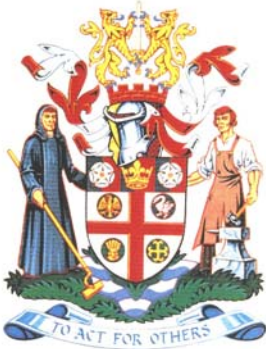


# Selby District Council



## Agenda

Meeting: **Executive**  
Date: **2 February 2012**  
Time: **4pm**  
Venue: **Committee Room**  
To: Councillor Mark Crane, Councillor Mrs Gillian Ivey, Councillor Cliff Lunn, Councillor John Mackman and Councillor Chris Metcalfe

### 1. Apologies for absence

### 2. Minutes

The Executive is asked to approve the minutes of the meeting held on 5 January 2012 Pages 3 to 5.

### 3. Disclosures of Interest

Members of the Executive should disclose personal or prejudicial interest(s) in any item on this agenda.

### 4. 3<sup>rd</sup> Interim Corporate Plan Progress Report – Key Decision

Report E/11/50 asks the Executive to consider Access Selby's key performance indicators following the third quarter of 2011/12. Pages 6 to 21.

### 5. 3<sup>rd</sup> Interim Budget Exceptions Report – Key Decision

Report E/11/51 provides the Executive with details of major variations between budgeted and actual expenditure and income for the 2011/12 financial year to 31 December 2011. Pages 22 to 42.

### 6. 3<sup>rd</sup> Interim Treasury Management Report – Key Decision

Report E/11/52 asks the Executive to endorse the actions of officers with regard to the Council's treasury management activity. Pages 43 to 52.

**7. Medium Term Financial Plan – Key Decision**

Report E/11/53 presents the Executive's revenue budget and capital programme for 2012/13 to 2014/15. Pages 53 to 103.

**8. Treasury Management Strategy – Key Decision**

Report E/11/54 presents for approval the proposed Treasury Management Strategy together with the Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2012/13 and Prudential Indicators 2012/13. Pages 104 to 141.

**M Connor**  
**Chief Executive**

<b>Dates of next meetings</b>
<b>Executive Briefing 16 February 2012</b>
<b>Executive 1 March 2012</b>

Enquiries relating to this agenda, please contact Glenn Shelley on:

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# Selby District Council



## Minutes

### Executive

Venue:	Committee Room, Civic Centre, Selby
Date:	5 January 2012
Present:	Councillor M Crane (Chair), Mrs G Ivey C Lunn and J Mackman
Apologies for Absence:	C Metcalfe
Officers present:	Chief Executive, Deputy Chief Executive, Executive Director (S151), Lead Officer – Finance and Democratic Services Manager.
Public:	0
Press:	0

Please note, only minute numbers 72, 73 and 75 are subject to call in. The deadline for Call In is 5pm on 17<sup>th</sup> January 2012. Decisions not called in may be implemented from 18<sup>th</sup> January 2012.

#### **70. Disclosure of Interest**

There were no disclosures of interest.

#### **71. Minutes**

The minutes of the meeting on 1 December 2011 were submitted. The minutes were agreed as a correct record and signed by the Chair.

#### **72. Housing Rents and Miscellaneous Charges 2012/13**

Councillor Cliff Lunn presented report E/11/47 which gave proposals for Housing Revenue Account (HRA) rent levels in accordance with Central Government's policy on rent restructuring.

Councillor Cliff Lunn explained that based on the Government's current policy, local authority rents were expected to converge with registered social landlord rents by 2015/16.

Councillor Lunn also provided a brief overview of the new arrangements for HRA self financing, which would see the Council keep all of its rent income from 2012/13 onwards, in return for taking on around £60m of Government Housing Debt.

The Executive then discussed some of the issues associated with Rent Convergence.

**Resolved:**

**To approve an average 7.9% rent increase for 2012/2013.**

Reason for decision:

To allow Selby District Council to set rent levels in compliance with Government policy.

### **73. Green Car Scheme**

Councillor Cliff Lunn presented report E/11/48 which explained the Green Car 'Employee Lease' Scheme. The scheme would be part of a contract which had already been procured and successfully rolled out at North Yorkshire County Council.

Councillor Cliff Lunn highlighted the benefits of the scheme and the risks to the Council. He informed the Executive that those taking up the scheme would have insurance cover to mitigate the risk of early termination of the contract.

The Executive Director (S151) clarified that the Scheme was for Council employees only and would not be open to councillors.

**Resolved:**

**To introduce a 'Green Car' Employee Lease Scheme as part of the Authority's Employee Benefits Package.**

Reason for decision:

To take advantage of the 'Green Car' Employee Lease Scheme as part of the Authority's Employee Benefits Package.

### **74. Private Session**

**To exclude the Press and the Public from the meeting in accordance with Section 100(A)(4) of the Local Government Act 1972, in view of the**

**nature of the business to be transacted as there is likely to be disclosure of exempt information as defined in Section 100(1) of the Act as described in paragraph 3 of Part 1 of Schedule 12(A) of the Act.**

#### **75. Sale of Land at Portholme Road, Selby**

Councillor Mark Crane presented report E/11/49 which explained that the Council had received a number of bids to purchase its remaining non-operational land at Portholme Road, Selby. The Executive discussed each of the bids.

**Resolved:**

- i) To accept, subject to contract, the unconditional offer from the highest bidder to purchase the remaining non operational land at Portholme Road, Selby for the sum offered.**
- ii) To authorise the Deputy Chief Executive, after consultation with the Leader of the Council, to finalise the terms of the sale.**

Reason for decision:

To maximise the capital receipt in accordance with the Council's Financial Procedural Rules

The meeting concluded at 4.28pm.

# Selby District Council

## REPORT

Reference: E/11/50

Public

Item 4



**To:** The Executive  
**Date:** 2 February 2012  
**Status:** Non Key Decision  
**Report Published:** 26 January 2012  
**Author:** Chris Smith  
**Executive Member:** Councillor Mark Crane

### **Title:**

**April 2011 – December 2011: 3rd Interim Corporate Plan Progress Report**

### **Summary:**

This report provides details of Access Selby key performance indicators following the 3<sup>rd</sup> quarter of reporting for the financial year 2011/12, and recommends appropriate action where required.

### **Recommendation(s):**

It is recommended that accountable officers take the necessary action to ensure the performance indicators achieve the set targets set at the beginning of the financial year.

### **Reasons for recommendation**

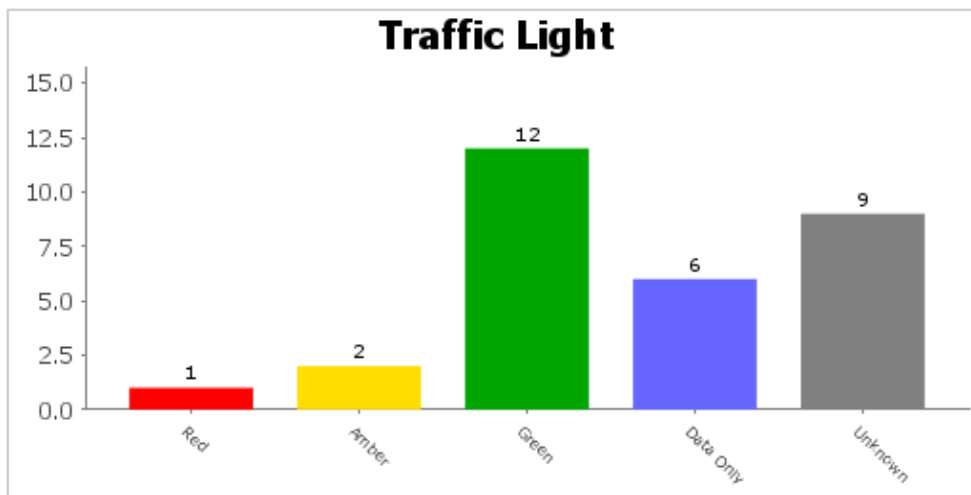
The ongoing management of performance and improvement data assists Access Selby in achieving its priorities for 2011/12.

#### **1. Introduction**

- 1.1 Performance indicator exceptions for the relevant period together with appropriate commentary from officers are shown at Appendix A.
- 1.2 A total of thirty key performance indicators have been created and divided into four themes: *customer and community, learning and growth, process and finance*. These four themes form the basis of the

*'balanced scorecard'* approach, and are designed to support the long-term sustainability of the organisation.

- 1.3 A total of eleven indicators will be monitored monthly with five indicators measured quarterly and fourteen indicators measured annually.
- 1.4 Performance is measured on the traffic light sequence through the COVALENT performance management system. The 'data only' indicators highlighted in Appendix A relate to indicators where either we are calculating a baseline figure throughout the 1<sup>st</sup> year and have no target set or the target is based around a milestone.
- 1.5 Based on the 15 performance indicators that hold reported data following the 3<sup>rd</sup> quarter of reporting we are above target on 12 indicators with 3 indicators reported below target.



- 1.6 On a positive note, the reported performance indicators for customer satisfaction at the contact centre, non urgent repairs completed, high risk enforcement issues resolved, rent debt recovered and planning applications considered within time limit are all exceeding the targets set at the beginning of the financial year.
- 1.7 A total of seven indicators reported have already exceeded the year 2 business plan targets based on current Year to date performance.
- 1.8 Major improvements have been seen on the average taken to re-let local authority housing. The projected performance was as indicated in the below table, actual performance is significantly above profile. Whilst as indicated at the October Board the projected end of year average performance was 36.9 days, which is just below the end of year performance for 2010/11 of 35 days, we now envisage we will achieve the 2010/11 performance levels and start the new municipal year in a stronger position and be able to meet the target of 28 days.

Projected Void days by month with Annual Aggregate Performance October 2011 - March 2012 With actual data included				
Month	Monthly Projected Void time (Properties completing)	Projected void times (annual average)	Actual Monthly Void time	Revised Projected Year-to-date Void time
October	35.36	44.4	36.6	43.8
November	33.8	42.5	21.9	40.7
December	27.6	40.0	18.4	38.7
January	26.2	38.8		38.2
February	26.1	37.8		37.7
March	25.8	36.9		37.3

1.9 There has been a slight improvement in the percentage of new benefit claims and changes processed within 5 days, reflecting the fact that they have reduced the level of outstanding work to normative levels. With the workload increasing by 30% since the start of the year the YTD target has only been missed by more than 1.5% since May 2011. We are now entering the phase of preparing for annual uprating which generates a great deal of extra work for us, however as we are to receive assistance from Northgate, which was agreed as part of the management plan, during January & February. The expectation is to see strong improvements in the YTD figure throughout Quarter 4.

1.10 The performance on dealing with repairs to council owned properties have seen a continuously improvement, with urgent repairs now only 0.50% below target which constitutes to 19 repairs throughout the year and non urgent repairs exceeding targets month on month despite the reduction in staffing levels within the business area.

## 2.0 Legal/financial and other control/policy matters

2.1 Subject to the actions determined by councillors to address weakness identified, there are no financial implications arising from the contents of this report.

2.2 Any actions identified for improvements to performance would need to be properly assessed for financial implications and, if required, approval for any additional funding sought and such issues would be highlighted in the budget exceptions report elsewhere on the agenda.



### **3.0 Conclusion**

- 3.1 Access Selby have made good progress through quarter 3 in ensuring the systems available can capture and extract the data needed to measure the key performance indicators. In summary, some excellent improvements are evident and with mechanisms in place can identify and resolve ongoing performance issues on a timely basis to ensure the set targets are met.
- 3.2 It is recommended that accountable officers take the necessary action to ensure the performance indicators achieve the set targets set at the beginning of the year. Guidance has been issued to relevant officers to ensure more consistent commentary.
- 3.3 The importance of data quality within this process and other data collection programmes cannot be ignored and has to remain a corporate risk. It is paramount that we are confident in the data supplied from internal and external sources, so it can be relied upon for informed decision making purposes.

