7,183			7,183		7,183	-	-	Quote awaited from Highway England for installation remaining two signs on A1 (M).
	Community Investment Scheme		3,146	3,146		3,146			3,146	455	3,146	-	-	Scheme to separate utilities from Community asset and health centre to commence in Quarter 2.
Cllr Wilkinson														
	Workspaces Health and Safety Aspects		6,663	6,663		6,663			6,663	398	6,663	-	-	Scheme to progress in year
	Workspaces - Lighting Improvements		6,043	6,043		6,043			6,043		6,043	-	-	Scheme to progress in year
	Workspace Renewal Scheme		1,570	1,570		1,570			1,570		1,570	-	-	Scheme to progress in year
	Workspace Risk Reduction Scheme	22,700		22,700		22,700			22,700		22,700	-	-	Scheme to progress in year
	Workspaces - Lift Works (LOLER)	6,000		6,000		6,000			6,000		6,000	-	-	Scheme to progress in year
	Workspaces - Air Con Refurbishments	6,000		6,000		6,000			6,000		6,000	-	-	Scheme to progress in year
	Northallerton Connections	-	-	-	3,160,893	3,160,893		3,160,893	-		3,160,893	3,160,893	-	Request of £3,160,893 for the design work at Zetland Street. Fully funded from grant contribution from Local Enterprise Partnership (LEP).
	Dalton Bridge Voluntary Contribution Business		8,566	8,566	-	8,566			8,566	2,075	8,566	-	-	Scheme to progress in year
Cllr Webster														
	Disabled Facilities Grant	799,494	719	800,213	(125,173)	675,040	597,906	77,134	-	63,958	675,040	(125,173)	(29,746)	Further grant allocation of £77,134 has been received for 2019/20. £84,577 to be returned to fund from Hambleton District Council's contribution after changes to internal policy. £95,427 has been transferred to revenue to support the capital projects and £22,303 is to be returned to fund.
Total Scheme Value Economy & Planning		2,607,678	142,451	2,750,129	3,160,726	5,910,855	964,036	3,356,388	1,590,431	150,612	5,910,855	3,160,726	(23,101)	
Cllr Mrs Sanderson	Finance & Commercial													
	ICT Improvements 2019/20	277,749	138,844	416,593		416,593			416,593	273,075	416,593	-	-	Projects ongoing: a major server upgrade was completed during Quarter 1 and phased purchasing of corporate hardware including PCs and laptops to continue through to Quarter 4.
	ICT - Civica Estore and Icon Upgrade V17.3/v18	57,950	5,310	63,260		63,260			63,260	-	63,260	-	-	Project initiation is ongoing with expected implementation during Quarter 3.
	ICT - Finance System	-	-	-	228,950	228,950			228,950	-	228,950	228,950	228,950	Request of £228,950 to procure new finance system
	Housing Benefits - Electronic Forms & CRM Portal	20,000		20,000		20,000			20,000	-	20,000	-	-	Scheme is progressing
	EHO - Management Information System (MIS)	52,770		52,770		52,770			52,770	-	52,770	-	-	Procurement underway through a Government framework with implementation due to start during Quarter 3.
	CRM/Mitel Telephony Integration	7,000		7,000	(7,000)	-			-	-	-	(7,000)	-	Request roll forward of £7,000 to 2020/21. The project is delayed due to an upgrade of the existing system which is due to be implemented during 2020/21.
	ICT Customer Excellence		4,698	4,698		4,698			4,698	-	4,698	-	-	Project ongoing
	ICT Council Chamber		6,145	6,145		6,145			6,145	-	6,145	-	-	Project ongoing - quotes received
	ICT- Leisure Management System		8,105	8,105		8,105			8,105	-	8,105	-	-	Project completion and invoices are expected during Quarter 2.
	ICT - Northgate Server Upgrade		1,000	1,000		1,000			1,000	-	1,000	-	-	Project ongoing
	ICT - Governetric Customer Satisfaction Upgrade		1,674	1,674		1,674			1,674	-	1,674	-	-	Phased project - spend is expected to occur during 2019/20 for an updated input form and replacement face to face panels however the next elements are dependant upon area office reviews and changes to monitoring within Leisure.
Total Scheme Value Finance & Commercial		415,469	165,776	581,245	221,950	803,195	-	-	803,195	273,075	803,195	221,950	228,950	
Cllr Wilkinson	Economic Development Fund													

Councillor / Officer	Capital Scheme	Budget 2019/20	2018/19 B/Fwd	Total 2019/20	Qtr 1	Budget Approved at Qtr 1	Third Party Cont	Third Party Cont Qtr 1	Cost to the Council £	Expenditure at 30/06/2019	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Explanation
	Dalton Bridge EDF Improvement Infrastructure		14,057	14,057		14,057			14,057	-	14,057	-	-	Ongoing discussions with NYCC regarding retention balances.
	Market Towns Investment Plans - Bedale		14,000	14,000		14,000			14,000	-	14,000	-	-	Plans under review
	Market Towns Investment Plans - Easingwold	1,718	12,282	14,000		14,000			14,000	-	14,000	-	-	Plans under review
	Market Towns Investment Plans - Northallerton	9,000	-	9,000		9,000			9,000	-	9,000	-	-	Plans under review
	Market Towns Investment Plans - Stokesley	13,964	-	13,964		13,964			13,964	850	13,964	-	-	Plans under review
	Market Towns Investment Plans - Thirsk	11,190	-	11,190		11,190			11,190	-	11,190	-	-	Plans under review
	Industrial Estates/Employment land	92,015	-	92,015		92,015			92,015	-	92,015	-	-	Project ongoing
	Industrial Park Review	150,000	-	150,000		150,000			150,000	-	150,000	-	-	Project ongoing
	<b>Total Scheme Value EDF</b>	<b>277,887</b>	<b>40,339</b>	<b>318,226</b>	<b>-</b>	<b>318,226</b>	<b>-</b>	<b>-</b>	<b>318,226</b>	<b>850</b>	<b>318,226</b>	<b>-</b>	<b>-</b>	
<b>Cllr Wilkinson</b>	<b>Corporate Schemes</b>													
	Dalton Bridge BID Payment	-	61,488	61,488		61,488			61,488	29,753	61,488.00	-	-	Scheme to progress in year
	Commercial Investment Property portfolio	38,088,000	-	38,088,000	(8,088,000)	30,000,000	-	-	30,000,000	-	30,000,000	(8,088,000)	-	Commercial Portfolio split between investment element and economic development to leave £30m for Property portfolio and £8,088,000 for Treadmill Phase 1 - Purchase of Asset scheme.
	Treadmills Phase 1	-	-	-	4,312,302	4,312,302	-	-	4,312,302	3,950	4,312,302	4,312,302	(3,775,698)	Commercial Portfolio split between investment element and economic development to leave £30m for Property portfolio and £8,088,000 for Treadmill Phase 1. £275,698 is to be returned to fund as no longer required and £3,500,000 is requested to be rolled forward to 2020/21
	Ground Source Heat Pumps - Civic Centre and all Leisure Centres	1,913,200	-	1,913,200	(1,913,200)	-	-	-	-	-	-	(1,913,200)	(1,913,200)	Scheme aborted, £1,913,200 returned to fund.
	<b>Total Scheme Value Corporate Schemes</b>	<b>40,001,200</b>	<b>61,488</b>	<b>40,062,688</b>	<b>(5,688,896)</b>	<b>34,373,790</b>	<b>-</b>	<b>-</b>	<b>34,373,790</b>	<b>33,703</b>	<b>34,373,790</b>	<b>(5,688,896)</b>	<b>(5,688,896)</b>	
	<b>Total Capital Programme 2019/20</b>	<b>43,883,526</b>	<b>433,190</b>	<b>44,316,706</b>	<b>(1,987,222)</b>	<b>42,329,484</b>	<b>1,044,036</b>	<b>3,536,388</b>	<b>37,749,060</b>	<b>553,653</b>	<b>42,329,484</b>	<b>(1,987,222)</b>	<b>(5,344,049)</b>	

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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 and Communities – 3 schemes affect the capital programme at Quarter 1:
  - (a) Northallerton Leisure Centre – new spinning bike equipment of £14,000 is requested.
  - (b) Northallerton Leisure Centre – Flat Roof enhancement – request of £10,000 to refurbish leaking roof at the leisure centre
  - (c) Thirsk & Sowerby Leisure Centre – Feasibility study – request of £15,000 to undertake feasibility study for the centre, especially to the roofing and plant equipment.
  - (d) Thirsk & Sowerby Sports Village – request of additional £180,000 funded from a S106 agreement of £180,000.
- 1.3 Environment – 1 scheme affect the capital programme at Quarter 1:
  - (a) Northallerton Depot – Improvement scheme, a request of combining improvements to the Northallerton Depot of £45,000 for HGV Roof replacement, £15,000 of security improvements, £21,000 for condition survey repairs at Bridge End House and £15,000 for Darlington Road Depot as once scheme totalling £96,000
  - (b) Waste and Street scene – Digital depot system scheme of £100,000 is requested to digitalise the waste operations system
- 1.4 Economy and Planning – 4 schemes affect the capital programme at Quarter 1:
  - (a) World of James Herriot – External enhancements – scheme of £6,645 is requested for additional works identified in previous year to windows and roofing.
  - (b) Bedale Bridge and Cycle Scheme – additional spend of £118,361 requested due to s106 grant contribution received. Scheme is progressing with new contractors appointed to review different options for the scheme.
  - (c) Northallerton Connections - £3,160,893 requested for design work in relation to work at the Zetland Street project. The increased expenditure is funded by Local Enterprise Partnership (LEP) grant contributions.
  - (d) Disabled Facilities Grant –Further grant allocation of £77,134 has been received for 2019/20. £84,577 to be returned to fund from Hambleton District Council 's contribution after changes to internal policy. £95,427 has been transferred to revenue to support the capital projects and £22,303 is to be returned to fund.

- 1.5 Finance and Commercial - 2 schemes affect the capital programme at Quarter 1:
- (a) ICT finance System - £228,950 is requested to enable the procurement of a new finance system.
  - (b) ICT – CRM/Mitel Telephony Integration – a request of £7,000 to be rolled forward to 2020/21 due to the project being delayed due to an upgrade of the existing system which will occur during 2020/21.
- 1.6 Economic Development Fund – there are no schemes affected in the capital programme at Quarter 1:
- 1.7 Corporate Schemes –there are 3 schemes affected in the capital programme at Quarter 1:
- (a) Commercial Investment Portfolio – part of scheme of £8,088,000 is requested to be transferred from the Property Portfolio scheme to the Treadmills Phase 1 scheme.
  - (b) Treadmills Phase 1 - £8,088,000 is requested to be transferred to this scheme from the Property Portfolio scheme as well as a returned to fund of £275,698 which is no longer required for this scheme. Furthermore, £3,500,000 is requested to be rolled forward to 2020/21.
  - (c) Ground Source Heat Pumps – scheme has been aborted due to not financially viable and £1,913,200 is to be returned to fund.
- 1.8 Capital schemes are monitored on a monthly basis and reported to Cabinet quarterly, ensuring that the majority of schemes are held within budget or reported to Council at the earliest opportunity.
- 1.9 New Schemes added to the capital programme all have supporting Project Initiation Documentation to ensure projects are affordable, sustainable and prudent.



## **TREASURY MANAGEMENT POSITION 2019/20 – QUARTER 1**

### **1.0 LEGISLATIVE REQUIREMENT:**

- 1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (Treasury Management Strategy Statement, Annual and Mid-year reports, as well as quarterly updates). This report therefore ensures this Council is implementing best practice in accordance with the Code.
- 1.2 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This Quarter 1 report therefore updates Members on the current treasury management position and is presented to Cabinet and also Audit, Governance and Standards Committee.
- 1.3 The Council's treasury management position is based on its requirement to fund the capital programme and its operational cash flow need. The Council looks to balance the requirement to borrow from external sources with the surplus funds that are available.
- 1.4 During 2018/19 the Council supported its Capital Expenditure by capital receipts, reserves, revenue contribution, long term borrowing, as well as short term borrowing and the use of surplus funds for cash flow purposes. The short term borrowing was taken and repaid in Quarter 1 of 2019/20. The council continues to have an underlying need to borrow for capital purposes and has three long term external borrowing loans totalling £12,700,000 these were undertaken from the Public Works Loan Board (PWLB).
- 1.5 The capital financing requirement in 2019/20, which is the amount of borrowing required to support the capital expenditure programme, is set at £77,665,383. The capital expenditure of the Council is mainly supported by grants, contributions and reserves. The capital financing requirement refers to the amount of borrowing that could be taken to support the capital expenditure programme.
- 1.6 The following table shows the treasury management position as at 30 June 2019:-

	<b>30 June 19</b>	<b>Rate</b>
	<b>£000's</b>	<b>%</b>
<b>Capital Financing Requirement</b>	77,665	
<b>Borrowing</b>	12,700	2.39
<b>Investments</b>	330	0.73

Table 1: Borrowing and Investment position at 30 June 2019

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

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

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

### **3.0 ANNUAL INVESTMENT STRATEGY 2019/20 – QUARTER 1:**

3.1 The Treasury Management Strategy Statement (TMSS) for 2019/20 which includes the Annual Investments Strategy, was approved by the Council on 26 February 2019. 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. Investments are placed with highly credit rated financial institutions, using the Council's treasury Management advisers – Link Asset Services - suggested creditworthiness approach including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Link Asset Services.

3.3 The average level of funds available for investment purposes during Quarter 1 – 30 June 2019 - was £4,613 187. 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 £330,000 cash flow movement balances at the end of Quarter 1.

3.4

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.56%	0.73%	£8,408

Table 2: Investment performance for quarter 1 at 30 June 2019

3.5 The table shows that the Council monitors its cash flow investments against the 7 day rate. The Council outperformed the 7 day benchmark by 0.17%.

3.6 The Council's budgeted investment return for 2019/20 was approved at £35,000 for cashflow investment interest and £1,459,600 for Capital Interest, the Quarter 1 monitoring report will report increased income from capital investments of £15,160 resulting in a new budget of £1,474,760.

### **4.0 BORROWING 2019/20 – QUARTER 1**

4.1 The Council had short term borrowing of £2,000,000 and long term borrowing of £12,700,000 at the beginning of 2019/20. The short term borrowing was repaid in the first quarter of 2019/20. The long term borrowing consists of three loans with the Public Works Loan Board (PWLb). One loan has an interest rate of 1.05% and will be repaid on 5th September 2021. £9,000,000 is due to be repaid on 7th March 2069 and has a rate of 2.45% and £2,500,000 has a maturity date of 25th March 2064 and has a rate of 2.24%.

4.2 The Council's budgeted borrowing expenditure interest for 2019/20 was approved at £280,670, the Quarter 1 monitoring report will request increased expenditure on interest from borrowing by £12,430 due to higher than budgeted Public Loans Work Board (PWLb) interest rates resulting in a new budget of £293,100. At Quarter 1 £72,574 of interest was paid on the loans previously taken.

- 4.3 Public Works Loan Board (PWLB) rates have been on a general falling trend during most of this quarter to reach lows during June. This fall has been largely caused by a fall in US Treasury yields as investors have become increasingly concerned that the US economy is heading towards a sharp fall in GDP growth. The 50 year PWLB target (certainty) rate for new long term borrowing started at 2.50% and fell to 2.40%.
- 4.4 The table below shows the Public Works Loans Board interest rates which were available for loans during Quarter 1 of 2019/20. 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
01/04/2019	1.46%	1.52%	1.84%	2.41%	2.24%
30/06/2019	1.43%	1.41%	1.68%	2.30%	2.16%
Low	1.39%	1.38%	1.64%	2.25%	2.11%
Date	06/06/2019	07/06/2019	18/06/2019	07/06/2019	14/06/2019
High	1.58%	1.73%	2.07%	2.58%	2.41%
Date	15/04/2019	17/04/2019	17/04/2019	17/04/2019	17/04/2019
Average	1.49%	1.55%	1.86%	2.42%	2.26%

Table 3: Public Works Loan Board (PWLB) certainty rates, quarter ended 30 June 2019

- 4.5 **Treasury Borrowing:** Due to the overall financial position and the underlying need to borrow for capital purposes, external borrowing of £12,700,000 has been taken by the Council from the Public Works Loan Board (PWLB), a breakdown of the total borrowing can be seen at 4.1.
- 4.6 It is anticipated that more borrowing will be required during the financial year 2019/20 to support the overall Capital Programme and for cash flow purposes. The Council will remain under the affordable borrowing limit of £81,000,000 set in the Treasury Management Strategy 2019/20 on 12 February 2019.
- 4.7 **Rescheduling of Borrowing:** the Council did not reschedule any of the long term loans.
- 4.8 **Repayment of Borrowing:** the Council repaid a short term loan from 2018/19 of £2,000,000 in Quarter 1 of 2019/20. The Council took a short term loan of £1,000,000 during Quarter 1 from a Local Authority on 24 May 2019 at a rate of 0.90% for cash flow purposes. This was repaid on 3 June 2019.

**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 26 February 2019 and are in compliance with the Council's Treasury Management Practices.
- 5.2 During the financial year to date the Council has operated within the Treasury and Prudential Indicators approved which are attached at Annex E.
- 5.3 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the Quarter ended 30 June 2018.

**Economic Update****1.1 ECONOMIC BACKGROUND:****United Kingdom**

After only tepid annual economic growth of 1.4% in 2018, growth in quarter 1 was unexpectedly strong at 0.5%. However, this was boosted by stock building ahead of the original March Brexit deadline so quarter 2 is now expected to be zero or slightly negative.

After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the Monetary Policy Committee until the uncertainties over Brexit clear. If there were a no deal exit, it is likely that Bank Rate would be cut in order to support growth. Nevertheless, the Monetary Policy Committee does have concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling marginally to 3.4% more recently. Growth in employment fell to only 32,000 in the three months to April, well below the 2018 average, while the unemployment rate remained at 3.8 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

As for Consumer Price Index inflation itself, this rose slightly to 2.1% in April before falling back again to 2.0% in May, and is likely to remain around this level over the next two years. If there was a no deal Brexit though, it could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

The rise in wage inflation and fall in Consumer Price Index inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.3%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

**USA**

President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the rate of growth to 2.9% for 2018, just below his target of 3%. Growth in quarter 1 of 2019 was a strong 3.1% but current expectations are for this to weaken considerably in quarter 2. The strong growth in employment numbers during 2018 has faded more recently, indicating that the economy is cooling, while inflationary pressures are also weakening. After the Fed increased rates by 0.25% in December to between 2.25% and 2.50%, market expectations have swung to now expecting the Fed to cut rates by 1.0% - 1.25% in total to counter the expected downturn in growth. Financial markets have priced in a first cut of 0.25% for July.

**Eurozone**

The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the European Central Bank to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019",

but that was of little help to boosting growth in the near term. Consequently, it announced a third round of Targeted Longer-Term Refinancing Operations (TLTROs); this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new Targeted Longer-Term Refinancing Operations (TLTROs) will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, the downturn now appears to be gathering momentum so market expectations have moved on to expecting possibly a small increase in the deposit rate from -0.4% to -0.5% and a resumption of quantitative easing, but possibly more focused on purchases of corporate debt than government debt.

### China

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

Japan - has been struggling to stimulate consistent significant Gross Domestic Product growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

### World Growth

The trade war between the US and China on tariffs is a major concern not only to financial markets and China itself, but also for world growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019, which has then caused equity prices to rise. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks.

## 1.2 **INTEREST RATE FORECAST:**

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

	<u>Sep-19</u>	<u>Dec-19</u>	<u>Mar-20</u>	<u>Jun-20</u>	<u>Sep-20</u>	<u>Dec-20</u>	<u>Mar-21</u>	<u>Jun-21</u>	<u>Sep-21</u>	<u>Dec-21</u>	<u>Mar-22</u>
<b>Bank Rate</b>	0.75	0.75	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50
<b>3 Month LIBID</b>	0.70	0.70	0.70	0.80	0.90	1.00	1.20	1.30	1.40	1.40	1.40
<b>6 Month LIBID</b>	0.80	0.90	0.80	0.90	1.00	1.20	1.40	1.50	1.60	1.60	1.60
<b>12 Month LIBID</b>	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.80
<b>5yr PWLB Rate</b>	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.10	2.20	2.30	2.40
<b>10yr PWLB Rate</b>	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.60	2.70
<b>25yr PWLB Rate</b>	2.40	2.50	2.60	2.70	2.80	2.90	3.00	3.00	3.10	3.20	3.30
<b>50yr PWLB Rate</b>	2.30	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20

After the August 2018 increase in Bank Rate to 0.75%, the first above 0.5% since the financial crash, the Monetary Policy Committee has put any further action on hold, probably until such time as the fog of Brexit might clear and there is some degree of certainty of what the UK will be heading into. The above forecast, is based on a central assumption that there will be some form of muddle through agreement on a reasonable form of Brexit. Bank Rate forecasts will have to change if this assumption does not materialise e.g. a no deal Brexit on 31 October could well prompt the Monetary Policy Committee to do an immediate cut of 0.5% in Bank Rate back to 0.25%. All other forecasts for investment and borrowing rates would also have to change.

### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the United Kingdom is probably to the downside due to the weight of all the uncertainties over Brexit.
- The balance of risks to increases in Bank Rate and shorter term Public Works Loan Board rates are broadly similarly to the downside.

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## **ANNEX E**

### **PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS 2019/20 - 30 JUNE 2019**

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits – the Authorised Limit and the Operational Boundary - as detailed below. The Council approved the Treasury and Prudential Indicators (affordability limits), for the 2019/20 financial year at Council on 26 February 2019 in the Treasury Management Strategy Statement.

The main purpose of the indicators is to control how much a Council needs to borrow. In 2019/20, The Treasury Management Strategy Statement approved the capital financing requirement at £77.665 million which gives the Council the ability to either use surplus funds to support capital expenditure or take external borrowing.

The indicators provide information on the Council's general and commercial activities. At quarter 1 no commercial activity had occurred.

The Prudential and Treasury Indicators are detailed below as approved at Council prior to the beginning of the 2019/20 financial year – Original Budget - and at quarter 1 - Q1 Actual:

<b>1. PRUDENTIAL INDICATORS</b>	<b>2019/20</b>	<b>2019/20</b>
	<b>Original Budget</b>	<b>Actual Q1 30 June 2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure</b>	44,317	42,329
<b>Capital Financing Requirement 31 March 2020</b>	77,665	75,665
Capital Financing Requirement – Brought Forward	37,664	38,170
Capital Financing Requirement – Council Services	1,913	7,507
Capital Financing Requirement - Commercial Activities	38,088	30,000
<b>Annual Change in the Capital Financing Requirement</b>	-	2,4937
<b>In year borrowing requirement</b>	40,001	24,807
brought forward 1 April	12,664	12,700
carried forward 31 March	52,665	37,507
<b>Ratio of financing costs to net revenue stream</b>	2.87%	2.87%

**PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS 2019/20 - 30 JUNE 2019**

<b>2. TREASURY MANAGEMENT INDICATORS</b>	<b>2019/20</b>	<b>2019/20</b>
	<b>Original Budget</b>	<b>Actual Q1 30 June 2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised Limit for external debt</b>	81,000	81,000
<b>Operational Boundary for external debt</b>	79,400	79,400
<b>External debt</b>	52,665	12,700
<b>Investments</b>	5,000	330

<b>Maturity structure of fixed rate borrowing during 2019/20</b>	<b>Lower- Upper Limits</b>	<b>Actual</b>
<b>Under 12 months</b>	<b>0%-100%</b>	<b>0%</b>
<b>12 months to 2 years</b>	<b>0%-100%</b>	<b>0%</b>
<b>2 years to 5 years</b>	<b>0%-100%</b>	<b>0%</b>
<b>5 years to 10 years</b>	<b>0%-100%</b>	<b>0%</b>
<b>10 years to 20 years</b>	<b>0%-100%</b>	<b>0%</b>
<b>20 years to 30 years</b>	<b>0%-100%</b>	<b>0%</b>
<b>30 years to 40 years</b>	<b>0%-100%</b>	<b>0%</b>
<b>40 years to 50 years</b>	<b>0%-100%</b>	<b>100%</b>

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
3 September 2019

**Subject:** 2019/20 Q1 REVENUE MONITORING REPORT

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

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

- 1.1 The purpose of this report is to update Members on the revenue budget position of the Council and the reserve funds at the end of June 2019.
- 1.2 The Quarter 1 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 12 February 2019 for 2019/20 at £9,085,870 in line with the approved Financial Strategy 2019/20 to 2028/29.
- 2.2 The breakdown of the budget in accordance with the Council themes when the budget was approved was as follows:

	£
Leisure & Environment	5,610,980
Economy & Planning	1,897,620
Finance	91,260
Law & Governance	1,358,090
Drainage Board levies	127,920
<b>Net Revenue Expenditure</b>	<b><u>9,085,870</u></b>

- 2.3 Subsequent to this, the restructure of the Council has increased the Council's portfolio themes and the current budget is split accordingly:

	£
Economy & Planning	1,655,740
Environment	3,980,770
Finance & Commercial	121,080
Law & Governance	1,351,890
Leisure & Communities	1,848,470
Drainage Board levies	127,920
<b>Net Revenue Expenditure</b>	<b><u>9,085,870</u></b>

### 3.0 **BUDGET POSITION TO JUNE 2019:**

- 3.1 Since the budget for 2019/20 was set in February 2019, 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 at Quarter 1 budget monitoring.