#### **Appendices:**

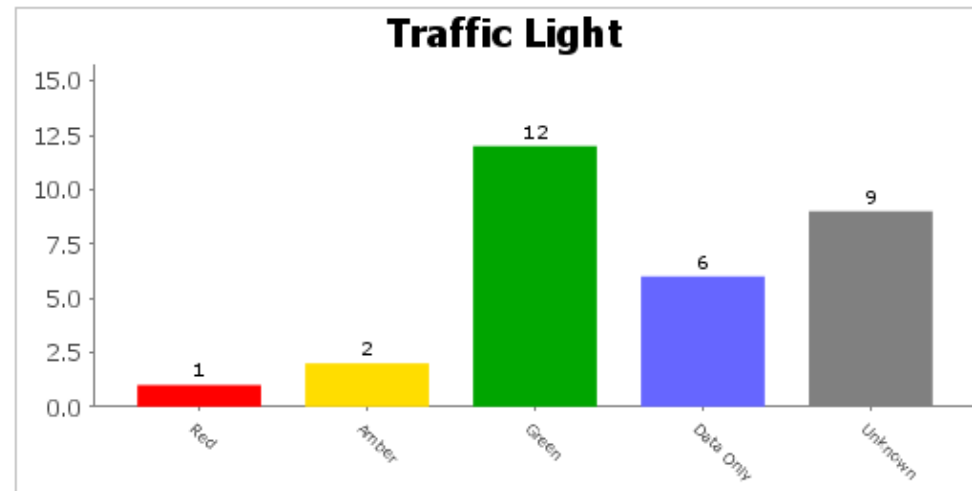
Appendix A – 3<sup>rd</sup> Interim Corporate Plan Progress Report  
April 2011 – December 2011(Quarter 3)









# 3<sup>rd</sup> Interim Corporate Plan Progress Report: April 2011- December 2011 (3<sup>rd</sup> Quarter)





**Report Type:** PIs Report  
**Report Author:** Data & Systems  
**Generated on:** 09 January 2012










PI Status		Long Term Trends		Short Term Trends	
	Alert		Improving		Improving
	Warning		No Change		No Change
	OK		Getting Worse		Getting Worse
	Unknown				
	Data Only				











Code	Short Name	Direction of Travel	Current Target	Current Value	Short Term Trend Arrow	Long Term Trend Arrow	Traffic Light	Collection Frequency	Latest Note
SDV_001	% of satisfied customers	<b>Aim to Maximise</b>	85.00%	<b>97.04%</b>				<b>Quarterly</b>	<p><b>How are we doing?</b></p> <p>Performance is well above the North Yorkshire Benchmarking Group average of 78.00% for 2010-2011 which is a strong performance through organisational restructure and first year of the new Access Selby business model.</p> <p><b>Moving forward?</b></p> <p>The AS business plan contains a work stream to develop satisfaction testing across the business - the customer pledge. The project is currently on track with a report to AS Board 16th January 2012 thus achieving the work plan target. The report sets out the proposed approach with associated implementation plan, timescales in accord with the business plan &amp; consultation with the Core.</p>
SDV_002	% of contact 'right first time'	<b>Aim to Maximise</b>	70.00%	<b>91.65%</b>				<b>Quarterly</b>	<p><b>How are we doing?</b></p> <p>Currently performing above target at 91.65%, with strong performance links with SDV001.</p> <p><b>Moving forward?</b></p> <p>This links to the BPI of Contact Centre and associated review of Community Officer roles that commenced December 2011.</p>
SDV_003	% satisfied with street cleanliness	<b>Aim to Maximise</b>	60.00%					<b>Annually</b>	<p><b>How are we doing / Moving forward?</b></p> <p>Street cleansing – discussions are being</p>

Code	Short Name	Direction of Travel	Current Target	Current Value	Short Term Trend Arrow	Long Term Trend Arrow	Traffic Light	Collection Frequency	Latest Note
									held with Enterprise to plan the next annual satisfaction survey. The timetable for the survey will be reported in at the end of Q4.
SDV_004	% satisfied with leisure facilities provided on behalf of the Council	<b>Aim to Maximise</b>	60.00%					<b>Annually</b>	<p><b>How are we doing / Moving forward?</b></p> <p>Project Plan produced to further develop satisfaction testing and presented for consideration by Access Selby Board. Roll out January 2012 - March 2012.</p> <p>The service is committed to ensuring effective feedback from customers. In addition to standard feedback mechanisms a customer forum has been established. Meeting for the first time in October the forum will become a regular (quarterly) opportunity for customers to share comments and suggestions with officers.</p>
SDV_005	Satisfaction with professional advice both to the Core and within the SDV	<b>Aim to Maximise</b>	60.00%					<b>Annually</b>	<p><b>How are we doing?</b></p> <p>A new measure to understand satisfaction with services provided to the Client and within Access Selby. A Project plan has been agreed and phased roll out to March 2012.</p> <p>Questions to cover the following areas</p> <ul style="list-style-type: none"> <li>• Response time</li> <li>• Quality of response</li> <li>• Confidence in response/support</li> <li>• Overall satisfaction with each service area</li> </ul> <p><b>Moving Forward?</b></p> <p>Results will be reported in Quarter 4. The</p>

Code	Short Name	Direction of Travel	Current Target	Current Value	Short Term Trend Arrow	Long Term Trend Arrow	Traffic Light	Collection Frequency	Latest Note
									output links to the assessment against the Customer Pledge, due to be reported March 2012.
SDV_006	% of customer satisfaction with planning service received	<b>Aim to Maximise</b>	60.00%					<b>Annually</b>	<b>How are we doing / Moving Forward?</b>  This is a new area of measurement. Complaints with planning service received are recorded and progressed in accordance with the Corporate Complaints policy
SDV_007	% of vulnerable residents signposted to relevant support agencies after direct contact with the Council	<b>Aim to Maximise</b>	85.00%					<b>Quarterly</b>	<b>How are we doing?</b> Currently all customers are appropriately signposted. Currently recorded as signposting to 'external bodies' unable to define 'vulnerable'. Not previously measured.  <b>Moving forward?</b> This PI is under review in conjunction with negotiations, with the Core, concerning the draft service level agreement
SDV_008	Average time taken to process disabled facilities grants applications	<b>Aim to Minimise</b>	130 days	<b>112 days</b>				<b>Quarterly</b>	<b>How are we doing / Moving Forward?</b>  Improved performance during third quarter (end of 1st quarter performance = 143 days, end of 2 <sup>nd</sup> quarter performance = 116 days). Selby Home Improvement Agency has focused specifically on processing DFG applications for vulnerable clients during this period. End of year performance for 2010/11 = 143 days (Monthly/quarterly)  This application progress has a legal obligation and is influenced by a range of external agencies that contribute to the overall processing time. Benchmarking material is being collated to determine our overall performance in line with our

Code	Short Name	Direction of Travel	Current Target	Current Value	Short Term Trend Arrow	Long Term Trend Arrow	Traffic Light	Collection Frequency	Latest Note
									neighbours.
SDV_009a	% or repairs to council-owned properties completed within agreed timescales (URGENT REPAIRS)	Aim to Maximise	85.00%	84.50%	↑	↑	⚠	Monthly	<p><b>How are we doing / Moving Forward?</b></p> <p>Performance for December 2011 is an improvement month on month since August 2011. This measure is now 0.50% under target, which constitutes to only 19 repairs over the year not recorded as completed on time. The performance on dealing with repairs to council owned properties have seen a continuously improvement despite the issues with long term absence within the business area.</p>
SDV_009b	% or repairs to council-owned properties completed within agreed timescales (NON-URGENT REPAIRS)	Aim to Maximise	80.00%	91.40%	↑	↑	✅	Monthly	<p><b>How are we doing?</b></p> <p>This represents an increase in performance month on month since August 2011. Performance is 11.40% above target.</p> <p><b>Moving forward?</b></p> <p>This measure includes repairs to void properties. The focus on void repairs has resulted in an improvement on the performance of this PI.</p>
SDV_010	Average time taken to re-let local authority housing	Aim to Minimise	28 days	38 days	↑	↑	🛑	Monthly	<p><b>How are we doing?</b></p> <p>New processes in place have resulted in December monthly figure of 18.4 days, on void numbers, 50% above forecast and a significant improvement against the target.</p> <p><b>Moving forward?</b></p> <p>On going monitoring is taking place to</p>




Code	Short Name	Direction of Travel	Current Target	Current Value	Short Term Trend Arrow	Long Term Trend Arrow	Traffic Light	Collection Frequency	Latest Note
									maintain this level and look for any further area of improvement. The level of voids this month was more than double the numbers used in making the earlier forecasts.
SDV_011	Production of CEF-area performance profiles	<b>Aim to Maximise</b>	Y1 onwards – delivery of annual profiles					<b>Annually</b>	<p><b>How are we doing?</b> This measure indicates issues raised in CEF areas and resources deployed to meet calls for service. This is a retrospective look.</p> <p><b>Moving forward?</b> This PI is under review in conjunction with negotiations, with the Core, concerning the draft service level agreement</p>
SDV_012	% of employees attaining behavioural competency key milestones	<b>Aim to Maximise</b>	75.00%					<b>Annually</b>	<p><b>How are we doing /</b> Performance framework produced and performance contracts launched in December 2011. These will include assessment against role related competencies. This information will be managed by Human Resources to build a profile of the work force and competencies achieved.</p> <p><b>Moving Forward?</b> Roll out of performance contracts by March 2012</p>
SDV_013	% increase in employees confidence and perception of the organisation	<b>Aim to Maximise</b>	Establish baseline					<b>Annually</b>	<p><b>How are we doing?</b> Project Plan developed and presented for consideration by Access Selby Board 05/09/11 and CMT 4/10/11. Phased roll out October 2011 - March 2012. Staff survey project plan delivered October 2011.</p> <p><b>Moving Forward?</b></p>

Code	Short Name	Direction of Travel	Current Target	Current Value	Short Term Trend Arrow	Long Term Trend Arrow	Traffic Light	Collection Frequency	Latest Note
									Feedback from the satisfaction survey is being considered alongside the collation of baseline data.
SDV_014	Inspection of premises in accordance with statutory code of practice	Aim to Maximise	100.00%	100.00%	▬	▬	🟢	Monthly	<p><b>How are we doing?</b></p> <p><b>Food Inspections:</b> High Risk Premises (Risk Rated A or B) – 27 premises out of 27 inspected = 100%</p> <p><b>Health and Safety Inspections:</b> High Risk Premises (Risk Rated A or B1) - 7 premises out of 7 inspected = 100%</p> <p><b>PPC Inspections</b> High Risk Premises ( Risk Rated &gt;80) - 0 out of 0 inspected = 100%</p> <p><b>Moving Forward?</b></p> <p>Inspection programme for the final on track to achieve target. Demand is comparable to previous years. Figures indicate 5 further high risk food premises inspections before 31 March 2012 and further 10 high risk health and safety inspections for the same period. 1 high risk PPC inspection.</p>
SDV_015	% Response to Environmental Health enquiries and complaints	Aim to Maximise	100.00%	100.00%	▬	▬	🟢	Monthly	<p><b>How are we doing?</b></p> <p>YTD 100% - 36 out of 36 food and safety complaints responded within target.</p> <p>Sub regional target is 95% through North Yorkshire Quality Management System (ISO accredited). Selby performance in 2010/11 was 100%.</p> <p><b>Moving Forward?</b> New Environmental Health business area</p>






Code	Short Name	Direction of Travel	Current Target	Current Value	Short Term Trend Arrow	Long Term Trend Arrow	Traffic Light	Collection Frequency	Latest Note
									has maintained this performance by implementing new working practices in respect of proactive & reactive work streams. Demand is comparable to previous years.
SDV_016	Number of high risk enforcement issues resolved	Aim to Maximise	50.00%	100.00%	▬	▬	🟢	Quarterly	<p><b>How are we doing / Moving Forward?</b></p> <p>The enforcement team has achieved a 100% resolution rate for high risk enforcement cases for the period 01st October – 31st December 2011.</p> <p>The improvement in response times reflects increased staff experience with new IT systems and work practices.</p>
SDV_017	Investigate significant fly-tipping incidents	Aim to Maximise	100.00%	100.00%	▬	▬	🟢	Monthly	<p><b>How are we doing?</b></p> <p>All the reported fly-tipping incidents within the district were investigated by a council official therefore achieving 100% of investigated incidents YTD.</p>
SDV_018	% of new benefit claims and changes processed within 5 days upon receipt of complete application	Aim to Maximise	85.00%	83.70%	⬆️	⬆️	🟡	Monthly	<p><b>How are we doing / Moving Forward?</b></p> <p>We have reduced the level of outstanding work to normative levels (around 350 items) and this is now starting to be reflected in the stats, which are starting to come back into line. We are now entering the phase of preparing for annual uprating which generates a great deal of extra work, however as we are to receive assistance from Northgate, which was agreed as part of the management plan, during January &amp; February we would expect us to be able to maintain good levels of performance through to the end of the year, and expect to see strong</p>