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Budget Outlook approved at 12 February 2019	9,085,870	9,085,870	9,169,285	9,339,729
<b>Changes to Budget Outlook:</b>				
Inflation – salaries and contracts	-	260,238	276,983	281,075
Back funded pension (NYCC)	-	22,760	10,108	10,000
Insurance fund	-	24,902	25,000	27,000
Additional Costs	-	-	-	107,255
Fees & Charges	-	(126,182)	(128,706)	(131,280)
Additional Income	-	(98,303)	(12,941)	
Savings Exercise	-	(28,760)	-	-
Corporate Costs Increases:-	80,890	28,760	-	-
Departmental Movements:-	5,270	-	-	-
Savings or additional income requirements in Quarters 2, 3 and 4	(86,160)	-	-	-
<b>Budget Outlook Q1</b>	9,085,870	9,169,285	9,339,729	9,633,779
<b>Financial Strategy 12 Feb 2019</b>	9,085,870	9,169,285	9,339,729	9,633,779
<b>Budget Outlook Q1 Surplus / (Shortfall)</b>	-	-	-	-

- 3.2 In 2019/20 the budget started at £9,085,870 as stated in the Financial Strategy and illustrated in the table above. At the end of Quarter 1, it is recognised that there is currently a shortfall of £86,160 however during the year it is anticipated that additional income or reduced expenditure will occur to cover this overspend. Therefore, at Quarter 1 it is requested Cabinet approves that there is no change to the budget of £9,085,870.
- 3.3 There are three main areas of changes to the 2019/20 budget at Quarter 1 totalling the £86,160 shortfall:
- Corporate cost increases of £80,890
  - Departmental cost increases of £5,270
  - Department movements which have nil effect on the budget
- 3.4 The Corporate Costs movements in the budget are:
- A Corporate review of Salary budgets has resulted in a requirement for an additional expenditure of £66,690 for the year in excess over salary saving identified.
  - The annual Drainage Board Levies were higher than budgeted by £7,180, this is notified to the Council after the budget was set for 2019/20 and is not controllable by the Council.
  - The Business Rate payable on the Council's own properties has been readjusted by an increase of £7,020 due to budget set on estimated cost.

3.5 Departmental movements create additional expenditure of £5,270 and are detailed as follows:-

- (i) Finance & Commercial – A saving of £2,730 relates to additional Investment Interest income of £15,160 due to higher than anticipated interest rates charged to the Local Housing Association in relation to the loans made. This is offset by interest expenditure of £12,430 due to a higher rate of interest charged for the borrowing made from the Public Works Loan Board (PWLb) in 2019/20.
- (ii) Economy & Planning – Additional expenditure of £8,000 is required for improvements to the Planning Enforcement software system.

3.6 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) A review of Leisure Centre Salaries has resulted in various budget movements, it is requested to allocate £109,890 across salary codes at the four centres.
- b) The 2019/20 grants reserve allocation has been collated and it is therefore requested to allocate £48,700 to the relevant grant codes.
- c) Changes in payment frequency of market traders income from weekly to monthly requires a £56,700 movement which is therefore requested between the Market income codes.
- d) The request to combine the budgets for pre-application and planning advice by transferring £38,240 from pre-application advice to planning advice.
- e) The funding from the Ministry of Housing, Communities and Local Government (MHCLG) relating to Discretionary Housing Benefits is lower than budgeted, therefore it is requested that £14,380 is reduced from both the payments and rebates.

3.7 The revised changes to the budget at Quarter 1 total an increase to the budget of £86,160. These are listed above, however, it is recognised that additional income or reduced expenditure will occur to cover this overspend during the year. Therefore, the budget for 2019/20 at Quarter 1 remains at £9,085,870. It should be noted that this Quarter 1 position will be monitored against the financial strategy over the rest of the year.

#### **CIL RESERVE**

4.1 The Community Infrastructure Levy (CIL) balance as at 30 June 2019 is £3,077,502. The Council is committed to using this reserve for priority schemes and to distribute to parishes. The movements in 2019/20 can be seen in the table below.

	<b><u>Amount</u></b>
<b>2019/20 Opening Balance</b>	<b>2,779,238</b>
Add in-year income	373,599
Less in-year payments to parishes	(75,335)
<b>2019/20 Closing Balance Quarter 1</b>	<b>3,077,502</b>

#### **OTHER MATTERS - GRANTS:**

5.1 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 2019.

Description	Amount £
Department of Works and Pensions (DWP) Housing Benefits grants	14,468
Ministry of Housing, Communities and Local Government (MHCLG), EU Exit Preparation and Homelessness grants	90,141
North & West Yorkshire Business Rates Pool contribution for Tour De Yorkshire and UCI events in 2019	225,000
<b>Total</b>	<b>329,609</b>

## 6.0 **SENSITIVITY ANALYSIS**

- 6.1 Further to the recommendations for changes to the budget in this Quarter 1 monitoring report, this report also highlights where there are areas of budget uncertainty. This can give Members early warning of possible issues in the future. All areas will be monitored closely and an update provided for Quarter 2 as at this time there is uncertainty surrounding these figures to include them as an adjustment to the budget. Annex 'A' attached details the sensitivity analysis.

## 7.0 **RESERVE FUNDING**

- 7.1 The table below shows the position on the revenue reserves at Quarter 1 if the recommendations are approved in this Cabinet report. Further information is also described below.

Reserve Fund	Balance at 1 April 2019 £	Q1 Movement (from) / to Reserves £	Balance at 30 June 2019 £
<b>General Fund</b>	2,000,000	-	2,000,000
<b>Council Taxpayers Reserve</b>	7,093,374	(509,102)	6,584,272
<b>Grants Fund</b>	143,134	(48,700)	94,434
<b>Economic Development Fund</b>	1,114,410	(476,172)	638,238
<b>One Off Fund</b>	1,366,543	(617,142)	749,401
<b>Computer Fund</b>	968,196	171,753	1,139,949
<b>Repairs &amp; Renewal Fund</b>	1,026,890	(50,000)	976,890
<b>Community Safety Partnership</b>	20,183	-	20,183
<b>Swimming Project Reserve</b>	2,026	-	2,026
<b>Local Plan Reserve</b>	93,753	11,865	105,618
<b>Make a Difference Fund</b>	7,053	122,541	129,594
<b>Community Housing Fund</b>	119,188	-	119,188
<b>Community Infrastructure Levy (CIL)</b>	19,312	-	19,312
<b>5% Admin Reserve</b>	63,002	100,000	163,002
<b>Income Generating Fund</b>	14,037,064	(1,294,957)	12,742,107
<b>Total Revenue Reserves</b>			
<b>Capital Reserves</b>			
<b>Capital Grants Unapplied</b>	4,581,294	-	4,581,294
<b>General Capital Receipts</b>	2,107,716	-	2,107,716
<b>Total Capital Reserves</b>	6,689,010	-	6,689,010
<b>Total Reserves</b>	20,726,074	(1,294,957)	19,431,117

- 7.2 Economic Development Fund – In Quarter 1, the opening balance was £1,114,410 with the net movement of £476,172; split as £318,226 capital and £157,946 revenue.
- 7.3 The Economic Development Fund requests further expenditure of £4,650 and £1,030 of income to be allocated to the Networking Events and Promotion Scheme resulting in a net movement of the Economic Development Fund including capital, to be approved at Quarter 1 of £3,620.
- 7.4 The Economic Development fund has allocated a further £89,436 to future years' allocations; £12,500 for the Support for Business Networks, £6,686 for Networking Events and Promotions and £5,000 for Exploiting Regional Opportunities (LEP Growth Advisor post) for 2020/21. £65,250 is to be rolled forward at Quarter 1 in 2021/22 for the Central Northallerton scheme. This currently leaves £548,802 remaining for future projects.
- 7.5 Council Tax Payers Reserve – the contribution to reserves estimated when the 2019/20 budget was set was £742,402. In addition, there is further Business Rates funding estimated to be received of £258,496 due to the timing of the government settlement information which is preliminary during the budget setting process. The additional business rates' funding is then derived once the final settlement information has been received and any changes are reported at Quarter 1. The total amount to be transferred to the Council Tax Payers Reserve is therefore £1,000,898. Furthermore, the Financial Strategy, which was approved on 12 February 2019, agreed a transfer from the Council Tax Payers Reserve of £1,510,000 to the Computer Fund of £1,000,000, One Off Fund of £410,000 and Income Generating Fund of £100,000 to fund future expenditure.
- 7.6 One Off Fund - In Quarter 1, the initial balance is £1,366,543 with a transfer from the Council Tax Payers Reserve of £410,000 in line with the Financial Strategy. Additional income of £329,609 was received which can be seen in paragraph 5.1 above. £87,130 has been transferred from the revenue budget and £125,000 has been transferred to the Make a Difference reserve for 2019/20 and £2,459 returned from previous years Make a Difference reserve allocation. Expenditure that has been allocated from the One Off Fund in previous Cabinet reports rolled forward from 2018/19 totals £1,064,060 and further expenditure to be allocated from the One Off Fund is detailed in the table below at £257,280. The balance on the One Off Fund at Quarter 1 is £749,401.

<b>Expenditure in 2019/20 from the One Off Fund</b>	<b>Amount</b>
Planning Appeals	18,000
Revenues & Benefits – Northgate IT System upgrades	13,580
Estimated reduction in income for Green Waste recycling contracts	121,700
Development Management – Consultant	48,000
Estimated NNDR legal Fees for appeal	6,000
Communications – Consultant	40,000
Environment Health – Legal Costs	10,000
<b>Total expenditure recommended for approval at Q1</b>	<b>257,280</b>

- 7.7 At Quarter 1, is it recommended to Cabinet and Council that the allocation from the One Off Fund at £257,280 is approved.
- 7.8 Computer Fund – in accordance with the Financial Strategy approved by Council in February 2019, the reserve is being used to fund ICT projects to ensure technology is maintained to an acceptable standard in the current ICT market environment. Therefore, the Financial Strategy approved a transfer from the Council Tax Payers Reserve of £1,000,000 to the Computer Fund in 2019/20. The fund currently includes £40,000 of revenue expenditure, £343,650 of 2019/20 capital expenditure and a brought forward

amount of capital expenditure from 2018/19 of £236,597, a new capital scheme for procuring a new finance system of £215,000 and £7,000 within Telephony to be rolled forward to 2020/21.

- 7.9 Repairs & Renewal Fund – 1,026,890 has been brought forward from 2018/19 to fund Repairs and Renewal projects to ensure that the Council's assets are maintained to an acceptable standard. At outturn 2018/19, £50,000 was approved to be transferred from the reserve to support the revenue repairs budget in 2019/20.
- 7.10 Local Plan Reserve – £59,710 has been transferred from the income received from planning applications to the Local Plan. Expenditure allocated in Quarter 1 totals £47,845 leaving a balance of £105,618.
- 7.11 Make a Difference Fund – the opening balance in Quarter 1 of £7,053 relates to projects brought forward from the 2018/19 programme and will be expended by 30 June 2019. One grant of £2,000 was not claimed by the deadline and therefore is returned to the One Off Fund along with £459 of unspent allocated grants. The Cabinet report dated 12 February 2019 approved that £125,000 was transferred from the One-Off Fund in 2019/20 to fund the 2019/20 Making a Difference grant programme. Successful awards will invest in worthy local community projects which help improve life in neighbourhoods and which support the work of the voluntary sector and will be expended by 31 March 2019.
- 7.12 Income Generating Fund: £63,002 has been brought forward from 2018/19 with a transfer from Council Tax Payers Reserve of £100,000 as approved in the Financial Strategy on 12 February 2019. The reserve is used to financially support projects in the initial stages of development which will generate revenue income to contribute to the future funding of the Council.
- 7.13 Other Reserves - There is a movement on the grants reserve to allocate funds of £48,700. The grant fund provides assistance to community groups to benefit the district as a whole.

## **8.0 WAIVER OF PROCUREMENT RULES**

- 8.1 It is the Council's policy to obtain competitive quotations or tenders for the purchase of products, work that is to be undertaken or for services to be provided. However, a waiver may be agreed by Cabinet (or the Chief Executive in an emergency) if they are satisfied, after considering a written report that the waiver is justified.
- 8.2 The Chief Executive has approved the following waiver, for which Single Quote/ Tender Waiver Forms have been completed as the cost for a three year contract is £10,368. The cost has been reduced as all Council's across North Yorkshire, excluding Harrogate, have signed up to utilise the "CFO Insights" online financial modelling tool to assist in improving efficiencies and outcomes across all Council services. It provides local authorities with a single database holding revenue outturn and budget data and compares that data against indices of relative performance of council services and socio-economic drivers for all UK councils. This makes it quick and easy for councils to find relevant examples of best practice, for example identifying areas where cost savings can be made or income can be increased.

## **9.0 LINK TO COUNCIL PRIORITIES:**

- 9.1 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.

## **10.0 RISK ASSESSMENT:**



10.1 There are no major risks associated with this report.

**11.0 FINANCIAL IMPLICATIONS:**

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

**12.0 LEGAL IMPLICATIONS:**

12.1 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.

**13.0 EQUALITY/DIVERSITY ISSUES:**

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

**14.0 RECOMMENDATIONS:**

14.1 That Cabinet approves and recommends to Council:

- (1) the budget remains at £9,085,870 as detailed in paragraph 3.2;
- (2) the total movement of the Economic Development Fund of £3,620 at paragraph 7.3 to be allocated and to note that the Economic Development Fund remaining balance to be allocated at paragraph 7.4 is £548,802;
- (3) the allocation from the Council Tax Payers Reserve at paragraph 7.5 of £1,510,000;
- (4) the allocation from the One Off Fund at paragraph 7.6 of £257,280;
- (5) the allocation from the Repairs and Renewal Fund at paragraph 7.9 of £50,000; and
- (6) to note the waiver of procurement rules at paragraph 8.2.

LOUISE BRANFORD-WHITE  
DIRECTOR OF FINANCE AND COMMERCIAL (S151 OFFICER)

**Background papers:** Budget Monitoring Q1 working papers

**Author ref:** SC

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**Budget 2019/20 Qtr 1 Sensitivity Analysis – potential savings / costs**

<b>Council Directorates</b>	<b>Area of Sensitivity</b>	<b>Commentary</b>
Economy and Planning	Planning Fees	This will continue to be closely monitored due to the estimated income being so high, it is currently estimated that the target will be reached
	Workspace Management Income	A number of businesses have vacated Hambleton's workspaces for various reasons. This will continue to be closely monitored.
	Land Charges Income	It appears that private search companies are being used more and more instead of the Council for land searches. This will be monitored closely as reduced numbers of searches will result in reduced income.
Environment	Operational Services – Fuel Prices	This is being kept under review as prices are currently on the rise and any significant increase will require additional budget.
	Kerbside Recycling Contract	Basket price changes will affect the budget, this will be closely monitored throughout the year.
Finance & Commercial	Housing Benefit Payments	Whilst any increase in Housing Benefit payments will be partly offset by subsidy, the budget is so large that a small increase in percentage terms can lead to a large amount in monetary terms.
Leisure & Communities	Administrative Buildings - Room Hire Income	There is uncertainty relating to rental contracts at the Civic Centre as some contracts are due to expire in Quarter 3 2019/20. If the rooms are vacated and occupants not found, a shortfall to the budget will occur.
	Electricity contract	The electricity contract is due to expire in October 2019 and it is estimated that an increase is probable. However, due to more efficient lights the usage might be reduced and this will be monitored during the year.
	Winter Maintenance	Higher than budgeted costs paid in the previous year's therefore will closely monitor costs in 2019/20
	Casual Holiday Pay	Changes to holiday pay in regards to casual leisure center staff might affect the current budget. This will be closely monitored.

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
3 September 2019

**Subject:** COMMERCIAL PROPERTY PORTFOLIO

**All Wards**

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

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

1.1 In January 2019 Cabinet approved in principle the creation of a Commercial Property Portfolio subject to the development and approval of an Investment Strategy. The purpose of this report is to seek approval:

- of the Investment Strategy;
- for the purchase of properties in accordance with the Investment Strategy;
- of the governance arrangements set out in the Investment Strategy, which are considered further in section 6 of this report.

1.2 The Council's Commercial Vision as set out in the Commercial Strategy is to be financially self-sufficient by 2020/21 and to not be reliant on Government grants to support the budget. This requires the Council to generate additional income of £400,000 in 2020/21, rising to £600,000 in 2021/22 and then £800,000 in 2022/23 as set out in the 10 year Financial Strategy. Acquiring commercial investment properties will help to achieve those income targets.

1.3 Lambert Smith Hampton have been procured for two stages. Stage 1 entails the development and advising on the Council's Investment Strategy. Appointment of Stage 2 is subject to the approval of Cabinet and Council which will also include approval of the Investment Strategy. Stage 2 will entail acting on behalf of the Council on acquisitions and on-going asset management as well as property managers for a 3 year period. Lambert Smith Hampton have been procured via a Crown Commercial Services framework in line with the Council's procurement rules.

### **2.0 PROPOSAL:**

2.1 It is proposed that a Commercial Property Portfolio is established with a maximum budget of £30m. Purchaser's costs including legal and agent's fees as well as stamp duty land tax are included within this budget. Expenditure is limited to £10m for any one acquisition, so that not any one asset accounts for more than 30% of the portfolio. The limit of £10m includes all purchaser's costs and any capital that may need to be invested.

2.2 The proposal to acquire a commercial investment property portfolio has the potential to make a significant contribution to the Financial Strategy and, therefore, to the delivery of public services and projects to improve the community, economic and environmental well-being of the District. However, the proposal is not without risks. To ensure a careful and managed approach, the Council is proposing to adopt an Investment Strategy which sets out parameters within which the Council would make such purchases. The Investment Strategy is attached at Annex A.

### **3.0 INVESTMENT STRATEGY**

3.1 The Council has employed Lambert Smith Hampton to advise on the Investment Strategy including the parameters and performance measurements that should be considered to ensure a prudent and risk managed approach. Lambert Smith conducted two workshops

with members and members' comments have been incorporated into the investment strategy.

- 3.2 The strategy sets out the key objectives and focusses on prudence and risk management. The acquisitions would be within the core/core plus sector which means that purchases would be more prudent and returns are not as high as with value-added and/or opportunistic investments. However, the risks associated with core/core plus are also significantly lower. The strategy sets out how every potential asset is assessed with regard to tenant covenant strength, building condition, location, tenure (freehold, long leasehold etc.) and the average unexpired lease terms of the tenancies. This ensures that only investments of good quality are put forward for further consideration.
- 3.3 With regard to managing the risk, the strategy sets out maximum allocations that should be spent within individual sectors. The number of assets are set at between 4-6 with a minimum of 4 and a maximum of 9 tenancies across the portfolio. The level of return to be achieved is an average gross income yield of at least 4.50% over 10 years, as detailed in the Investment Strategy. Any investment will always be reviewed on its own merits but also with a view of the overall strategy and to meeting the income targets in the Financial Strategy.

#### **4.0 PERFORMANCE INDICATORS**

- 4.1 Property Investment is dependent on how the overall property market is performing. The Investment Strategy therefore proposes to benchmark the Commercial Property Portfolio against the MSCI UK Annual Property Fund Index which tracks over 9,000 direct property investments. The index monitors income and capital returns but also average unexpired lease terms, vacancy rates among others.
- 4.2 The Investment Strategy also sets out a range of indicators from rent collection to occupier engagement in relation to the operational property management element.

#### **5.0 COMPANY STRUCTURE**

- 5.1 The Council has received advice from Leading Counsel on the operation of the Commercial Property Portfolio Scheme. In line with Counsel's advice the prudent approach is to operate the Scheme through a wholly owned company.

#### **6.0 GOVERNANCE AND DELEGATION**

- 6.1 The governance and delegation levels are set out in the Investment Strategy on pages 3 to 6 and take into account that the properties will be acquired and managed through a company. Legal advice has been taken with regard to the governance structure and delegation authorities.

#### **7.0 LINK TO COUNCIL PRIORITIES:**

- 7.1 This project is instrumental in meeting the Council's commercial vision of becoming self-sufficient in 2020/21 and not rely on Government grant to support the budget. Securing this commercial income will underpin the delivery of the Council's priorities across all departments.

## 8.0 **RISK ASSESSMENT:**

### 8.1 **Risks in approving the recommendations**

<b>Risk</b>	<b>Implication</b>	<b>Gross Prob</b>	<b>Gross Imp</b>	<b>Gross Total</b>	<b>Preventative action</b>	<b>Net Prob</b>	<b>Net Imp</b>	<b>Net Total</b>
Management costs increasing or higher than expected	Depending on the scale of cost increase, additional income streams may need to be identified to maintain funding of Council Services at the same level	4	4	16	Careful choice of property, tenants as well as monitoring through the governance arrangements as set out in the Investment Strategy and property investment advisor input	4	3	12
Rental income reducing due to business failures or delay in reletting units	Depending on the scale of income reduction, additional income streams may need to be identified to maintain funding of Council Services at the same level	4	4	16	Careful monitoring through the governance arrangements as set out in the Investment Strategy and property investment advisor, also advice from property investment advisor regarding market intelligence	4	3	12
There is insufficient knowledge within the Council to support this commercial investment	Opportunities are missed and risk unidentified	4	4	16	Regular monitoring reports from Property Investment advisor should minimise this risk	4	3	12

### 8.2 **The key risk in not approving the recommendations is as shown below:-**

<b>Risk</b>	<b>Implication</b>	<b>Gross Prob</b>	<b>Gross Imp</b>	<b>Gross Total</b>	<b>Preventative action</b>	<b>Net Prob</b>	<b>Net Imp</b>	<b>Net Total</b>
The Council struggles to find alternative income streams	Reduction of services and projects	4	5	20	Explore further savings and efficiencies	4	4	16
The Council embarks on higher risk projects to secure additional income	The income is potentially volatile and at risk	4	5	20	Fully appraise each project and consider all risks	4	4	16

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

Overall the risk of agreeing with the recommendations outweighs the risks of not agreeing them and is considered acceptable.

## 9.0 **FINANCIAL IMPLICATIONS:**

9.1 The funding of £30m for the Commercial Property Portfolio will be included in the Capital Programme which will be used to support the wholly owned company set up to deliver the

Investment Strategy. The funding will be made up of external borrowing, taken at the most opportune time in accordance with the Treasury Management Strategy where both short and long term borrowing will be considered, as well as the Council's surplus funds. Authority is proposed to be delegated to the s151 Officer as to when the borrowing is required.

- 9.2 All costs of setting up a company for the Commercial Property Portfolio, the associated legal and financial advice will be funded from the Income Generating Fund.
- 9.3 The finance costs and any ongoing running costs of the company will be funded from the income generated from the Commercial Property Portfolio.
- 9.4 The net income anticipated to be received by the Council from the commercial property portfolio is £400,000 in 2020/21, £600,000 in 2021/22 and £800,000 in 2022/23 as is detailed in the Investment Strategy.

#### **10.0 LEGAL IMPLICATIONS:**

- 10.1 The Council is seeking to use S.4 of the 2011 Localism Act to set up a company for the purposes of acquiring and managing Commercial Properties. Legal advice has been sought on appropriate governance structures and these are reflected in the Investment Strategy on pages 3 to 6. If approved, legal support will also be required to set up the company structure.

#### **11.0 EQUALITY/DIVERSITY ISSUES:**

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

#### **12.0 RECOMMENDATIONS:**

- 12.1 That Cabinet approves and recommends to Council that:
  - (a) the Investment Strategy is approved;
  - (b) authority is delegated to the Chief Executive:
    - (i) to set up a wholly owned company for the purposes of acquiring and managing investment properties;
    - (ii) to appoint legal and financial advisors in line with Council's procurement rules;
    - (iii) to appoint Lambert Smith Hampton as property advisors and property managers;
    - (iv) in consultation with the Portfolio Holder for Economic Development and Finance to make minor amendments to the Investment Strategy that may become necessary
  - (c) authority is delegated to the s151 Officer for the financing of the commercial property portfolio.

DR JUSTIN IVES  
CHIEF EXECUTIVE

**Background papers:** None

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# Commercial Property Investment Portfolio - Investment Strategy



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## Foreword

The Council's Commercial Vision as set out in the Commercial Strategy is to be self-sufficient by 2020/21 and not rely on Government grant to support the budget. This requires the Council to generate additional income of £400,000 in 2020/21, rising to £600,000 in 2021/22 and then £800,000 in 2022/23 as set out in the 10 year Financial Strategy. Acquiring commercial investment properties will help achieve those income targets.

The Council is conscious to adopt a prudent approach and to ensure that a robust risk management approach is adopted. Lambert Smith Hampton Investment Management (LSHIM) has been appointed by the Council to act as Investment Manager in establishing a commercial investment portfolio. The strategy is to create a balanced property investment portfolio, from which to derive a long term secure revenue stream.

The strategy outlines the objectives for the Council and what the Council with advice from LSHIM perceives to be a prudent approach to invest in commercial property, setting out the recommended investment strategy. The Council will set up a company structure through which it will acquire and manage the properties.

Lambert Smith Hampton (LSH) is a leading specialist property consultancy with 43 offices and 1400 staff across the UK. LSHIM is the investment management arm of the business and will be directly responsible for this mandate.

## Introduction

The public sector as a whole has been experiencing significant pressures on capital and revenue budgets following central government cuts in Local Authority funding over the last 9 years.

The Council, along with many other local authorities, has not been immune from these budget pressures and with the financial outlook unlikely to change in the short to medium term, the Council needs to find new and innovative ways of creating additional revenue to continue to deliver services to the local communities.