Code	Short Name	Direction of Travel	Current Target	Current Value	Short Term Trend Arrow	Long Term Trend Arrow	Traffic Light	Collection Frequency	Latest Note
									improvements in the YTD figure with the potential to reach, or be very near to, the target for the year.
SDV_019	% of Council Tax debt recovered	Aim to Maximise	86.62%	86.97%	↑	↑	🟢	Monthly	<p><b>How are we doing / Moving Forward?</b></p> <p>On Target. Performance throughout Quarter 3 has been good and consistent and on track to meet the target set at the beginning of the year. In monetary terms the improved rate of collection has brought us in an additional £146,414 which is an excellent result for Access Selby.</p>
SDV_020	% of Council Rent debt recovered	Aim to Maximise	96.65%	97.96%	↑	↑	🟢	Monthly	<p><b>How are we doing?</b></p> <p>Collection rate is ahead of target by 1.31% &amp; higher than YTD figure for Dec 2010 by 0.60%. In monetary terms the improved rate of collection has brought us in an additional £163,635 which is an excellent result for Access Selby.</p> <p><b>Moving Forward?</b></p> <p>We continue to pro-actively collect rent and arrears by contacting the customer promptly, promoting and facilitating housing benefit take up and we work closely with the Community team to support new tenants and the Homeless Prevention team to prevent homelessness. We also work with our Contact Centre and external partner agencies to provide payment advice and guidance and debt and financial advice through all channels available.</p>
SDV_021	% of applications considered within time	Aim to Maximise	65.00%	84.04%	↑	↓	🟢	Monthly	<p><b>How are we doing?</b></p>

Code	Short Name	Direction of Travel	Current Target	Current Value	Short Term Trend Arrow	Long Term Trend Arrow	Traffic Light	Collection Frequency	Latest Note
	under scheme of delegation								<p>The performance of the planning team continues to remain strong in determining planning applications against the scheme of delegation despite a 30% cut to the staffing resource which occurred earlier on in the year. However, this figure does not reflect that application numbers have increased year on year by 8% and an increased backlog of planning applications (currently up to 90 outstanding cases) that are outside the scheme of delegation has developed as a consequence.</p> <p><b>Moving Forward?</b></p> <p>A report has been prepared for the board giving details of the workload of the team and recommendations on how the team should be resourced to deal with the issues.</p>
SDV_023	% of invoices paid on time	<b>Aim to Maximise</b>	75.00%	<b>76.66%</b>				<b>Monthly</b>	<p><b>How are we doing?</b></p> <p>Performance continues to be above target due to the flexible resource used to reduce the backlog of invoices in the system that has developed since October 2011. The majority of the backlog of invoices has now been paid throughout Quarter 3 so the expectation is for performance to increase from January 2012.</p> <p><b>Moving forward?</b></p> <p>As part of the Procure to Pay project that commenced in December 2011 the current process for payment of invoices</p>

Code	Short Name	Direction of Travel	Current Target	Current Value	Short Term Trend Arrow	Long Term Trend Arrow	Traffic Light	Collection Frequency	Latest Note
									across the authority will form part of the project. A 2 week reminder has been introduced alongside an officer report that identifies individuals who fall below the set target and can be chased to ensure payment within the set time limits.
SDV_024	% compliant with revised fees and charges	Aim to Maximise	Establish Baseline					Annually	<b>How are we doing / Moving Forward?</b> This is subject to a report to Access Selby Board in December 2011 and April 2012.
SDV_025	% internal rate of return on commercial assets	Aim to Maximise	5.00%					Annually	<b>How are we doing / Moving Forward?</b> Work continues to baseline in this area. This is linked to SDVC_027 income generation.
SDV_026	Reducing internal costs on non operational sites	Aim to Maximise	2.00%					Annually	<b>How are we doing / Moving Forward?</b> Work continuing to put in place mechanisms to capture this data throughout the reporting period.
SDV_027	% increase in income generation	Aim to Maximise	Proposals for income generation submitted					Annually	<b>How are we doing / Moving Forward?</b> Work in progress to develop this. Report to board January 2012.
SDV_028	Efficiency and productivity improvements (Delivering within Cost Envelope)	Aim to Maximise	Delivering within agreed cost envelope					Annually	<b>How are we doing / Moving Forward?</b> This is a requirement of all business areas in challenging and setting budgets and carrying out BPI projects.
SDV_029	% increase in productivity	Aim to Maximise	10.00%					Annually	<b>How are we doing / Moving Forward?</b> Productivity and efficiency improvements are key deliverables of transformation

Code	Short Name	Direction of Travel	Current Target	Current Value	Short Term Trend Arrow	Long Term Trend Arrow	Traffic Light	Collection Frequency	Latest Note
									projects. Projects to April 2012 will have targets set.
<b>SDV_030</b>	% efficiency gain in commissioned services, whether financial or added value	<b>Aim to Maximise</b>	By Yr 3 – 10% on 2010-2011 costs					<b>Annually</b>	<b>How are we doing / Moving Forward?</b> At time of contract review and letting new contracts efficiency improvements will be negotiated, hence target by year 3.

# Selby District Council

## REPORT

Reference: E/11/51

Public

Item 5



**To:** The Executive  
**Date:** 2 February 2012  
**Status:** Key Decision  
**Report Published:** 26 January 2012  
**Author:** Kevin Ross – Senior Finance Officer  
**Executive Member:** Cllr C Lunn  
**Lead Officer:** Executive Director (and S151)

**Title:** Financial Results and Budget Exceptions Report to 31 December 2011

### Summary:

This report is to update the Executive with details of major variations between budgeted and actual expenditure and income for the 2011/12 financial year to 31 December 2011.

### Recommendations:

- i. **Councillors endorse the actions of officers and note the contents of the report.**
- ii. **That the budgets be adjusted to reflect the savings expected to be achieved this year as per Appendix C, and that the Councils Medium Term Financial Plan be amended to take account of projected savings in 2012/13 and 2013/14 where these are not currently allowed for in the budget.**
- iii. **That the latest forecast position becomes the latest approved budget.**

### Reasons for recommendation

**To ensure that budget exceptions are brought to the attention of the Executive with explanations from officers; in order to approve remedial action as necessary.**

## 1. Introduction and background

- 1.1 This is the 2nd 2011/12 budget exception report and provides details of the Core, Access Selby and Community Selby General Fund (GF), and Housing Revenue Account (HRA) expenditure and income variations for the financial year 2011/12 and where appropriate remedial action.

## 2. The Report

### Budget Exceptions

#### Revenue

- 2.1 Appendix A presents a summary of the financial position of the Council based upon income and expenditure to December 2011, identifies variances between budgets and actuals for the first 3 quarters, and forecasts variances for the full year to 31 March 2012.
- 2.2 The full year forecast for the General Fund currently shows an estimated saving of £57k:

General Fund	Budget £000's	Forecast Full Year variance £000's
Core	4,965	(44)
Access Selby	6,365	(1)
Communities Selby	270	(12)
	11,600	(57)

The HRA full year forecast saving is £162k:

HRA	Budget £000's	Forecast Full Year variance £000's
Core	2,459	0
Access Selby	(2,459)	(162)
Communities Selby	0	0
	0	(162)

- 2.3 At the end of the last quarter, the General Fund was forecasting a surplus of £69k and the HRA a surplus of £84k relating to Access Selby trading position.
- 2.4 In accordance with the 'shadow budget' approved by Council on 1 March 2011, for this first year of operation any Access Selby 'profits' will be retained in an earmarked 'SDV' reserve.
- 2.5 There are a number of cost and income pressures which officers are managing within budget (such as the impact of inflation on the street

scene and leisure contracts, rising energy prices and reduced income). These pressures are currently being mitigated by salary savings from frozen and vacant posts – further details are set out in Appendix B.

- 2.6 Continuing uncertainty within the economy and future cuts to public sector funding mean that robust budget management is essential to ensure services are delivered within the budgets set.
- 2.7 Contingency budgets are also available to fund one-off issues, should the need arise.

### Capital

- 2.8 There are several capital budget exceptions for 2011/12, the details of which are set out in Appendix B. The main issues are delays in starting various programmes which will result in underspends in this financial year, and requests to carry the budget forward to enable completion of the works.

### Savings

- 2.10 Appendix C presents an update on progress against the Council's savings action plan for the General Fund and HRA.
- 2.11 Overall progress on savings is positive for 2011/12, with General Fund savings of £1.557m and HRA savings of £386k, either achieved or on track to be achieved by the end of the year.
- 2.12 Looking ahead to 2012/13 and beyond taking in to account the increase in target from the MTFS there is still a gap of around £865k between the savings target on the General Fund, although the Housing Revenue Account is expected to exceed its target by (£171k).

## **3. Legal/Financial Controls and other Policy matters**

### **3.1 Legal Issues**

There are no legal issues as a result of this report.

### **3.2 Financial Issues**

The financial issues are highlighted in the body of the report.

## **4. Conclusion**

- 4.1 Overall to the end of December 2011, the financial results are encouraging. Officers continue to monitor and manage their budgets closely and have plans in place to deal with and react to the impact of



any external factors they may have to face.

## **5. Background Documents**

Accountancy budget management files

### **Contact Details**

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### **Appendices:**

Appendix A – General Fund and Housing Revenue Account Revenue financial summary.

Appendix B – General Fund and Housing Revenue Account Revenue and Capital budget exceptions.

Appendix C – General Fund and Housing Revenue Account Savings.

## Core Management Accounts 2011-2012

## Results as at 31st December 2011

## General Fund

	Original Budget	Revised Budget	Year to Date		Annual Total	Variances		Comment
	Budget	Budget	Actual	Budget	Forecast	Year to Date	Full Year	
	£k	£k	£k	£k	£k	£k	£k	
<b>Income</b>								
Internal Recharges	-64	-64	-48	-48	-64			
Sundry Income	-15	-15	-11	-11	-14			1
<b>Total Income</b>	<b>-79</b>	<b>-79</b>	<b>-59</b>	<b>-59</b>	<b>-78</b>			<b>1</b>
PAYMENTS TO ACCESS SELBY AND COMMUNITY SELBY	6,636	6,636	4,977	4,977	6,636			
Contract Adjustments	-48	-48	-32	-32	-48			
Carry forward Budgets		909	606	606	909			
Superannuation Backfunding Adj	51	51	34	34	51			
<b>Expenditure</b>								
Staff Costs	836	1,231	916	732	1,231	184		
Members Allowances	228	228	175	171	228	4		
Members Seminars & Training	10	17	3	14	17	-12		Training not yet committed.
Premises Running Costs	2	2	8	2	2	7		
Consultants Fees		13		9	13	-9		
Legal Fees	8	8	8	6	8	2		
Transport Costs	21	21	12	16	18	-4		-4
ICT	17	13	10	11	11			-1
Audit Partnership	106	106	35	79	106	-44		
External Audit Fees	112	102	25	77	102	-52		
Drainage Board Levy	1,482	1,442	1,441	1,442	1,442	-1		
Election Costs	112	112	11	84	112	-73		
Parish Precepts	1,410	1,410	1,410	1,410	1,410			
Capital Receipts Pool Payments			32			32		
Other Sundry Costs	77	122	113	92	120	22		-2
<b>Total Expenditure Cfwd</b>	<b>11,062</b>	<b>12,375</b>	<b>9,785</b>	<b>9,730</b>	<b>12,368</b>	<b>55</b>	<b>-8</b>	