The Council aims to be self-sufficient in by 2020/21 as set out in the Council's Commercial Strategy. This is reflected in the Council's 10 year Financial Strategy 2019/20 to 2028/29. See table below:

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Income Generation (£,000)	0	400	600	800	1,000	1,100	1,200	1,300	1,500	1,500

The Council is intending to create a balanced commercial property portfolio through a company, the income of which will largely be responsible for meeting the income generation targets, in particular for the first 3-5 years. In order to meet the income targets in the later years of the Financial Strategy, additional capital may need to be invested or the Council will need to identify other alternative income streams. The investment strategy and the capital invested will be reviewed on an annual basis.

## Importance of Setting a Strategy with Clear Objectives

The Council needs to act in a business-like manner with skill and caution. The Council has a fiduciary duty to its communities. As such it is essential that it takes a prudent approach and minimises risks as far as appropriate. The strategy and objectives set out hereafter build on this principle of a prudent approach.

A prudent approach in respect of a commercial property portfolio is therefore to ensure that the portfolio will generate sustainable income streams, preserve value and provide an opportunity for capital growth. To do this, the following is needed:

- A clear portfolio strategy to achieve pre-agreed objectives.
- Rigorous evaluation of potential investments that will stand up to scrutiny, against a set of pre-agreed criteria.
- Investment decisions to be taken following professional advice and recommendations from LSHIM.

## ■ Objectives

Set out below are the key objectives that have been discussed and agreed in an earlier workshops with Council members and which will underpin the investment strategy:

- To act prudently with public money and applying care, skill and caution when acquiring and management assets
- To invest £30M in commercial property to generate a sustainable income stream, preserve value and provide an opportunity for capital growth;
- HDC wants to expand its investment portfolio with £30M of new investment over the next three years with a net additional income target of £400,000 in 2020/21; £600,000 in 2021/22 and £800,000 in 2022/23 targeted.
- To maintain a low risk profile investing only in core/core plus assets – typically long leases and better quality buildings;
- To generate a gross income yield in excess of 4.5% across portfolio;
- To manage risk across the portfolio by diversification in asset type and geography;
- To operate in accordance with legislation and guidance
- To generate a reliable income stream to support Council services

## ■ Governance and Delegation

The investment will occur through a wholly-owned company. The governance of the Company will be in accordance with the Companies Acts, rather than local government legislation and will be set out in its Articles. As a wholly owned company it is likely to be a “controlled company” under the Local Government and Housing Act 1989 and therefore the Local Authorities Companies Order 1995 will apply certain additional requirements on the Company.

The Council will have a role as shareholder of the Company and will ensure that the manner in which it acts as shareholder complies with Local Government Law. In particular the Council will delegate powers to act as shareholder to an appropriate body within the Council. Good governance requires that the body should comprise Members and /or Officers who are not Directors of the Company to ensure that the Board can be held accountable for its actions. The body will also take decisions as to making loans to the Company and this will be governed solely by Local Government Legislation and the Council’s constitution.

The Council will include strategic restrictions in the Articles on the powers of the Board of the Company such as requiring compliance with the Investment Strategy, imposing a financial limit of £10m, as this will ensure that the Council’s on-going strategic interests and objectives are taken into account by the Board. In respect of any individual investment, a requirement to liaise with the Council on investments through the Property Investment Committee with which the Board will be required to consult and abide by its decisions.

The property market moves fast and often a decision whether to bid for a property has to be made within 24-48 hours. To facilitate this the Articles will permit written resolutions and electronic meetings. They will also delegate the power to the Chief Executive (or his Deputy) as an individual director in consultation with the Portfolio Holder for Economic Development and Finance - (or his Deputy) to approve bidding for assets and indeed completing on these purchases where a sound business case has been established and these acquisition would be in line with the Investment Strategy.

The Council will employ specialist advice and expertise in LSHIM who will be responsible for ensuring that the acquisition and the on-going financial returns meet the performance targets. This is a specialist role requiring a combination of property and financial skills and access to the property investment markets. LSHIM will maintain a portfolio overview and implement specific actions required and acquisition recommendations to meet the portfolio objectives. LSHIM will be responsible for the identification, selection, acquisition of stock and its asset management on instruction from the PIC. The assets will be bought and managed through the company.

## Property Investment Committee

The Property Investment Committee (PIC) will be formed as a liaison committee between the Council and the wholly-owned company to ensure the strategy is followed and thereafter managed in a proactive and accountable manner.

The PIC will maintain oversight of the performance of the property portfolio and holding LSHIM to account with regard to meeting the performance measures as set out in the strategy. It will monitor the performance of the commercial property portfolio and receive updates with regard to the financial performance, asset management plans and Key Performance indicators as set out in this strategy. The PIC will make recommendations to and support the company directors in the decision-making process.

The PIC consists of the following:

- Portfolio Holder for Economic Development and Finance (Company Director)
- Portfolio Holder for Governance
- Chief Executive – Company Director
- Deputy Chief Executive

In attendance will also be the following officers from Hambleton District Council

- Director of Law and Governance (Monitoring Officer),
- Director of Finance and Commercial (S.151 Officer) of Hambleton District Council,
- Head of Commercial and Programme Management

Also in attendance will be the Council's Property investment advisors (LSHIM). The PIC will meet as a minimum on a quarterly basis.

# Delegated Authorities

Some of the acquisition opportunities will have a narrow timeframe in which the selling agent accepts bids. Another factor for sellers is how quickly a purchaser is able to complete following the bid to purchase being accepted. To stay competitive in the market, it is therefore important to delegate authority to key board members to allow for a timely response, to submit bids and to complete on purchases. All delegated decisions will be made in accordance with the investment strategy.

The following delegation levels apply:

STAGE	CIRCULATION	DECISION BY	SIGNATURES
Stage 1 – Sifting exercise – LSHIM decision whether to forward to the Property Investment Committee based on Investment strategy criteria	n/a	n/a	n/a
Stage 2 – Light Bulb report	Property Investment Committee	Board of Directors	Chief Executive of the Council as Director of the Company
Stage 3 – Recommendation to bid	Property Investment Committee	Board of Directors	Chief Executive of the Council as Director of the Company
Stage 4 – Investment Recommendation (Business Case)	Property Investment Committee	Board of Directors	Chief Executive of the Council as Director of the Company

Signatures as set out above can take the form of an email. There may be the need for urgent decisions where the signatories are unavailable. In these cases, the following deputies have delegated authority to make the decision and sign for the respective stages:

Authority	Deputy
Director of the Company - Cllr Peter Wilkinson	Cllr Isobel Sanderson – Property Investment Committee Member
Director of the Company Dr Justin Ives	Mick Jewitt – Property Investment Committee Member

## Financial Limits

The Company has authority to consider purchases up to £10m. The Board has delegated authority to approve such purchases subject to decisions according with the Investment Strategy. Not one asset will make up more than 30% of the commercial property portfolio. The limit of £10m would include all purchaser's costs and capital that may need to be invested and these would be reflected in the business case.

### **Property Management Delegation levels to LSH**

LSH will be managing the assets on a daily basis. In order to do so effectively the following delegation levels apply:

- Authority given to the Property Managers to sign contracts “For and on behalf of the Company” on multi let properties where a service charge is operable; this may relate to landscaping, refuse removal , car park management and other services that may be required
- Authority given to Property Managers to procure supplier contracts on multi let properties without recourse to Hambleton DC’s procurement team but in line with procurement regulations that may apply;
- Authority to write off individual tenant arrears under £250;
- Authority to agree non value affecting licence for alterations from tenants;
- Authority to sign off service charge budgets without recourse to the Company or where there is no financial implication to the Company (ie no voids or service charge caps).

### **Report to Cabinet and Council**

The Company will report any purchases to Cabinet and Council at the earliest opportunity. Additionally, an update on the financial performance of the portfolio will be given as part of the Quarterly Financial Reporting to Cabinet and Council. On an annual basis the Property Investment Committee will update the Investment Strategy and Business Plan and these will be reported to Cabinet and Council for approval prior to the beginning of the financial year.



# Investment Strategy

## Executive Summary

Size	<ul style="list-style-type: none"> <li>• Target portfolio size £30M gross (circa £27.9m net of purchaser's costs).</li> <li>• Capital to be deployed over a three year period but as soon as prudently possible.</li> <li>• The portfolio will comprise between 4 – 6 properties.</li> <li>• Asset values of between £5m - £8m.</li> <li>• Maximum weighting of 30% from any one property.</li> </ul>
Performance Objectives	<ul style="list-style-type: none"> <li>• To achieve an average gross income yield of at least 4.50% over 10 years.</li> <li>• Net income of £400,000 in 2020/21; £600,000 in 2021/22 and £800,000 in 2022/23.</li> <li>• Where appropriate to outperform the IPD/MSCI Annual Property Fund Index Benchmark.</li> </ul>
Property Type	<ul style="list-style-type: none"> <li>• Create a well-diversified portfolio in properties with good fundamentals and strong tenant demand to ensure the property does not reach obsolescence during the hold period.</li> </ul>
Geographic Allocation	<ul style="list-style-type: none"> <li>• Diversified by location with all locations across the UK considered.</li> </ul>
Sector Allocation	<ul style="list-style-type: none"> <li>• Diversified by sector with a maximum of 35% in a single sector.</li> <li>• Targeting higher allocations in industrial and office.</li> </ul>
Other Restrictions and Guidelines	
Tenants	<ul style="list-style-type: none"> <li>• Maximum rent from any single tenant is 25% of total rental exposure</li> <li>• Tenants are forensically analysed before acquisition to minimise income risk</li> </ul>
Lease Structure	<ul style="list-style-type: none"> <li>• Target an average unexpired lease term in excess of the MSCI benchmark.</li> <li>• Ensure that lease expiries (or lease breaks) in any one year do not account for more than 25% of the total income.</li> <li>• Core income assets have an unexpired lease term of at least 7.5 years at purchase.</li> <li>• Where possible acquire assets with fixed or RPI uplifts to help de-risk income growth.</li> </ul>
Development	<ul style="list-style-type: none"> <li>• Not to actively seek development opportunities.</li> </ul>
Financing	<ul style="list-style-type: none"> <li>• Funded through Capital Programme through surplus funds or borrowing, where funds will be provided to the Company.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>• Acquire properties with appropriate EPCs.</li> <li>• Seek to improve EPC ratings wherever financially prudent.</li> </ul>

## Portfolio Size

The Council wants to establish its investment portfolio with £30m of new investment over the next three years with a net additional income target of £400,000 in 2020/21; £600,000 in 2021/22 and £800,000 in 2022/23 targeted. The Council, on the advice from LSHIM, will aim to invest £30m as prudently and swiftly as possible through the company to create the additional income as soon as possible for the Council.

The optimum lot size for acquisitions would be between £5m - £8m in order to diversify the portfolio. This would ensure that no property was accountable for more than 30% based on the aspirational total value of the portfolio. Based on the optimum lot sizes the portfolio will comprises of between 4 and 6 properties of differing values.

## Target returns

There are two principal areas of return from commercial property investment – income and capital growth. The Council's objective is to maximise revenue along with ensuring that the investment capital is not eroded by inflation. Core and Core-Plus assets will be targeted to achieve a return that is balanced between income and capital growth.

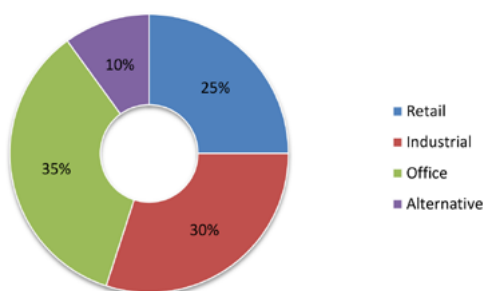
## Property Fundamentals

Properties in either prime or good secondary locations will be acquired meaning at end of lease term they should re-let with minimal voids. LSHIM will recommend acquisitions that have strong fundamentals ensuring that if a property was to become vacant it could be re-let quickly with minimal cost and income downtime. There will be no investment in speculative development as this increases the risk beyond the objectives.

## Sector Allocation


Our recommendation for portfolio weightings for a core / core plus portfolio is as follows:

**Portfolio Target Weightings**



*\*Retail refers to Retail warehousing (highly unlikely to be High Street unless exceptional circumstances dictate otherwise).*

For the sake of clarity the definition of 'Retail' includes out of town retail warehouses and retail warehouse parks as well as stand-alone out of town supermarkets. The Council will be cautious with regard to in town retail investments in view of the structural changes in that sector other than prime retail units in 'Cathedral cities' where such meet our minimum return criteria.



Some degree of flexibility will need to be built into the process, as if we were to invest say £7M in a single industrial investment, we would not recommend investing the balance of the Industrial allocation (£1M) in a single, small industrial investment. Instead, we would reallocate this to one of the other sectors or add it to any potential second tranche of capital.