## General Fund

	Original Budget	Revised Budget	Year to Date		Annual Total	Variances		Comment
	Budget	Budget	Actual	Budget	Forecast	Year to Date	Full Year	
	£k	£k	£k	£k	£k	£k	£k	
<b>Total Expenditure Bfwd</b>	<b>11,062</b>	<b>12,375</b>	<b>9,785</b>	<b>9,730</b>	<b>12,368</b>	<b>55</b>	<b>-8</b>	
Capital Charges	762	762	508	508	762			
FRS17 adjustments	-71	-71	-47	-47	-71			
Savings	-77							
Investment Income	-215	-215	-120	-161	-252	41	-37	
External Interest Payable	770	770	98	577	770	-479		
Capital Projects	273	273	182	182	273			
Capital Account Adjustment	-649	-649	-433	-433	-649			
Contingencies	225	222		204	222	-204		
Contribution To Reserves	866	866		650	866	-650		
Contribution From Reserves	-1,267	-2,720			-2,720			
Grant NDR / RSG	-5,252	-5,252	-3,790	-3,939	-5,252	149		
Ctax Freeze Grant	-119	-119	-758	-89	-119	-669		
Ctax Levied	-6,173	-6,173	-3,031	-4,982	-6,173	1,951		
Collection Fund Surplus Share	-57	-57	-28	-43	-57	14		
Other GF Income			-21			-21		
<b>Net Total</b>	<b>-</b>	<b>66-</b>	<b>2,286-</b>	<b>2,098-</b>	<b>- 110-</b>	<b>188-</b>	<b>- 44-</b>	

Forecast Surplus / Deficit For 2011/12

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**Access Selby Management Accounts 2011-2012**  
**Results as at 31st December 2011**  
**General Fund**

	Previous Year	Original Budget	Revised Budget	Year to Date		Annual Total	Variances		Comment
	Actuals			Budget	Budget		Actual	Budget	
	Actual	Budget	Budget	Actual	Budget	Forecast	Year to Date	Full Year	
	£k	£k	£k	£k	£k	£k	£k	£k	
INCOME FROM THE CORE		-6,365	-6,365	-4,774	-4,774	-6,365			
Contract Adjustments		393	393	295	295	393			Changes to original cost envelope budget following further analysis of allocation of responsibilities
Additional Contributions from Core			-2	-2	-2	-2			Corporate Plan work.
Carry Forward Budgets			-609	-457	-457	-609			
<b>INCOME</b>									
Government Grants	-20,445	-21,555	-21,555	-15,735	-15,809	-21,460	74		95 Reduction in Housing and Council Tax benefit grant income, this is offset by reduction in Housing & Council Tax benefit Payments. An additional £60k Hsg Benefit Admin grant will be received, as the grant award was greater than expected.
Supporting People Income	-412	-432	-432	-304	-342	-374	38		58 Reduction in Supporting People Grant received via NYCC, offset by reduction in costs rechargeable from HRA
Industrial Units	-159	-184	-184	-179	-158	-183	-21		
Court Fees/Cost/Summons Income	-110	-150	-150	-88	-113	-120	25		30 Anticipated shortfall in court costs raised due to better recovery action meaning fewer accounts reaching summons stage
Internal Recharges	-297	-402	-402	-15	-45	-402	30		
Licences	-122	-123	-128	-84	-101	-124	17		4 Potential Shortfall in Taxi Licence Income
Property Management Rent	-40	-61	-61	-11	-22	-39	11		22 Shortfall in mast income
Water Sampling Fees	-2	-12	-12			-4			8 New regulations and fees have delayed implementation
Land Charges	-140	-128	-128	-84	-96	-110	12		18 Continued low levels of income expected due to slow-moving housing market.
Recycling	-817	-771	-771	-597	-578	-773	-19		-2 Increase in anticipated recycling credits net of shortfall in income from sale of recyclates.
Refuse Collection General	-12	-25	-25	-7	-19	-10	12		15 Shortfall due to loss of Markets refuse income and anticipated shortfall in income from bulky household waste collections
Clinical Waste	-10	-10	-10	-8	-8	-10			
Commercial Waste	-501	-581	-581	-491	-517	-535	26		46 Loss of income due to loss of customers, as a result of business closing and competition.
Planning Fees	-397	-595	-580	-378	-435	-475	56		105 Calculated Forecast = Low £421k, Medium £445 & High £471. This calculation is based on current trend, does not include any large applications that may be due in the coming months
Car Parks	-307	-298	-318	-229	-233	-313	4		4
Legal Services	-11	-17	-17	-9	-13	-15	3		2
Local Air Pollution	-20	-18	-18	-22	-18	-22	-4		-4
Sundry Income	-192	-98	-98	-34	-72	-65	38		32 This variance is due to a £19k shortfall in income on Grass Cutting at Selby and Tadcaster, owing to NYCC not paying the full value of work undertaken by the Council's ground maintenance contract. In addition there is expected to be a shortfall of £11k on both Civic Centre room hire, and on fees and charges relating to the Private Leasing Scheme. These are offset by a number of smaller variances across a range of income streams.

## General Fund

	Previous Year	Original Budget	Revised Budget	Year to Date		Annual Total	Variances		Comment
	Actuals			Budget	Budget		Actual	Budget	
	Actual £k	Budget £k	Budget £k	Actual £k	Budget £k	Forecast £k	Year to Date £k	Full Year £k	
<b>TOTAL INCOME C'fwd</b>	<b>-23,995</b>	<b>-31,431</b>	<b>-32,051</b>	<b>-23,213</b>	<b>-23,515</b>	<b>-31,616</b>	<b>302</b>	<b>435</b>	
<b>TOTAL INCOME B'fwd</b>	<b>-23,995</b>	<b>-31,431</b>	<b>-32,051</b>	<b>-23,213</b>	<b>-23,515</b>	<b>-31,616</b>	<b>302</b>	<b>435</b>	
<b>EXPENDITURE</b>									
Staff Costs	5,234	4,940	5,401	3,944	4,036	5,379	-93	-22	Some savings arising from vacant posts being held pending the restructure. In addition there will be some frozen posts remaining vacant for the remainder of the year.
Housing & Ctax Benefit	19,486	20,780	20,780	15,232	15,343	20,628	-112	-152	Reduction in Housing and Council Tax benefit payments offset by reduction in Housing & Council Tax benefit grant income. The majority of this relates to NNDR for both the old and new
Premises Running Costs	515	539	492	445	425	520	20	28	Civic Centre sites, offset by some renaissance and utility savings.
Home Improvement Grants	25	25	25	20	19	25	1		
Consultants Fees	124	109	547	132	156	510	-24	-37	Bid not required for Commissioning and Contract management
Supporting People	412	432	432			374		-58	Reduction in costs recharged from the HRA, as a consequence of the reduction in Supporting People Grant, received via NYCC
Legal Fees	3	15	5	4	5	6	-1	1	
Transport Costs	111	105	120	97	89	126	8	6	
ICT	325	368	334	281	271	327	10	-7	Already adjusted for savings, this is potentially an additional saving.
PFI Scheme	333	343	343	263	257	352	5	9	Housing availability greater than budgeted
Homeless Strategy	48	60	123	67	62	123	5		
General Insurances	319	283	285	299	330	265	-30	-20	Outturn variance represents the saving achieved through reductions in premium, mainly due to lower staff costs.
Office Running Costs	363	376	392	212	291	341	-79	-51	Savings on Postage 7K, Advertising 12K General office 23K Savings are expected from OS Mapping Service costs, (service now free) £15k, Contaminated Land £5K, Land Charges search fees £4k, Local Plan £5k and £10k from PCT contributions. This is offset by additional costs of £20K expected in Housing Benefit Admin for Offsite claim processing, a request is being made to fund these costs from additional Admin Grant receipts.
Other Sundry Costs	427	365	459	144	193	422	-49	-37	
<b>Contracts</b>									
Street Scene Contract	3,805	3,828	3,669	2,713	2,792	3,628	-78	-41	Previous budget pressure arising from inflation, has been mitigated by the expected saving on the disposal of trade waste.
Leisure Trust	344	298	298	225	224	299	1	1	
Other Contracts	277	207	239	170	150	237	20	-2	Savings on Public Conveniences of 7K were partially offset by overspend on CCTV costs.
Partnership Arrangements	108	117	251	153	140	269	13	17	Potential increased contribution to building control partnership for forecast losses
<b>TOTAL EXPENDITURE</b>	<b>32,257</b>	<b>33,189</b>	<b>34,196</b>	<b>24,401</b>	<b>24,782</b>	<b>33,831</b>	<b>-381</b>	<b>-365</b>	
NET CEC Charge to HRA		-795	-2,216	-1,477	-1,477	-2,216			

**General Fund**

	Previous Year Actuals	Original Budget	Revised Budget	Year to Date		Annual Total	Variances		Comment
	Actual £k	Budget £k	Budget £k	Actual £k	Budget £k	Forecast £k	Year to Date £k	Full Year £k	
Budget Savings Required		-1,034							
Contingency		70	70						-70 Contingency required to contribute to deficit
<b>NET TOTAL</b>	8,262			-289	-210	-1	-79	-1	
<b>Forecast Surplus For 2011/12</b>						-1			

**Access Selby Management Accounts 2011-2012**  
**Results as at 31st December 2011**

**HRA**

	Previous Year	Original Budget	Revised Budget	Year to Date		Annual Total	Variances		Comment
	Actual			Budget	Budget		Actual	Budget	
	£k	£k	£k	£k	£k	£k	£k	£k	
PAYABLE TO THE CORE		2,654	2,459	1,844	1,844	2,459			Original cost envelope Budget payment adjusted for contribution from Core for bids 195k
Contract Adjustments		172	172	129	129	172			
Carry Forward Budgets			-49	-36	-36	-49			
<b>INCOME</b>									
Housing & Garage Rent	-9,876	-10,500	-10,500	-7,932	-7,875	-10,570	-57	-70	Rent is currently ahead of budget based on the rent data available.
Internal Recharges	-412	-432	-432			-374		58	The national supporting people allocation has been reduced, therefore there is less grant to draw upon. The grant claimed is based upon current client base.
Other Rent Income	-68	-95	-95	-21	-27	-63	6	31	This is due to low occupancy in the hostels (61% Ousegate & 25% Edgerton), due to proactive prevention work.
Subsidy Receivable	-2,016	-1,989	-1,989	-1,600	-1,591	-2,000	-9	-12	Major Repairs Allowance confirmed after budget was set.
Other Income	-172	-80	-80	-67	-52	-93	-15	-13	Hostel utility income is down due to occupancy, in addition rechargable works on Corporate Buildings is included and is ahead of profile due to works on the old Civic Centre.
<b>TOTAL INCOME</b>	<b>-12,544</b>	<b>-10,269</b>	<b>-10,513</b>	<b>-9,620</b>	<b>-9,546</b>	<b>-10,518</b>	<b>-75</b>	<b>-5</b>	
<b>EXPENDITURE</b>									
Staffing Costs	1,941	2,027	555	423	540	446	-117	-109	Saving based on current structure and agency commitments
Transport Costs	199	187	173	99	130	140	-32	-33	Saving based upon staffing restructure and car allowances.
Dwellings Works									
Dwellings Repairs & Maintenance	866	932	1,133	748	830	1,132	-82	-1	Payments to sub contractors lower than forecast, demand for their services will increase over the winter period.
Dwellings Adaptation Works	102	130	130	51	98	130	-47		Currently underspent, but larger adaptation works are due.
Contract Payments	86	89	89	59	52	94	7	6	This shortfall is based upon the anticipated costs for Rycare services.
Equipment & Materials	280	282	282	191	210	278	-19	-3	Currently underspent on direct works materials, envisaged that by year end the budget will be used.
Equipment Leases	129	162	138	132	135	139	-2		
General Insurances	125	103	101	180	211	332	-31	-9	This is made up of numerous variances.
Other Sundry Costs	351	340	341	180	211	332	-31	-9	Final subsidy figures were confirmed after budget was set.
Subsidy Payable	6,042	5,389	5,389	4,298	4,311	5,372	-14	-17	
<b>TOTAL EXPENDITURE</b>	<b>10,122</b>	<b>9,641</b>	<b>8,331</b>	<b>6,181</b>	<b>6,518</b>	<b>8,164</b>	<b>-336</b>	<b>-167</b>	
NET CEC Charge from GF		795	2,191	1,643	1,643	2,191			38 Balance of savings remaining to be achieved.
Budget Savings Required		-197	-38						-30 Contingency not required as yet
Contingency		30	30						
<b>NET TOTAL</b>				<b>-1,796</b>	<b>-1,385</b>	<b>-162</b>	<b>-411</b>	<b>-163</b>	

Forecast Profit for 2011/12

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## Communities Selby Management Accounts 2011-2012

## Results as at 31st December

## General Fund

	Previous Year	Original Budget	Revised Budget	Year to Date		Annual Total	Variances		Comment
	Actual	Budget	Budget	Actual	Budget	Forecast	Year to Date	Full Year	
	£k	£k	£k	£k	£k	£k	£k	£k	
INCOME FROM THE CORE		-270	-270	-203	-203	-270			
Contract Adjustments		36	36	27	27	36			
Carry Forward Budgets			-234	-176	-176	-234			
<b>Income</b>									
Community Safety Contributions	-140	-99	-99			-99			
LSP Contributions	-17	-10	-10			-10			
	-157	-343	-577	-351	-351	-577		-	
<b>Expenditure</b>									
Staff Costs	54	61	131	96	92	131	3		
CEF Costs	46	120	205	54	154	205	-100		CEF Costs yet to be committed to projects.
Community Safety	74	47	146	101	113	134	-13	-12	Officer Costs to be reclaimed from City of York Council
Miscellaneous Grants	50	51	39	44	45	39	-1		
Local Strategic Partnership		10	45	13	34	45	-20		
<b>TOTAL</b>	<b>223</b>	<b>288</b>	<b>566</b>	<b>308</b>	<b>438</b>	<b>554</b>	<b>-130</b>	<b>-12</b>	
Savings Target		55	12			12			No Savings Identified yet
<b>Net Total</b>			<b>1</b>	<b>-44</b>	<b>87</b>	<b>-12</b>	<b>-130</b>	<b>-12</b>	

Forecast Surplus / Deficit For 2011/12

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## BUDGET EXCEPTIONS REPORT

April 2011 - December 2011

## Core

## General Fund Income

Budget Description	Annual Budget £000's	Forecast Variance £000's	One-Off/ On-going	Comments	Action
Investment Income	(215)	(37)	One-Off	Latest forecasts suggest investment income will exceed budgeted targets, this is due to both proactive investment and balances held.	<b>Contributes to overall saving on the Core</b>
<b>Total Variance - General Fund Income</b>		<b>(37)</b>			

<b>Total Variance - General Fund Revenue</b>		<b>(37)</b>			
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## Access Selby

## General Fund Income

Budget Description	Annual Budget £000's	Forecast Variance £000's	One-Off/ On-going	Comments	Action
Government Grants	(21,555)	95	On-going	Latest forecasts suggest a reduction in Housing and Council Tax Benefit Grant income, this is offset by a corresponding reduction in benefit payments. An additional £60k Hsg Benefit Admin grant will be received, as the grant award was greater than expected.	<b>Shortfall offset by benefit payments.</b>
Supporting People Income	(432)	58	On-going	Supporting People Grant has reduced from last year, this is due to a reduction in the national amount of grant available and an increase in private payers, this is offset by the Supporting People charge from the HRA below.	<b>Virement to reduce income budget and corresponding charge.</b>
Court Fees / Cost / Summons Income	(150)	30	On-going	As a result of enhanced recovery procedures, the number of accounts reaching the summons stage has reduced considerably leading to the shortfall in income.	<b>Utilise expenditure savings to cover shortfall</b>
Property Management	(61)	22	On-going	Income from the telecommunications mast in the old Civic Centre Car Park is not expected to meet savings targets.	<b>Utilise expenditure savings to cover shortfall</b>
Land Charges	(128)	18	On-going	Fee income is expected to continue to be low due to the current economic climate and particularly the slow movement in the housing market.	<b>Utilise expenditure savings to cover shortfall</b>
Refuse Collection General	(25)	15	On-going	Shortfall due to loss of Markets refuse income and anticipated shortfall in income from bulky household waste collections	<b>Utilise expenditure savings to cover shortfall</b>
Commercial Waste	(581)	46	On-going	Income has been reduced due to terminations and raising of credit notes as a result of a more competitive market, and also businesses changing their bins to a smaller size. This reduction in income is almost off-set by cost savings on the Streetscene contract highlighted below.	<b>Virement to reduce income budget and corresponding Streetscene budgets.</b>
Planning Fees	(580)	105	On-going	Planning fees to the end of December are currently £56k behind profile. Planning applications are linked to the building sector and due to the still perilous state of the economy the number of mid to large applications has still to show any signs of increasing to the levels we have had previously.	<b>Utilise expenditure savings to cover shortfall</b>

**Appendix B**

Budget Description	Annual Budget £000's	Forecast Variance £000's	One-Off/ On-going	Comments	Action
Sundry Income	(72)	32	On-going	This variance is due to a £19k shortfall in income on Grass Cutting at Selby and Tadcaster. Owing to the nature of the contract, it was assumed that all costs would be recovered from NYCC, investigations have shown that not all the land covered by the contract is County owned. In addition there is expected to be a shortfall of £11k on both Civic Centre room hire, and on fees and charges relating to the Private Leasing Scheme. These are offset by a number of smaller variances across a range of income streams.	<b>Contract savings will need to be identified to cover the grass cutting shortfall. Private Leasing has compensating expenditure savings for which a virement of £11k will be requested. A contract adjustment is required between the Core and Access Selby to cover the shortfall in Civic Centre income due to the car park not being available to external customers until Dec 2011.</b>
<b>Total Variance - General Fund Income</b>		<b>421</b>			

**Access Selby  
General Fund Expenditure**

Budget Description	Annual Budget £000's	Forecast Variance £000's	One-Off/ On-going	Comments	Action
Staff Costs	5,401	(22)	One-Off	Some savings arising from vacant posts being held pending the restructure. In addition there will be some frozen posts remaining vacant for the remainder of the year.	<b>Saving offset by reduced grant above.</b>
Housing & Ctax Benefit	20,780	(152)	On-going	Benefit payments have reduced as a result, grant income has subsequently reduced.	<b>Saving offset by reduced grant above.</b>
Premises Running Costs	492	28	One-Off	The majority of this shortfall relates to NNDR for the Civic Centre £40k. The bill for the old site was higher than anticipated combined with a bill for the new site which may be appealed against and charges for the remaining land at the old site until disposed of. There is a saving on Electricity (£6k) to offset this. There is a saving of (£16k) for the maintenance of sites redeveloped by the Renaissance schemes offset by safer resurfacing of 6 sites in Selby and Tadcaster of £15k.	<b>Savings required to cover overspend.</b>
Consultants Fees	547	(37)	On-going	This variance is due to the removal of a 3 year bid, originating in 2010/11 to fund the engagement of consultants to deliver on the Councils commissioning and contract management priorities.	<b>Utilise saving to cover overspends.</b>
Supporting People	432	(58)	On-going	This is the transfer to the HRA for Supporting People. This is a net nil impact to the General Fund. Supporting People funding has reduced nationally but is calculated around client base. There are now more private payers to partly offset this shortfall. Savings have been made in the HRA through the restructure of services to absorb this shortfall.	<b>Virement to reduce income budget and corresponding charge.</b>
General Insurances	285	(20)	On-going	This saving is as a result of reduced premiums, largely due to lower salary and wages costs that were due to the restructure.	<b>Utilise saving to cover overspends.</b>
Office Running Costs	392	(51)	On-going	This saving has occurred through the restructuring and amalgamation of services combined with a reduction in staff across general office costs including printing & stationery and postage.	<b>Utilise saving to cover overspends.</b>

## Appendix B

Budget Description	Annual Budget £000's	Forecast Variance £000's	One-Off/ On-going	Comments	Action
Other Sundry Costs	449	(37)	One-Off	Savings are expected from OS Mapping Service costs, (service now free) £15k, Contaminated Land £5K, Land Charges search fees £4k, Local Plan £5k and £10k from PCT contributions. This is offset by additional costs of £20K expected in Housing Benefit Admin for Offsite claim processing, a request is being made to fund these costs from additional Admin Grant receipts.	Utilise saving to cover overspends. Virement from Hsg Ben Admin Grant to cover external processing work,
Streetscene Contract	3,669	(41)	On-going	This variance is the anticipated saving on the cost of disposing of Trade Waste (- £67k), being partly offset by inflation on the contract being more than originally budgeted for.	Utilise saving to cover overspends.
Partnership Arrangements	251	17	One-Off	This is the potential additional payment due to the North Yorkshire Building Control Partnership based on current partnership forecasts.	Savings required to cover overspend.
<b>Total Variance - General Fund Expenditure</b>		<b>(373)</b>			
<b>Total Variance - General Fund Revenue</b>		<b>48</b>			

**Access Selby  
Housing Revenue Account Income**

Budget Description	Annual Budget £000's	Forecast Variance £000's	One-Off/ On-going	Comments	Action
Housing & Garage Rents	(10,500)	(70)	On-going	Rent data collected is showing that rent is currently exceeding targets.	Utilise saving to cover other income shortfalls.
Internal Recharges (Supporting People)	(432)	58	On-going	As highlighted within the General Fund, this is the shortfall of Supporting People funding impacting on the HRA. Through the restructure savings have been made to offset the shortfall.	Shortfall is covered by saving mentioned above
Ousegate Hostel	(25)	5	On-going	Ousegate Hostel is running at 61% occupancy due to effective homeless prevention work. This results in a rent loss. A six month trial has commenced with Time Out from 1 September 2011 where 3 units are to be used to develop an integrated homelessness service for young people in Selby.	Monitor usage and identify additional savings within HRA income to cover the shortfall.
Edgerton Lodge	(10)	18	On-going	Edgerton Lodge Hostel is running at 25% occupancy due to effective homeless prevention work. This results in a rent loss. The subject of both hostels is to be looked at by a project group with key officers to work up an action plan & timescales and options appraisal in respect of hostels. Options may include agreements with Registered Social Landlords, other public or private sector partners, commercial/social let (assured short hold) or disposal in the context of a business model taking into account projected future demand and obligations.	Monitor usage and identify additional savings within HRA income to cover the shortfall.
Housing Subsidy Receivable	(1,989)	(12)	One-Off	The subsidy budget was based on an estimate, the latest forecast suggests a saving will be made.	Monitor Progress
Other Income	(80)	(13)	One-Off	Property Service recharge income is exceeding expectations offset by bad debts written off and hostel utility income reduction due to occupancy levels.	Monitor Progress
<b>Total Variance - HRA Income</b>		<b>(14)</b>			

Access Selby  
Housing Revenue Account Expenditure

Budget Description	Annual Budget £000's	Forecast Variance £000's	One-Off/ On-going	Comments	Action
HRA Salaries	555	(109)	One-Off	Some of the savings have arisen from vacant posts being held pending the restructure. In addition there will be some frozen posts remaining vacant for the remainder of the year.	Utilise saving to cover overspends.
Transport Costs	173	(33)	One-Off	The majority of this saving is from the restructure, there are only the first 3 months of payments for car allowances as staff are now paid from the General Fund and are recharged to the HRA at year end.	This saving will meet the additional CEC recharge.
Other Sundry Costs	332	(9)	One-Off	There are a number of items which make up this variance including savings (£22k) for Choice Based Lettings, Tenant Participation (£17k) offset by Estate Management £10k and hostel council tax charges on empty units £8k and Direct Works £7k.	Utilise saving to cover overspends.
Housing Subsidy Payable	5,389	(17)	One-Off	The subsidy budget was based on an estimate, the latest forecast suggests a saving will be made.	Utilise saving to cover overspends.
<b>Total Variance - HRA Expenditure</b>		<b>(168)</b>			
<b>Total Variance - Housing Revenue Account</b>		<b>(182)</b>			