The Council will seek to keep the portfolio as balanced as possible during the investment process, this is difficult at the start and will ultimately depend on the opportunities within the market however, the final portfolio will reflect the target ratings as closely as possible.

### **Tenants**

The maximum rent from any single tenant should not exceed 25% of the total rental income. All potential investments will be assessed for strong tenant covenants to meet rental liabilities. For all acquisitions LSHIM will instruct a forensic accountant to review the tenant financials for which reliance can be provided. This goes above and beyond the Dunn & Bradstreet reports that will be analysed for an initial assessment.

### **Lease Structure**

Investment opportunities will have an average unexpired lease term of at least 7.5 years at purchase. The Property Investment Committee will seek opportunities with good rental growth and potential capital value improvement during the hold period through active asset management i.e. lease re-gear, RPI/CPI and open market rent reviews, refurbishment. The strategy will be based on a core/core plus, the majority of opportunities will be single occupier however two / three tenant properties will also be considered. This approach keeps on-going management and asset management costs to a minimum.

### **Financing**

The purchases will be made through the company which will be financed through funding from the Council. This will be reflected in the Council's Capital Programme which is funded through surplus funds and borrowing. The Director of Finance and Commercial (S.151 Officer) has delegated authority as to when the most appropriate time is to take long-term or short-term loans to support the Capital Programme. The impact of borrowing and the investment reports are reported through the quarterly financial reports to Cabinet.

### **Environmental**

Properties with appropriate EPCs will be sought (with at least 'D' rating) to reduce the risk of capital expenditure being required to improve the property to a lettable or saleable standard at exit. In addition opportunities to improve EPC ratings wherever financially prudent should be taken through the hold period.

### **Ethical consideration and Reputation of the Council**

All property acquisition should be considered in light of any ethical issues and with regard to avoiding any reputational damage to the Council.

## Maintaining value of properties in the portfolio

LSHIM will also initiate and oversee the development, implementation and regular review of individual property strategies (Asset Business Plans), which will be implemented by the Asset Manager. Frequently, asset management initiatives are identified at a pre-purchase stage and can often form part of the rationale for a given acquisition. However, other opportunities may arise later on in the ownership of an asset and might be identified by the Fund Manager and Asset Manager.

A strong and close working relationship between the respective teams (Fund manager, asset manager and property manager) is essential to identify these opportunities to increase income and add value and this is a core strength of all function being carried out by the same property advisory firm.

Effective asset management comes about largely as a result of strong tenant relationships and it will be important that the management team get to know the tenants from the first post-acquisition inspection of any investment.

LSHIM have developed a 'RAG' traffic light system to categorise assets and prioritise key actions and would form part of the agenda for the quarterly portfolio review meetings.

## Risk Management

Many of the risks in building a portfolio are linked to the quality of the assets being purchased and the incumbent tenant(s). These considerations are addressed through the due diligence completed by LSHIM and third party professionals. Prior to completion, comprehensive reports will be commissioned from appropriate specialists which will then be reviewed by the Directors at LSHIM and form part of the comprehensive Investment Recommendation (Building Survey, Environmental Report, Measured Survey, Forensic accountant and an Independent Valuation) that LSHIM will prepare for the Property Investment Committee.

This due diligence will include building and site specific surveys, estimates of future maintenance costs, estimates of any future capital refurbishment requirements, and the need to understand operational risks. As previously stated, these reports will be commissioned from 'best in class' advisors on each and every occasion irrespective as to whether or not they work for LSH.

## Performance Measurement

The performance of the portfolio and each investment will be monitored regularly against targets and Key Performance Indicators (KPIs) of benchmarks. These should not be based on just return performance but include rent collection efficiency, arrears and building inspection frequency.

### Investment Management KPI's

The table below details the aims we have set out for the portfolio. As properties are acquired, the portfolio will be measured against these aims. At the start of the acquiring process the portfolio will be imbalanced by its nature however over time the portfolio will re-balance.

	Portfolio	Aim
Number of Properties	-	4 – 6
Number of Tenancies	-	4 – 9
Gross Income Yield	-	Above average of 4.50% over 10 years
Vacancy Rate (% of rent)	-	Below MSCI Benchmark (Currently 6.20%)
Rent with 5+ years	-	Minimum 40%
Rent with 10+ years	-	Minimum 15%
Min unexpired lease term at purchase		7.5 years
Largest property (% of value)	-	Below 30%
Largest tenant (% of income)	-	Below 25%

The Portfolio will also be measured against the MSCI UK Property Index on an annual basis. This is an independent index that measures over 9,000 direct property investments across the UK.

The portfolio will also be monitored by the PIC. This monitoring will be reported quarterly to Cabinet and Council to ensure it is meeting the Council's income generation targets as set out in the Council's 10 year Finance Strategy.

### Asset Management KPI's

The property management and rent collection role will be performed by Lambert Smith Hampton..

The following indicators are applied for ensuring a well-managed portfolio:

	Rent Collected	Service Charge Collected
At Quarter Day	70%	65%
7 days post Quarter Day	80%	75%
14 days post Quarter Day	95%	85%
21 days post Quarter Day	99%	95%

The above is based on collectable monies and to exclude tenants in administration/liquidation or on pre agreed payment plans.

### **Aged debt**

- Debt to be no more than 1.5% of annual contracted rent and service charge

### **Charge Raising and Transfer**

- All quarterly rent and service charge invoices to be raised at least four weeks before the Quarter day
- Monies will be remitted to the client within 5 working days of allocation

### **Service Charge**

- Service Charge (including but not restricted to budgets, reconciliation, tenant communication and variances) to be administered in accordance with the RICS Service Charge Code 3rd Edition and updates thereof

### **Occupier Satisfaction**

- Annual Occupier Meetings to be held on single let properties
- Six Monthly Occupier Meetings to be held on multi let properties
- Tenant Satisfaction Survey to be carried out annually and summary reported back to client within 28 days of final response

### **Data Management**

- All lease events, valuations and other material changes to be entered on to the property database within 10 working days

### **Suppliers**

- All suppliers must be vetted and meet appropriate criteria relating to capability, financial standing, employment practices and fitness for purpose.
- Supplier invoices to be processed and paid within 28 days of receipt or in line with supplier contract terms if less than 28 days.

# Acquisition Process and Property Selection Criteria

LSHIM will source the best opportunities on behalf of the Property Investment Committee with an acquisition (and disposal) strategy based on a thorough understanding of the Council's financial objectives, detailed market knowledge, robust due diligence and rigorous valuations.

There are two principal ways by which investment properties will be sourced – directly from selling agents and from agent introductions.

LSHIM inform selling and introducing agents of current requirements by circulating quarterly summaries of investment criteria by email and more effectively through face to face meetings with investment agents throughout the UK.

This twin-track approach secures a regular flow of potential acquisitions throughout the year and the key to success is to have a streamlined and effective process for evaluating potential opportunities according to the criteria set by and agreed through the investment strategy.

These opportunities may be either on or off market with the latter providing the opportunity to purchase at Market Value but in a non-competitive environment. Frequently, the quid-pro-quo is that the Vendor will expect a quick sale – typically within 15-20 working days from agreeing terms to completion.

The development of the portfolio will be tracked in the Quarterly and Annual reports which set out both portfolio and individual property strategies as well as all the financial data relating to the portfolio.

The chart below summarises the acquisition process:



### **Stage 1 (Evaluation Matrix - Appendix 1)**

LSHIM will source opportunities for acquisition, based upon the parameters set out in the above portfolio strategy. A scoring matrix (Appendix 1) will be used for initial evaluation to ensure uniform basis of appraisal across different asset classes and locations. The resultant score will need to pass a score of 60 in order to be passed to the PIC .

### **Stage 2 (Light Bulb Report)**

Suitable opportunities will be issued by LSHIM to HDC in a summary format which will ensure there are no conflicts of interest or any historical reasons preventing further due diligence. A decision back from HDC will be needed within 24/48 hours.

### **Stage 3 (Recommendation to Bid)**

LSHIM will inspect the property and carry out detailed due diligence and build cash flow models to establish returns. Assuming the parameters for the portfolio are met, LSHIM will issue a Recommendation to Bid generally within 1 to 2 weeks outlining the key fundamentals along with the maximum recommended offer level. A decision back from HDC will be needed within 24/48 hours.

### **Stage 4 (Investment Recommendation)**

If the offer is accepted and Heads of Terms issued, exchange and completion could be set for within 10 to 15 working days. LSHIM will instruct and coordinate the relevant surveys required for the acquisition and will liaise with the appointed legal advisors. This will include a Building Survey, Environmental Survey, Forensic Accountant and independent Valuation. Prior to exchange, a detailed Investment Report will be issued by LSHIM to HDC which will provide a detailed analysis and cash flow of the investment but will also provide summaries of all 3rd party advisors reports.

Key to the above is the need for prompt responses by the Property Investment Committee back to LSHIM, in particular at Stage 2 and 3.

## **Reporting**

LSHIM will provide formal reporting to the PIC on the progress of each property and the portfolio as a whole on the following basis:

- A written quarterly report on the performance of the portfolio and new acquisitions;
- A quarterly meeting of the PIC or equivalent;
- An annual\* report on the performance of the portfolio;
- An annual\* review of the asset strategy for each property;
- An annual\* review of the investment strategy for the portfolio as a whole;
- Ad hoc decision making meetings arranged as required on specific actions.



\*The annual report/reviews will be incorporated into the appropriate quarterly report. These quarterly/annual reports will comprise:

- An update on the Portfolio Strategy;
- A summary of the changes within the portfolio since the last report;
- Updated detail on the portfolio composition and portfolio weightings;
- UK wide commercial property market update;
- Property Management update including an Income Statement, Rental areas;
- Key Performance Indicators;
- Tenancy Schedule – followed by individual property reports on each of the assets.

Both quarterly and annual report will be made available to PIC attendees 5 working days prior to the meeting.

For the acquisition process LSHIM will provide the following reports:

- **Lightbulb Opportunity** – This will detail the fundamentals of the unit with a brief analysis of the opportunity. This two page document is intended to confirm the PIC and the company have no conflicts of interest with the property and no historic reasons for not progressing with further due diligence.
- **Recommendation to Bid** – This provides an extensive report following an inspection of the property and in-depth due diligence on the area, property, local market and comparables. LSHIM will run detailed cash flow appraisals and sensitivities and set out the investment rational. This document will seek the formal approval to bid.
- **Investment Recommendation** – If successful in the bidding process, we will prepare this final report which you will receive at least 48 hours prior to completion and which will consolidate the advice of the lawyers, building surveyors and any other professional advisors and provide the formal advice on the basis of which the funds are released form completion.

In addition to the formal reporting LSHIM will also attend the quarterly PIC meetings covering any acquisitions that have taken place over the last three months, the performance of the portfolio as a whole, potential upcoming issues and general wider market intelligence. In addition LSHIM will attend further PIC meetings as and when planned.

LSHIM will provide a prompt response to any issues raised by the PIC and are available 24/7. Any matters will be resolved within a reasonable time frame.

### **Cabinet and Council Reporting**

The PIC will provide a report to Cabinet with regard to any potential purchases at the earliest opportunity. Additionally, an update will be provided in the quarterly financial report to Cabinet and subsequently Council. These reports will include the performance of the commercial property portfolio but also the overall impact of the Council's borrowing position. On an annual basis, a review of the investment strategy as well as performance of the overall portfolio will be reported to Cabinet and Council for approval.

# Appendix 1

## LSHIM/Hambleton Investment Property Assessment Matrix

SCORING CRITERIA	Score	4	3	2	1	Score
	Weighting Factor	Excellent / Very Good	Good	Acceptable	Not Acceptable	
Location	5	Prime	Off Prime/ Good Secondary	Secondary	Tertiary	15
Tenant Covenant	5	Single or multiple tenants offering strong financial covenant	Single or multiple tenants offering good financial covenant	Single or multiple tenants offering reasonable financial covenant	Multiple tenants offering weak financial covenant strength	20
Building Quality	4	Modern or recently refurbished with nominal capex required	Good quality with capex likely to be required within the next 15 years	Good quality with capex likely to be required within the next 10 years	Older style or non-compliant with capex required within the next 5 years	12
AWULT	4	Greater than 10 years	Between 6 and 10 years	Between 3 and 6 years	Less than 3 years or vacant	16
Tenure	3	Freehold	Lease more than 125 years	Lease between 100 and 125 years	Lease between 60 and 100 years	12
EPC Rating	3	A, B	C	D	E	12
Max Score		96	72	48	24	87

The threshold will be set at 60.





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**This information is available in alternative formats and languages**

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
3 September 2019

**Subject:** COUNCIL PLAN 2019 TO 2023

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

---

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

- 1.1 This report seeks Member approval for the new Council Plan 2019-2023 which demonstrates the Council's vision, purpose and priorities.
- 1.2 The Council Plan has been substantially reviewed in line with the newly appointed Council administration in May 2019.
- 1.3 The report presents the new Council Plan for agreement, where amendments have been made to maintain the robust delivery of services for all customers who live, work and visit the district. The full Council Plan is attached at Annex 'A'.

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

- 2.1 The Council is statutorily obliged to have an active Council Plan.

### **3.0 RISK ASSESSMENT:**

- 3.1 There are no risks associated with this report.

### **4.0 FINANCIAL IMPLICATIONS:**

- 4.1 None directly for this report.

### **5.0 LEGAL IMPLICATIONS:**

- 5.1 None.

### **6.0 EQUALITY/DIVERSITY ISSUES:**

- 6.1 There are no specific equality and diversity implications to this report. Equality Impact assessments and consideration of diversity issues in relation to projects and services included in the Council Plan will be carried out by individual Departments and reported when appropriate.

### **7.0 RECOMMENDATION:**

- 7.1 Cabinet is asked to approve and to recommend to Council that the 2019-2023 Council Plan be adopted.

JUSTIN IVES  
CHIEF EXECUTIVE

**Background papers:** None  
**Author ref:** LBW  
**Contact:** Louise Branford-White  
Director of Finance and Commercial (s151 Officer)  
Direct Line: 01609 767024





**HAMBLETON**

DISTRICT COUNCIL

# Our Plan

2019-23

Draft v9

a place to  
*grow*



# Welcome

Welcome to our council plan for the next four years. We are ambitious for the future of our district and the past four years have shown that we can work well, with focus, despite the challenging times local government faces.

Hambleton is a vibrant and prosperous district with an enviable quality of life. We will continue to focus on issues which are most important to our local communities and businesses. We have clear priorities that build on the successes of the past few years, in an resolute, incremental and thoughtful way. We are committed to delivering high quality services to our residents, at the lowest cost possible.

With an ever-changing funding environment for councils, we are determined to secure our own financial future and to safeguard the key services local people tell us are essential. To do this we are supplementing our existing prudent approach to financial management with a healthy appetite to investment in new development projects, and a new commercial strategy to generate additional income.

Over the past decade we have worked hard to keep our council tax low and we are proud to have the third lowest council tax in the country, and the lowest in North Yorkshire. The council tax we collect from you also contributes to the combined cost of North Yorkshire County Council, Town or Parish Councils, Police and Fire Services. Although we are the collecting authority, Hambleton District Council only keeps 6% of the total collected.

We have clear priorities for the four years of:

- driving economic vitality,
- enhancing health and wellbeing,
- caring for the environment,
- providing a special place to live,

and we are determined through hard work, collaboration with partners, leadership and influence to ensure that Hambleton is a place to grow.



**Councillor Mark Robson**  
Leader of Hambleton  
District Council



**Dr Justin Ives**  
Chief Executive



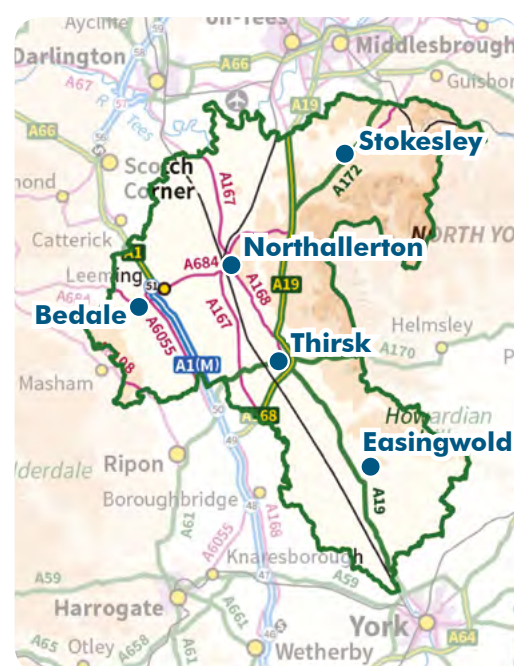
# Introduction

## About Hambleton a place to *grow*

Located within the picturesque Vale of York, Hambleton is the second largest district in North Yorkshire. With many residents living in outlying villages, Hambleton is a largely rural district with a quarter of its population living in the five historic market towns of Bedale, Easingwold, Northallerton, Stokesley and Thirsk.

The local area is well known for its stunning landscape, with the Hambleton Hills, between Helmsley and Sutton Bank, and the Howardian Hills Area of Outstanding Natural Beauty. Population levels have risen steadily over the past decade as more people choose to make the district their home. People are healthier and live longer than the national average and levels of deprivation, though present, are generally low.

Local shopping, recreation and sports facilities are very good and there is a strong sense of community. Added to this, exceptional business and transport links mean the district is a popular location for new and existing businesses of many types, from local enterprises to global companies. Hambleton is a place to grow.



## The district council

Hambleton District Council provides high-quality services for local people, businesses and visitors. In common with other district councils, these include many essential day-to-day services as well as those contributing to a good quality of life for residents and a pleasant environment:

- refuse and recycling collection
- street cleaning
- supporting businesses
- local planning
- car parking
- market town investment
- environmental health
- housing
- sports and leisure services
- economic development
- housing benefits and

The council operates a cabinet structure with 28 elected councillors representing 17 wards. Elections are held every four years. Cabinet comprises the Leader, Deputy Leader (who leads on economic development and finance) and portfolio holders for the key areas of leisure; environmental health, waste and recycling; governance and planning.

# Our Purpose

Hambleton District Council exists to serve its communities and to ensure Hambleton continues to be an attractive and vibrant place to live, work, visit and invest.

We deliver our purpose in three ways:

## Community Leadership

Community leadership is at the core of our purpose. Our 28 councillors make a unique contribution as Community Leaders, engaging directly with their communities in Hambleton's 17 wards. Their local knowledge, combined with other insights gained from our Customer Services, and directly from residents and businesses, is helping us become more responsive to local need and to reconfigure and evolve our services accordingly.

Community leadership supports us to start, stop or alter what we are doing and to deliver 'more for less'. It encourages us to be locally responsive and to develop new forms of service delivery and accountability in partnership with residents and others.

## Place Shaping

Place shaping is an essential part of what we do. Hambleton's rural setting with our vibrant market towns, excellent transport links and strong visitor offer all contribute to an already established sense of place. Building on this strong identity includes recognising and promoting what is distinctive about Hambleton.

Sustainability, innovation and customer service are at the heart of our approach and working with partners we use our influence and shared resources to promote the general well-being of Hambleton, its villages and market towns. For a district of our size, we have an ambitious and already well-established portfolio of place shaping development projects.

## Delivering Services

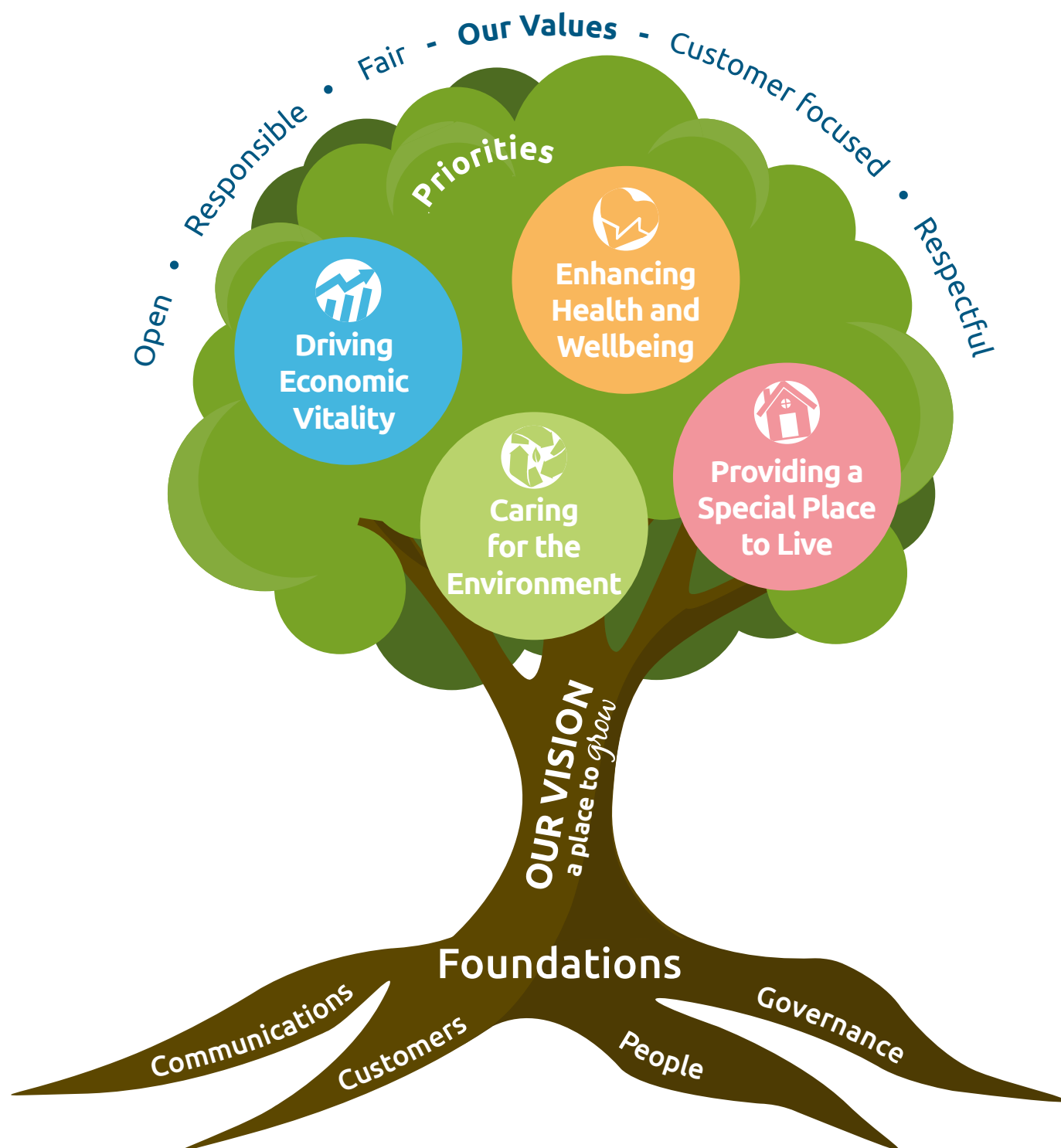
We pride ourselves on delivering high-quality services at the lowest cost possible. We are committed to ensuring our services reflect the needs of our different communities and that they are responsive and easily accessed.

A priority across all our services is to protect the district's heritage and high quality environment, with investment in services that work for local people today as well as planning for the future.





# Our Vision, Values and Priorities



# Our Vision

## Hambleton a place to *grow*

Where people  
*grow* ideas

Where communities *grow*  
and flourish

Where creativity  
*grows*

Where ideas *grow*  
into reality

Where  
families  
*grow*

Where sense  
of place  
*grows*

Where market  
towns *grow*  
and flourish

Where businesses  
*grow* their  
reach, from local  
to global

Where ambitions *grow*

# Our Values

Our values underpin everything we do: how we work, how we set our priorities, how we do things, how we hold ourselves accountable. The people of Hambleton demand high standards from us and we demand them of ourselves.

## Open

We are honest and transparent in what we do and how we work. We act with integrity. We aim to provide timely and accurate information. We welcome change and have a healthy attitude to risk.

## Responsible

We place high regard on being accountable for our actions both as individuals and as an organisation. We are financially prudent. We measure our performance.

## Customer Focused

We put Hambleton residents, businesses and visitors at the heart of how we work. We set ourselves high standards and we are committed to being responsive and effective.

## Fair

We strive to be fair to all on an equal basis. We work as a council and value everyone's contribution.

## Respectful

We are inclusive, listen and consider others. We value everyone.





# Our Priorities

## Hambleton a place to *grow*

Our four key priorities will ensure Hambleton continues to offer an enviable quality of life now and for future generations.



Driving Economic Vitality

Enhancing Health and Wellbeing



Caring for the Environment

Providing a Special Place to Live



# Our Priorities



## Driving Economic Vitality

We want Hambleton to continue to attract and keep, good and stable employers, encourage new businesses and generate commercial opportunities. We will build on our excellent reputation as an easy place to do business through our responsive business support service. Providing advice on grants, premises, funding and planning. We will promote opportunities for companies to network and forge links with other businesses.