Access Selby  
Capital Expenditure

Budget Description	Annual Budget £000's	Forecast Variance £000's	One-Off/ On-going	Comments	Action
Tadcaster Central Area Redevelopment	267	(267)	On-Going	No work expected to commence before April 2012, therefore a request to carry the budget forward will be made.	Carry Forward request to be made.
Airey Property Improvements	1,009	(1,009)	On-Going	No expenditure expected in 2011/12, request to carry the budget forward to be made.	Carry Forward request to be made.
Roof Replacement	560	(460)	On-Going	Expected to spend somewhere in the region of £100k in year, additional tenders are due to be received in February. Request to carry the remainder of the budget forward will be made.	Carry Forward request to be made.
Electrical Rewires	360	(130)	On-Going	In year spend expected to be in the region of £230k, with a request to carry the remainder of the budget forward to be made.	Carry Forward request to be made.
Solid Fuel System Replacements	276	(246)	On-Going	In year spend expected to be in the region of £30k, with a request to carry the remainder of the budget forward to be made.	Carry Forward request to be made.
<b>Total Variance - Capital Expenditure</b>		<b>(2,112)</b>			

**Community Selby  
General Fund Expenditure**

<b>Budget Description</b>	<b>Annual Budget £000's</b>	<b>Forecast Variance £000's</b>	<b>One-Off/ On-going</b>	<b>Comments</b>	<b>Action</b>
Community Safety	146	(12)	One-Off	Selby District Council are no longer responsible for providing the Community Safety Service, as a result the budget required to assist in administering the service are no longer required.	<b>Community Selby saving</b>
<b>Total Variance - General Fund Expenditure</b>		<b>(12)</b>			
<b>Total Variance - General Fund Revenue</b>		<b>(12)</b>			

**GENERAL FUND BASE BUDGET**  
**SAVINGS/EFFICIENCIES ACTION**  
**PLAN 2011/12 - 2013/14 (V59)**  
**Updated January 10 2012**

## Key:

Green	Savings likely to be achieved/low risk
Amber	Tentative savings - further work required/medium risk
Red	Savings require a change in Council policy or significant change in service delivery/high risk

Proposed Savings	Status	Latest				Progress
		2011/12 £	2012/13 £	2013/14 £	2014/15 £	
Inflation factor		-	0.020	0.020	0.020	
<b>Procurement Workstream</b>						
Change provider for telephone calls and rationalisation of telephone accounts	Green	13,750	13,750	13,750	10,800	Completed
Partnering Back Office Support	Green	77,500	93,000	93,000	93,000	Completed
Election software	Green	4,700	4,700	4,700	4,700	Completed
CCTV	Amber	-	42,000	42,000	42,000	An options appraisal has been carried out and presented to Executive on 6 October. Further work is underway but saving likely to be delayed to 2012/13.
Recycling	Green	159,000	159,000	159,000	159,000	Completed
Collaborative corporate contracts through shared procurement service	Red	27,670	12,590	37,590	65,540	Spend Analysis carried out and a detailed action plan is being put together for targeted procurement. This will include a savings target for this project
Note: The balance of this target will reduce as individual procurement projects						
Expanded Building Control Partnership	Red	-	-	5,000	5,000	Savings in 11/12 and 12/13 unlikely to be achieved due to continued downturn in fee earning work. It was anticipated that a new partner would join for 12/13, this now seems unlikely but potentially will happen 13/14 as the authority in question still remain positive about joining which will have a positive impact on future savings.
Audit Partnership	Green	5,000	10,000	15,000	15,000	Completed for 11/12. Planned reduction in Audit days and merger with Veritau agreed w.e.f. 1 April 2012.
Contact Centre Electricity	Green	10,000	10,000	10,000	10,000	Completed
ICT - Server Virtualisation	Green	10,000	10,000	10,000	10,000	Completed
Gas Utilities Contract	Green	3,080	6,160	6,160	6,160	Completed
Citizen Link Printing	Green	800	800	800	800	Completed

Proposed Savings	Status	Latest				Progress
		2011/12 £	2012/13 £	2013/14 £	2014/15 £	
		<b>311,500</b>	<b>362,000</b>	<b>397,000</b>	<b>422,000</b>	
WTT - Review of remaining cash collection	Green	0	4,500	4,500	4,500	Completed
WTT - Transformation (SDV)	Green	1,029,850	1,380,890	1,380,890	1,380,890	Completed
WTT - Transformation (Core)	Green	50,000	50,000	50,000	50,000	Completed
WTT - Transformation HRA Impact	Green	-150,000	-200,000	-200,000	-200,000	Completed - Impact of savings generated through staff reduction which are transferred to HRA via CEC
<b>Total Transformation</b>		<b>929,850</b>	<b>1,235,390</b>	<b>1,235,390</b>	<b>1,235,390</b>	
<b>Asset Management Workstream</b>						
Vacation of Portholme Road Depot	Green	13,497	13,497	13,497	13,497	Completed. In addition, there is a saving to the HRA of £26,833
Running costs of new Civic Centre	Amber	20,000	40,000	40,000	40,000	Staff occupied new building from 1 August, running costs are currently being monitored.
Closure of Tadcaster office	Green	30,000	30,000	30,000	30,000	Completed
Barlby Depot	Red	-	20,000	20,000	20,000	Option appraisals for the long and short term usage are to be carried out. Potential for income generation or a reduction in costs in the short term
<b>Total Asset Management</b>		<b>63,497</b>	<b>103,497</b>	<b>103,497</b>	<b>103,497</b>	
<b>Value for Money Workstream</b>						
Telecommunications Mast	Red	-	13,000	13,000	13,000	An agent has been appointed to manage the project and the timescale for a new mast to be located at the Prospect Way Depot is 12-18 months
Internal Drainage Boards	Green	40,000	40,000	40,000	40,000	Completed
Community Safety	Green	15,000	15,000	15,000	15,000	Completed
Decentralisation of Planning Fees	Red	-	250,000	250,000	250,000	Devolved Planning fees – Regulations awaited.
Car Park Income	Green	20,000	60,000	60,000	60,000	Review of fees agreed at Executive early July 2011 & implementation October 2011. Expectation from January 2011 Budget Away day of £50,000 increase against current budget. An increase of 20% for both long and short stay parks has been approved and implemented from 1 December 2011.

Proposed Savings	Status	Latest				Progress
		2011/12 £	2012/13 £	2013/14 £	2014/15 £	
<b>Total Value for Money</b>		<b>75,000</b>	<b>378,000</b>	<b>378,000</b>	<b>378,000</b>	
<b>Base Budget Review Workstream</b>						
External Audit Fee	Green	30,330	31,840	31,840	31,840	Completed
Early Retirements - Strain on Pension Fund	Green	68,000	75,000	75,000	75,000	Completed
Corporate and Democratic Core	Green	7,000	7,000	7,000	7,000	Completed
Car Allowances	Green	24,670	41,150	41,150	41,150	Completed
Car Allowances	Green	1,420	2,850	2,850	2,850	Completed
Rationalisation IT Support Costs	Green	40,000	50,000	50,000	50,000	Completed
LGA Subscriptions	Green	1,000	1,000	1,000	1,000	Completed
Additional Licensing Income	Green	5,660	5,660	5,660	5,660	Completed
<b>Total Base Budget Review</b>		<b>178,080</b>	<b>214,500</b>	<b>214,500</b>	<b>214,500</b>	
<b>Discretionary Service Review Workstream</b>						
HR - Budget review	Green	5,000	5,000	5,000	5,000	Completed
New charge for planning advice	Green	15,000	30,000	30,000	30,000	Completed - But currently running behind income expectations due to the economic climate.
Reduce opening hours at Access Selby	Green	35,000	35,000	35,000	35,000	Completed
Barlow Nature Reserve	Amber	13,250	53,000	53,000	53,000	The two posts will become redundant from 20th January 2012. An interim supervision and maintenance plan has been put in place for Barlow Common until the wider Countryside Management Strategy is developed with partners
External Grants	Green	12,000	12,000	12,000	12,000	Completed
<b>Total Discretionary Service Review</b>		<b>80,250</b>	<b>135,000</b>	<b>135,000</b>	<b>135,000</b>	
<b>Inflation adjustment</b>		<b>-</b>	<b>48,568</b>	<b>99,521</b>	<b>152,309</b>	
<b>Total General Fund Savings</b>		<b>1,638,177</b>	<b>2,476,955</b>	<b>2,562,908</b>	<b>2,640,696</b>	
<b>Target (Per 2011/12 - 2013/14 MTFP)</b>		<b>1,592,000</b>	<b>2,594,000</b>	<b>3,006,000</b>	<b>3,006,000</b>	



Proposed Savings	Status	Latest				Progress
		2011/12 £	2012/13 £	2013/14 £	2014/15 £	
New savings per MTFS		-	264,000	264,000	500,000	
New Target		<b>1,592,000</b>	<b>2,858,000</b>	<b>3,270,000</b>	<b>3,506,000</b>	
Headroom/Deficit (+/-)	**	<b>46,177</b>	<b>- 381,045</b>	<b>- 707,092</b>	<b>- 865,304</b>	
Green Savings		1,577,257	2,037,753	2,083,710	2,122,254	
Amber Savings		33,250	137,700	140,454	143,263	
Red Savings**		27,670	301,502	338,744	375,179	
Still to identify**		-	381,045	707,092	865,304	
<b>Total</b>		<b>1,638,177</b>	<b>2,858,000</b>	<b>3,270,000</b>	<b>3,506,000</b>	

**HOUSING REVENUE ACCOUNT BASE BUDGET SAVINGS 2011/12 - 2013/14****Updated Nov 8 2011 (v6)****Key:****Green**

Savings likely to be achieved/low risk

**Amber**

Tentative savings - further work required/medium risk

**Red**

Savings require a change in Council policy or significant change in service delivery/high risk

	<b>Status</b>	<b>Latest 2011/12 £</b>	<b>2012/13 £</b>	<b>2013/14 £</b>	<b>2013/14</b>	<b>Progress</b>
<b>Inflation factor</b>		0.020	0.020	0.020		
<b>Proposed Savings</b>						
Review of Property Services unfilled posts	<b>Green</b>	50,000	50,000	50,000	50,000	Completed
Gas Servicing Contract	<b>Green</b>	20,000	20,000	20,000	20,000	Reduced servicing costs from replacement boilers.
Grassed Areas & Open Spaces base budget review	<b>Green</b>	29,000	29,000	29,000	29,000	Completed
Various Suppliers	<b>Green</b>	22,000	22,000	22,000	22,000	Completed - Improvement in supplier terms and conditions.
WTT - Savings	<b>Green</b>	44,040	129,591	129,591	129,591	Completed
2011/12 Pay Award	<b>Green</b>	27,000	27,000	27,000	27,000	Completed
Car Allowances	<b>Green</b>	0	5,600	5,600	5,600	Identified as part of budget 2012/13 - input to spreadsheets
Savings on Audit Fees and early Retirement Charges	<b>Green</b>	20,000	24,800	24,800	24,800	Completed
Consolidation of IT Budgets	<b>Green</b>	23,685	23,685	23,685	23,685	Completed
WTT - Savings from recharges from GF	<b>Green</b>	150,000	200,000	200,000	200,000	
<b>Total Housing Revenue Account Savings</b>		<b>385,725</b>	<b>531,676</b>	<b>531,676</b>	<b>531,676</b>	
<b>Target Savings</b>		<b>281,000</b>	<b>360,000</b>	<b>360,000</b>	<b>360,000</b>	
<b>Headroom</b>		<b>104,725</b>	<b>171,676</b>	<b>171,676</b>	<b>171,676</b>	

# Selby District Council

## REPORT

Reference: E/11/52

Public

Item 6



**To:** The Executive  
**Date:** 2 February 2012  
**Status:** Key Decision  
**Report Published:** 26 January 2012  
**Author:** Nicola Chick Lead Officer - Finance  
**Executive Member:** Councillor C Lunn  
**Lead Director:** Executive Director (s151)

**Title:** Treasury Management – Monitoring Report to 31<sup>st</sup> December 2011

### Summary:

This report reviews the Council's borrowing and investment activity (Treasury Management) for the first nine months of 2011/12 and presents performance against the Prudential Indicators.