During 2019/20 we aim to:

- Facilitate 28 young people into local small businesses through apprenticeships and the graduate scheme
- Support £1m of new business investment in Hambleton
- Increase footfall across Hambleton's market towns by 5%
- Achieve a level of business rate collection of 98%
- Achieve a level of council tax collection of 98%
- Increase the number of major planning applications determined within 13 weeks, or as agreed with the applicant, to 80%
- Increase the number of minor planning applications determined within 8 weeks, or as agreed with the applicant, to 85%
- Achieve 8 out of 10 success rate in defending appeals where major developments are refused planning permission

Where businesses *grow* their reach, from local to global

Where creativity *grows*

Where ideas *grow* into reality

Where ambitions *grow*

Where market towns *grow* and flourish

### KEY PROJECTS

Northallerton bridge and road development

Central Northallerton redevelopment

Leeming Bar employment site

Car park improvement scheme

Dalton utilities improvement

# Our Priorities



## Enhancing Health and Wellbeing

We are proud to run and support high-quality leisure facilities, leisure and cultural events and sporting activities. With a growing population in Hambleton and an increasing number of visitors, participation in physical activity remains a priority for us. Our community grant programme encourages a wide range of neighbourhood activities while the council's ZEST leisure centres offer well-resourced health and fitness facilities and inclusive activity programmes, with state-of-the-art equipment and seasonal activity programmes.

During 2019/20 we aim to:

- Achieve health and fitness membership base of 3,192
- Achieve 'Learn2 Swim' membership base of 2,645
- Successfully allocate 100% (£236,600) of community grants
- Complete 100% (85) of high/medium risk food premises inspections
- Complete 100% (22) of private water supply risk assessments

Where communities *grow* and flourish

Where people *grow* ideas

Where families *grow*

Where creativity *grows*

### KEY PROJECTS

Northallerton Sports Village

Sowerby Sports Village

Thirsk & Sowerby Leisure Centre improvements

Community Leisure facilities improvements - Bedale, Easingwold and Stokesley

Events and legacy programme



# Our Priorities



## Caring for the Environment

The environment is a top priority for us and our residents and we are working on ways to reduce the impact of climate change. We encourage sustainability and work hard to reduce our own environmental impact. We are rigorous in our efforts to maintain high-quality waste and recycling collections. We will continue to support communities with their neighbourhood litter picks and take enforcement action on fly tipping and littering. We will promote renewable energy and install electric charging points. By installing improved energy efficient lighting, we will continue to improve our energy efficiency and reduce our CO<sup>2</sup> emissions.

During 2019/20 we aim to:

- Maintain a recycling rate of 47%
- Implement fly tipping and littering enforcement policy including established monitoring of the policy
- Facilitate 52 community litter picks
- Improve efficiency of lighting by reducing energy consumption by 200,000Kwh.

Where communities *grow* and flourish

Where market towns *grow* and flourish

Where sense of place *grows*

### KEY PROJECTS

Crematorium project

Renewable energy

Electric charging points

Fly tipping & littering improvements

Depot relocation review

# Our Priorities



## Providing a Special Place to Live

Hambleton is growing and we are working hard to ensure we have high quality housing available throughout the district. Across our five market towns and outlying villages, we are committed to ensuring a minimum five year supply of deliverable housing sites. Local people's views have helped shape the new Hambleton Local Plan and will continue to be at the heart of how communities develop. We want Hambleton to continue to be an attractive, prosperous and safe place to live. We are committed to supporting people to lead independent lives and ensuring housing is available for all. We will provide practical support to residents to prevent homelessness, including financial support.

During 2019/20 we aim to:

- Maintain each year a minimum five year supply of deliverable housing sites
- Publish the new Local Plan by July 2019
- Deliver an additional 315 new homes
- Ensure 100% of homelessness decisions are made within 56 days
- Ensure a total of 85% of funds allocated for disabled facilities applications is spent
- Process new housing benefit claims within 20 days in line with North Yorkshire authorities
- Process new council tax claims within 20 days in line with North Yorkshire authorities
- Process housing benefit changes in circumstance within seven days in line with North Yorkshire authorities
- Process council tax changes in circumstance within seven days in line with North Yorkshire authorities.

Where people *grow* ideas

Where families *grow*

Where communities *grow* and flourish

Where market towns *grow* and flourish

Where creativity *grows*

Where sense of place *grows*

### KEY PROJECTS

Local plan

Best in class planning service

Lambert Hospital community development

Vibrant market towns

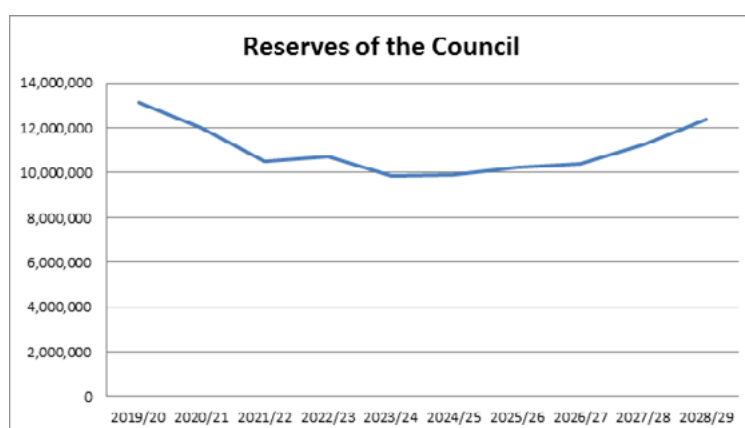
# Our Finances

Hambleton has an impressive track record of sound financial management.

We create and support new opportunities and new income streams to ensure the on-going affordability of council services. We identify new ways to save, or make, money.

An example of this is the ambitious commercial programme we have established to enable the council to be self-sufficient and to fund future projects.

The illustration shows over the next ten years the council's financial position is stable.



The reserves of the council are expected to decrease over the next few years; there will be a large reduction in the grant we receive from government and at the same time, we will be investing in ICT and our assets.

Council funds will then increase as the commercial programme and its activities start to make a significant contribution to the council's income. This income will allow us to support, with confidence, our priorities over the longer term and demonstrates we are financially sustainable.

Where communities *grow* and flourish

Where businesses *grow* their reach, from local to global

Where creativity *grows*

Where ideas *grow* into reality

Where ambitions *grow*

Where market towns *grow* and flourish



# Our Services

## Economy and Planning:

- Building Control
- Business and Economy
- Communications
- Conservation
- Development Management
- Economic Development
- Graduate Programme
- GIS (Geographic Information Systems)
- Housing
- Local Land Charges
- Market Town Investment
- Planning Policy
- Street Naming and Numbering

## Leisure and Communities:

- CCTV
- Community Leisure
- Community Partnerships
- Community Safety
- Design and Maintenance
- Events and Safeguarding
- Facilities Management
- Grants and External Funding
- Leisure Centres
- Parking
- Public Health
- Sports and Art Development

## Environment:

- Business Continuity
- Emergency Planning
- Environmental Health
- Food Hygiene
- Health and Safety
- Household Waste
- Pest and Pollution Control
- Recycling
- Street Scene
- Environmental Health (Water Supply)

## Law and Governance:

- Democratic Services
- Electoral Services
- Human Resources
- Information Governance
- Legal Services
- Licensing
- Procurement

## Finance and Commercial:

- Audit Services
- Business Rates
- Business Support
- Commercialisation and Programme Management
- Customer Services
- Finance
- Housing Benefits
- ICT
- Payroll
- Performance and Risk Management
- Reprographics
- Taxation and Recovery
- Transparency





a place to  
*grow*





a place to  
*grow*

**HAMBLETON**  
**DISTRICT COUNCIL**

Civic Centre, Stone Cross, Rotary Way, Northallerton, North Yorkshire DL6 2UU  
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## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
3 September 2019

**From:** Director of Finance and Commercial (s151 Officer)

**Subject:** **ANNUAL REPORT TO CABINET ON AUDIT, GOVERNANCE AND STANDARDS COMMITTEE ACTIVITIES 2018/19**

All Wards  
Portfolio Holder for Governance: Councillor Mrs I Sanderson

---

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

1.1 The purpose of this report is to present a report which analyses the work undertaken by the Audit, Governance and Standards Committee up to 31 March 2019. An analysis of the work undertaken is attached at Annex A.

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

2.1 The activities undertaken by the Audit, Governance and Standards Committee ensure that the Council is operating in accordance with the Governance arrangements of the Council.

### **3.0 RISK ASSESSMENT:**

3.1 There are no risks associated with the report.

### **4.0 FINANCIAL IMPLICATIONS:**

4.1 There are no Financial Implications

### **5.0 LEGAL IMPLICATIONS:**

5.1 There are no legal implications. However the Audit, Governance and Standards Committee is obliged by its terms of reference to report annually to Cabinet on the Committee's activities.

### **6.0 EQUALITY/DIVERSITY ISSUES**

6.1 There are no equality and diversity implications to this report

### **7.0 RECOMMENDATION:**

8.1 It is recommended that Cabinet endorse the report of the Audit, Governance and Standards Committee.

COUNCILLOR N KNAPTON  
CHAIRMAN - AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

**Background papers:** Audit, Governance and Standards Committee reports for 2018/19  
**Author ref:** LBW  
**Contact:** Louise Branford-White  
Director of Finance and Commercial (s151 Officer)  
Direct Line No: 01609 767024

**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

**WORK UNDERTAKEN DURING 2018/19**

**1. External Audit – Ernst & Young LLP**

Ernst & Young, as the Council's external auditor from April 2018 to March 2019, presented reports that covered:-

- Audit Planning Report – this sets out the proposed plan for audit and inspection work;
- Statutory Auditor's report on the 2017/18 Audit and Inspection Letter – this summarises the conclusions and significant issues arising from the audit and inspection work of the Council's Financial Report, including the Statement of Accounts 2017/18 and Annual Governance Statement; the Annual 2017/18 Accounts were approved;
- Annual Audit Letter 2017/18 - an unqualified opinion on the Council's financial statements for the year ended 31 March 2018 was given and an unmodified conclusion on the Council's arrangements for securing value for money for the year ended 31 March 2018.
- Quarterly update reports on their activities with the Council.
- Statutory Auditor's Annual Grant Claims and Returns 2017/18 was noted

It is pleasing to note that these reports did not identify any significant problems and were received and accepted by the Committee.

**2. Internal Audit – Veritau North Yorkshire Ltd**

- Presented the 2017/18 Internal Audit Annual Report, where a substantial assurance opinion of the organisation was given. The Report was accepted;
- Presented the 2017/18 Annual Governance Statement which provided public assurance that the Council has a sound system of internal control, designed to help manage and control risks that impede the achievement of its objectives. This was approved;
- Gave a comparison of the actual performance against target throughout the year in the quarterly reviews for internal audit and counter fraud. The Committee was satisfied with the performance and the internal audit review programme was completed in the year;
- Provided an update on the annual review of the Audit Vision and Charter.
- Presented the Internal Audit, Counter Fraud and Information Governance Plan 2018/19, which was accepted by the Committee
- Informed Members of the Veritau Internal Audit, Counter Fraud and Information Governance Plans 2019/20



### **3. Accounts and Governance – Hambleton District Council Officers**

These reports cover the presentation of:

- The Statement of Accounts 2017/18– these present the statutory financial accounts in the form prescribed by the Code of Practice on Local Authority Accounting in the UK – A Statement of Recommended Practice. The Committee scrutinised the detail of the accounts and after a robust challenge approved them;
- The Annual Governance Statement (AGS) for 2017/18– this a statement required by statute which follows the guidelines issued by the Chartered Institute of Public Finance (CIPFA). It describes the internal control environment and the steps the Council has taken to ensure:-
  - its business is undertaken in accordance with the law;
  - it maintains proper safeguards that provide good governance;
  - public money is safeguarded, and;
  - its resources are used economically, efficiently and effectively.

The Committee agreed with the conclusion of the review and approved the content of the AGS.

- The Review of the Annual Treasury Management Strategy 2019/20 and Practices were reviewed and accepted by the Committee.
- The Review of Capital Strategy 2019/20 was accepted

### **4. Risk Management – Hambleton District Council Officers**

The Committee received two reports on the Annual Review of Risk Management Strategy; these highlighted the changing process that is occurring across the Council to correctly challenge and review all risks. It introduced a new approach to corporate risks which are now reported alongside project and service risks.

### **5. Counter Fraud and Anti-Corruption - Hambleton District Council Officers**

- Annual Report on Counter Fraud and Anti-Corruption 2017/18 was reported and accepted.
- The Counter Fraud Framework Update was reported

### **6. Constitution and other work**

The Committee received reports covering:-

- Politically Restricted Posts – review of the list of politically restricted posts because of re-organisation and changes in job titles within the Council.
- Activity under the Regulation of Investigatory Powers Act reported on a quarterly basis where all were nil and were accepted. Also the current Policy on the Regulation of Investigatory Powers Act was approved.
- Annual report to Cabinet on Committee's activities for 2017/18.

- 2019/20 reporting Programme which identified those reports to be received on a structured basis.
- Update to the constitution
- Appointment of Independent Persons
- Amendments to Member Code of Conduct Allegations procedures
- BREXIT Update on Implications for local authorities
- Appointment of External Auditors for Housing Benefit Subsidy Claim Certification arrangements and amendment to the constitution, in line with the new regulations.

## **7. Standards**

The Committee has responsibility for the Standards regime. The Standards Hearings Panel has considered no complaints under the Council's Complaints Procedure.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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