Investments – despite interest rates continuing at their low level and forecasts for a rise being put back to mid 2013 at the earliest, we are forecasting an outturn of £295k, which is £48k above budget.

Borrowing – the Council has long term borrowing of £10.109m at 31 December 2011.

Prudential Indicators – the Council's affordable limits for borrowing were not breached during this period.

### Recommendations:

- i. **Councillors endorse the actions of officers on the Council's treasury activities for the period ending 31<sup>st</sup> December 2011 and approve the report**

### Reasons for recommendation

To comply with the Treasury Management Code of Practice, the Executive is required to receive and review regular treasury

management monitoring reports.

## **1. Introduction and background**

- 1.1 This is the third monitoring report for treasury management in 2011/12 and covers the period 1 April to 31 December 2011. During this period the Council complied with its legislative and regulatory requirements.
- 1.2 Treasury management in Local Government is governed by the CIPFA “Code of Practice on Treasury Management in the Public Services” and in this context is the management of the Council’s cash flows, its banking and its capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. This Council has adopted the Code and complies with its requirements.
- 1.3 The Council’s Treasury Strategy, including the Annual Investment Strategy was approved by Policy & Resources Committee on 24 March 2011 and this incorporated the Prudential Indicators which had been approved by Council at its meeting on 1 March 2011.
- 1.4 The two key budgets related to the Council’s treasury management activities are the amount of interest earned on investments £247k (£215k General Fund, £32k Housing Revenue Account) and the amount of interest paid on borrowing £770k.

## **2. The Report**

### **Interest Rates and Market Conditions**

- 2.1 The Bank of England is continuing to maintain interest rates at 0.5% (the bank rate). Due to the economic situation forecasters are now not expecting a rise until at least the mid 2013.
- 2.2 Consumer Price Inflation (CPI) started the financial year in April at 4.5% and peaked at 5.2% in September. It has since started to fall and this is expected to continue. The Retail Price Index (RPI) was at 5.2% in April and as with the CPI peaked in September at 5.6% and has since started to fall, again a trend which is expected to continue.
- 2.4 Table 1 overleaf, shows that since the start of the year there has been little change in investment interest rates. The three month and over rates have increased slightly reflecting the market sentiment that rates need to rise and the need to attract deposits.

Table 1: Average Interest Rates 1 April 2011 to 31 December 2011

	<b>April 2011</b>	<b>June 2011</b>	<b>Sept 2011</b>	<b>Oct 2011</b>	<b>Nov 2011</b>	<b>Dec 2011</b>
<b>Base Rate (Bank Rate)</b>	0.50	0.50	0.50	0.50	0.50	0.50
<b>Over Night</b>	0.50	0.50	0.50	0.50	0.50	0.50
<b>7 Days</b>	0.45	0.45	0.50	0.50	0.50	0.50
<b>1 month</b>	0.55	0.55	0.60	0.64	0.70	0.73
<b>3 Months</b>	0.75	0.75	0.90	0.95	1.00	1.03
<b>6 Months</b>	1.05	1.00	1.16	1.22	1.30	1.33
<b>1 Year</b>	1.50	1.45	1.66	1.72	1.80	1.83

- 2.5 The Council's Treasury Advisors, Sector provided a forecast for interest rates for both investments and PWLB borrowing as part of the Treasury Management Strategy. This forecast is monitored regularly and has recently been updated. Table 2 shows the forecast included in the Treasury Strategy and Table 3 shows the latest forecast.

Table 2: Forecast for Interest Rates Included in Treasury Strategy

	<b>2011</b>		<b>2012</b>		<b>2013</b>		<b>2014</b>
	<b>Now</b>	<b>Q4</b>	<b>Q1/2</b>	<b>Q3/4</b>	<b>Q1/2</b>	<b>Q3/4</b>	<b>Q1/2</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Bank Rate</b>	0.50	1.00	1.13	1.75	2.38	3.13	3.25
<b>5 Yr PWLB</b>	2.06	3.80	3.95	4.15	4.40	4.65	4.80
<b>10 Yr PWLB</b>	3.15	4.90	4.95	5.15	5.25	5.40	5.50
<b>25 Yr PWLB</b>	4.05	5.40	5.45	5.50	5.55	5.65	5.70
<b>50 yr PWLB</b>	4.10	5.40	5.45	5.50	5.55	5.65	5.70

- 2.6 As can be seen from Tables 2 and 3 because the bank rate has remained at 0.5% this has had an impact on the forecast for rates later in this financial year and into the following financial years.
- 2.7 The forecasts are based on moderate economic recovery and Monetary Policy Committee (MPC) views about inflation looking two years ahead. There is a high level of uncertainty in all forecasts due to the factors involved and their sensitivity to each other. The MPC decided against further quantitative easing at their meeting in December. However, there is some expectation that it will happen in February.

Table 3: Forecast for Interest Rates December 2011

	2011		2012		2013		2014
	Now	Q4	Q1/2	Q3/4	Q1/2	Q3/4	Q1/2
	%	%	%	%	%	%	%
<b>Bank Rate</b>	0.50	0.50	0.50	0.50	0.50	0.88	1.38
<b>5 Yr PWLB</b>	2.06	2.30	2.30	2.35	2.55	2.75	3.00
<b>10 Yr PWLB</b>	3.15	3.30	3.30	3.40	3.55	3.75	4.10
<b>25 Yr PWLB</b>	4.05	4.20	4.20	4.30	4.45	4.65	4.85
<b>50 yr PWLB</b>	4.10	4.30	4.30	4.40	4.55	4.75	4.95

### **Annual Investment Strategy**

2.8 The Annual Investment Strategy outlines the Council's investment priorities which are :

- ⊕ Security of Capital and
- ⊕ Liquidity of its investments

These priorities are consistent with those recommended by DCLG and CIPFA.

2.9 The Council aims to achieve optimum return on investments commensurate with these priorities. In the current economic climate officers are striving to achieve a balance of investments that will give at least an average of the budgeted level of return of 1.25% whilst minimising the ongoing risks within the banking sector.

2.10 The Council continues to invest in only highly credit rated institutions using the Sector suggested creditworthiness matrices which take information from all the credit ratings agencies. Officers can confirm that the Council has not breached its approved investment limits during the first nine months of the year. Appendix A shows an analysis of Investments at 1 April, 30 June, 30 September and 31 December 2011.

2.11 Despite interest rates remaining low the Council has secured some deposits generating returns above the budget estimate. These deposits have been placed with mainly other local authorities and government backed banks. The current forecast is that the Council will achieve an additional £48k on its interest income giving £295k of which £252k would be allocated to the General Fund (an additional £37k) and £43k to the Housing Revenue Account (an additional £11k).

2.12 The average level of funds available for investment during the nine months to December was £24.235m. Of which £20.620m was invested in fixed term deposits at an average of 1.32% and £3.615m was held in

the Council's immediate access deposit account at a rate of 0.5%. These funds were available on a temporary basis, and 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 holds approximately £17.5m of core cash balances made up of earmarked reserves and capital receipts set aside to repay debt for investment purposes (i.e. funds available for more than one year).

- 2.13 The Council has a benchmark of its budget target of 1.25% to reflect performance of investments. The overall average rate to December of 1.20% is marginally below benchmark. This is the overall average rate currently forecast for the year. The Council's cash flows remain healthy and this should enable the interest earned to be above budget.
- 2.14 The impact of lower than forecast interest rates means the interest earned is less. The forecast at the time that the budget was set was for interest rates to start to rise from September 2011. The base rate is now not expected to rise until mid 2013. Interest rates currently on offer are averaging between 0.5% up to 1.83% depending on the period.
- 2.15 The Council is a member of the CIPFA Treasury Management benchmarking club, and data for the first six months of the year has been received. During this period the Council underperformed the club average of 1.25% with returns of 1.16%. Maturing investments are being replaced at a higher rate which will improve performance.

### **Borrowing**

- 2.16 It is a statutory duty for the Council to determine and keep under review its "Affordable Borrowing Limits". The Council's approved Prudential Indicators (affordable limits) were outlined in the Treasury Management Strategy Statement (TMSS). A list of the limits is shown at Appendix B. Officers can confirm that the Prudential Indicators were not breached during the first six months of the year.
- 2.17 The TMSS indicated there was no need to take long term borrowing during 2011/12 to support the capital programme. In addition the Council has not required any temporary borrowing during the first nine months of the year for cash flow purposes.

The Council approved an Authorised Borrowing Limit of £23.0m (£20m debt and £3m Leases) and an Operational Borrowing Limit of £19.0m (£16m debt and £3m Leases) for 2011/12. The highest total gross amount of debt in the year to 30 September has not been more than £10.113m on any occasion.

- 2.18 In addition the TMSS indicated that the Council will be allocated around £54m of debt in respect of the reform of the HRA due to take effect in April 2012. This figure has since been revised to £64m and the final figure will be confirmed in January 2012.

- 2.19 The borrowing required to support this debt will require the authorised and operational borrowing limits of the Council to be increased and approval for this will be requested from Councillors as part of the 2012 TMSS report. However based on information that is currently available the Council's Authorised limit (currently £23m) would need to be increased to between £74m and £79m.
- 2.20 The impact of the HRA reform will be reported to Councillors as further details are released from Department for Communities and Local Government (DCLG).

### **3. Legal/Financial Controls and other Policy matters**

#### **3.1 Legal Issues**

There are no legal issues as a result of this report.

#### **3.2 Financial Issues**

There are no financial implications as a result of this report. However, the Executive Director (s151) and Lead Officer - Finance will, with advice from the Council's advisor (Sector Treasury Services) look to maximise opportunities with the Council's investment and borrowing position.

### **4. Conclusion**

- 4.1 The impact of the economy, and the turmoil in the financial markets, is having an impact on the Council's investment returns and will continue to do so for some while.

### **5. Background Documents**

Accountancy treasury management files

#### **Contact Details**

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#### **Appendices:**

Appendix A – Analysis of Deposits at 1 April 2011, 30 June 2011, 30 September, 31 December 2011  
Appendix B – Prudential Indicators as at 31 December 2011



**Analysis of Deposits At 1 April 2011, 30 June 2011, 30 September 2011,  
31 December 2011**

Institution	At 1 April 2011			At 30 June 2011			At 30 Sept 2011			At 31 December 2011		
	Amount £'000	Maturity	Rate %	Amount £'000	Maturity	Rate %	Amount £'000	Maturity	Rate %	Amount £'000	Maturity	Rate %
Aberdeen City Council	1,000	01-Jun-11	0.60									
Barclays	1,000	14-Mar-12	1.57	1,000	14-Mar-12	1.57	1,000	14-Mar-12	1.57	1,000	14-Mar-12	1.57
Barclays	1,000	18-Apr-11	1.00	1,000	18-Jan-12	1.32	1,000	18-Jan-12	1.32	1,000	18-Jan-12	1.32
Barclays				1,000	10-Nov-11	1.05	1,000	10-Nov-11	1.05	1,000	10-Feb-12	0.91
Basildon District Council	2,000	05-Apr-11	0.50									
Doncaster Council										1,000	24-May-13	1.40
Dundee City Council	2,000	16-May-11	0.60									
Fife Council												
Lancashire County Council	2,000	04-Jul-11	0.70	2,000	04-Jul-11	0.70						
Leeds City Council							2,000	12-Sep-12	2.00	2,000	12-Sep-12	2.00
Lloyds TSB	3,000	01-Dec-11	1.70	3,000	01-Dec-11	1.70	3,000	01-Dec-11	1.70			
Nationwide Building Society							1,000	16-Jan-12	1.02	1,000	16-Jan-12	1.02
NatWest	2,000	01-Dec-11	1.40	2,000	01-Dec-11	1.40	2,000	01-Dec-11	1.40			
NatWest	1,000	02-Jun-11	1.35	1,000	02-Mar-12	1.26	1,000	02-Mar-12	1.26	1,000	02-Mar-12	1.26
NatWest	3,885	Call	0.50	2,209	Call	0.50	1,765	Call	0.50	1,900	Call	0.50
Newcastle City Council				2,000	30-Mar-12	1.30	2,000	30-Mar-12	1.30	2,000	30-Mar-12	1.30
Newcastle City Council				1,000	30-May-12	1.60	1,000	30-May-12	1.60	1,000	30-May-12	1.60
Newcastle City Council							2,000	03-Sep-12	1.70	2,000	03-Sep-12	1.70

Institution	At 1 April 2011			At 30 June 2011			At 30 Sept 2011			At 31 December 2011		
	Amount £'000	Maturity	Rate %	Amount £'000	Maturity	Rate %	Amount £'000	Maturity	Rate %	Amount £'000	Maturity	Rate %
North Lanarkshire										2,000	20-May-13	1.20
Santander	1,000	12-Apr-11	1.33	1,000	12-Sep-11	1.32	1,000	12-Dec-11	1.20	1,000	12-Mar-12	1.45
Santander				2,000	05-Sep-11	1.31	1,000	05-Mar-12	1.47	1,000	05-Mar-12	1.47
Santander										1,000	17-Jan-12	1.27
Sheffield City Council										3,000	29-Nov-12	1.55
Yorkshire Bank				1,000	30 Day Notice	0.85		30 Day Notice	0.85	3,000	30 Day Notice	0.85
Total Deposits	19,885			20,209			23,765			27,900		

**Prudential Indicators – As at 31 December 2011**

Note	Prudential Indicator	2011/12 Indicator	Quarter 3 Actual
1.	Mid Year Capital Financing Requirement £'000	6,653	6,543
	Gross Borrowing £'000	13,741	13,746
	Investments £'000	-20,000	-27,900
2.	Net Borrowing £'000	-6,259	-14,154
3.	Authorised Limit for External Debt £'000	23,000	23,000
4.	Operational Boundary for External Debt £'000	19,000	19,000
5.	Limit of fixed interest rates based on net debt %	100%	100%
5.	Limit of variable interest rates based on net debt %	30%	0%
6.	Principal sums invested for over 364 days		
	1 to 2 Years £'000	20,000	0
	2 to 3 Years £'000	15,000	0
	3 to 4 Years £'000	5,000	0
	4 to 5 Years £'000	5,000	0
7.	Maturity Structure of external debt borrowing limits		
	Under 12 Months %	20%	0.04%
	1 Year to 2 Years %	20%	0.05%
	2 Years to 5 Years %	50%	0
	5 Years to 10 Years %	90%	74.19%
	10 Years to 15 Years %	90%	0
	15 Years and above %	75%	25.72%

**Notes to the Prudential Indicators**

1. Capital Financing Requirement – this is a measure of the Council's underlying need to borrow long term to fund its capital projects. The information in the table shows a need to borrow £6,543k at 31 December.

## APPENDIX B

(This figure includes the value of the leases that are within the Street Scene and Leisure Contracts). The figure is lower than the estimate following correction to the funding of the HRA capital programme.

2. Net Borrowing (Gross Borrowing less Investments) – this must not exceed in the short term the capital financing requirement.
3. Authorised Limit for External Debt – this is the maximum amount of borrowing the Council believes it would need to undertake its functions during the year. It is set above the Operational Limit to accommodate unusual or exceptional cashflow movements.
4. Operational Boundary for External Debt – this is set at the Council's most likely operation level. Any breaches of this would be reported to Councillors immediately.
5. Limit of fixed and variable interest rates on net debt – this is to manage interest rate fluctuations to ensure that the Council does not over expose itself to variable rate debt.
6. Principal Sums Invested for over 364 days – the purpose of these limits is so that the Council contains its exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of investments.
7. Maturity Structure of Borrowing Limits – the purpose of this is to ensure that the Council is not required to repay all of its debt in one year.

# Selby District Council

## REPORT

Reference: E/11/53

Public

Item 7



**To:** The Executive  
**Date:** 2 February 2012  
**Status:** Key Decision  
**Report Published:** 23 January 2012  
**Author:** Karen Iveson, Executive Director (and s151)  
**Executive Member:** Councillor Cliff Lunn  
**Lead Officer:** Karen Iveson

**Title:** Draft Revenue Budget and Capital Programme 2012/13 and Medium Term Financial Plan

**Summary:** This report presents the Executive's revenue budget and capital programme for 2012/13 to 2014/15 following scrutiny by the Policy Review Committee. The budget has been established against a back drop of significant financial constraints and future volatility arising from the continuing economic uncertainty, the Government's 'Resource Review', and the reform of the Housing Subsidy system (self-financing).

The Council's Formula Grant settlement has now been confirmed and the 2012/13 budgets show a forecasted surplus of £314k on the General Fund after further savings of £318k for Access Selby to address their forecast deficit. The Access Selby Board have approved an outline action plan to address this savings requirement. Given the risk associated with the required savings, it is considered prudent to set aside the forecast Core General Fund surplus in to a new Access Selby Reserve.

The surplus on the Council's support Core results from a reallocation of historic HRA debt and allows for some proposed budget growth and a Council Tax freeze. In the longer term further savings are expected to be needed and the Executive intend to consider proposals for more savings during the coming year.

The HRA budget forecasts the impact of self-financing although at the time of writing this report the final announcement on debt levels are still not confirmed. HRA savings targets have been met although resources are expected to be tight in the early years of self-financing. After applying an average rent increase of 7.9%, our forecasts suggest that there will be £2.967m available for the Housing Investment Programme in 2012/13 whilst drawing down £77k to support the revenue account.

There remains much uncertainty around the Council's future financial position and the Medium Term Financial Strategy will be refreshed as the assumptions underpinning the strategy become clearer.

### **Recommendations:**

**(Subject to the comments from Policy Review Committee at paragraph 4.1) It is recommended to Council that:**

- i. the draft budgets, bids and capital programmes be approved;**
- ii. The budgeted surplus of £314k on the Core's General Fund budget be transferred to a new Access Selby Reserve to provide funds to mitigate future budget risk;**
- iii. Access Selby's savings plan to address their budgeted deficit be noted;**
- iv. Council Tax is held at the 2011/12 level of £158.88 per Band D property, for 2012/13.**

**Reasons for recommendation:** To ensure the Executive's budget proposals are fully funded for 2012/13 and the Council's financial position is sustainable.

## **1. Introduction and background**

- 1.1 The Executive considered its proposed Medium Term Financial Strategy (MTFS) on 6 October and submitted this to full Council for approval on 13 December 2011. The MTFS covers General Fund activities and provides the strategic financial framework for medium term financial planning and annual budget setting.
- 1.2 The Housing Revenue Account (HRA) and Housing Investment Programme (HIP) are covered by the Housing Business Plan (HBP), which will be subject to a full review following the introduction of HRA self-financing. The move to self-financing will see removal of housing subsidy, with the Council keeping all of its rent income in return for taking on approximately £60m Central Government housing debt. The final details of this change are expected in January (although at the time of writing this report they are still awaited) and therefore the budget has been established around a number of assumptions (such as the level of debt and interest rates). Once final details of the changes are known, the HBP will be updated.
- 1.3 The MTFS assumes continuing cuts to Central Government grant funding in line with the last Comprehensive Spending Review and identifies inflation, low interest rates and the uncertainty surrounding the Government's 'Resource Review' as the key financial issues facing us over the next 3 years.
- 1.4 The budget has been prepared on a current policy basis and includes provision for inflation where considered necessary. There is no provision for a pay award in 2012/13. The General Fund revenue budget includes contingencies totalling £275k - £205k in the Core and £70k in Access Selby.

## 2. The Report

- 2.1 Summaries of the draft revenue budgets are presented at **Appendix A** and the proposed capital programmes are shown at **Appendix B**. The detailed budgets were presented to the Executive on 1 December and Access Selby Board on 12 December, and are available on the Council's web-site.
- 2.2 Full Central Establishment Charges (CECs) are not allocated to individual services at this stage (although due to the ring fencing requirements of the HRA, estimates of charges to the HRA have been included). Access Selby are undergoing a full cost review and these charges will be subject to change.

### General Fund Revenue Budget

- 2.3 The MTFS set a target net revenue budget of £9.654m for 2012/13 with anticipated savings of £378k needed to achieve the target. The target was derived from assumptions about Council Tax levels and Government grant:

<u>MTFS</u>	£000's
Council Tax	4,977
Government grant	<u>4,677</u>
<b>Total</b>	<b><u>9,654</u></b>

- 2.4 The draft budget report highlighted the potential to reappraise the Council's existing debt, as part of the HRA self-financing arrangements, and transfer a proportion of historic housing debt back to the HRA. The technicalities of this transfer are covered by the Treasury Management Strategy report earlier on the agenda and will bring a net saving to the General Fund of £590k p.a.
- 2.5 Taking the 3 elements of the Council's service delivery model together, the estimated position for 2012/13 as presented to the Executive in December 2011 and adjusted for the saving on HRA debt financing, is as follows:

	Target Budget £000's	2012/13 Budget £000's	Savings/ (Headroom) £000's
Core – per draft budget 1/12/11	3,724	3,989	265
Core – Adjustment for HRA debt	0	(590)	(590)
<b>Core – Adjusted budget</b>	<b>3,724</b>	<b>3,399</b>	<b>(325)</b>
<b>Access Selby</b>	<b>5,668</b>	<b>5,986</b>	<b>318</b>
<b>Communities Selby</b>	<b>262</b>	<b>262</b>	<b>0</b>
<b>Total</b>	<b>9,654</b>	<b>9,647</b>	<b>(7)</b>

- 2.6 The budgets reflect a proposed increase in Access Selby's 'cost envelope' of £136k, to cover legacy budget pressures outside of their control (e.g. higher than budgeted inflation on the street scene contract). A breakdown of these pressures is shown at **Appendix C(i)**.
- 2.7 Access Selby have developed an outline savings plan to meet their additional £318k savings requirement for 2012/13 as well as the savings expected from the continuing cuts to Government grant in 2013/14 and 2014/15 – the outline

plan is attached at **Appendix C(ii)**. Officers are currently working with the Access Selby board to develop this outline plan into detail actions that will be added to the detailed savings action plan that councillors are monitoring quarterly.

- 2.8 A number of savings have already been identified as part of the budget process and the current detailed savings action plan is attached at **Appendix D**. Of note is the decentralisation of planning fees, which is estimated to achieve £250k p.a. additional income for Access Selby from 2012/13 onwards. Legislation on this matter is still uncertain, therefore this saving is considered high risk. Given the risk within the savings action plan, along with the further savings needed by Access Selby, it is considered prudent to establish an earmarked Access Selby Reserve to mitigate any potential savings shortfall.
- 2.9 At this stage no further savings are proposed from the Core although the Executive have requested officers to consider the Council's future management structure, and proposals for this and other savings opportunities (including further opportunities identified by Access Selby) to address future financial pressures, will be brought forward during 2012/13.
- 2.10 **Appendix E(i)** identifies the growth proposals for consideration with the draft budget (both revenue and capital) - £35k growth is proposed for the General Fund revenue account for 2012/13.
- 2.11 In addition to the budget proposals, the Executive ask Council to accept the Government's offer of support for those Councils who do not increase Council Tax charges next year.
- 2.12 The Government have committed a one year grant, equivalent to 2.5% of Council Tax, to compensate Councils (£120k for Selby). As this award is limited to one year this will cost the Council £48k in 2012/13 (£168k lost income from the 3.5% increase included in the MTFs, less £120k grant). Thereafter the £168k lost income would need to be covered by savings, as it is unlikely that this will be recouped through future Council Tax increases.
- 2.13 In recommending Council to take up the offer of Council Tax Freeze Grant for 2012/13, the Executive are mindful of the longer term impact that freezing Council Tax will have on the Council's financial position.
- 2.14 The following table presents the overall budget, taking the proposals for the draft budget, savings, growth and Council Tax (updated to reflect the actual tax base for 2012/13), along with an estimated surplus on the Collection Fund:

2012/13 General Fund Budget	£000's
Core	3,549
Access Selby	5,668
Communities Selby	262
<b>Net Budget</b>	<b>9,479</b>



Funded from:	£000's
Government Grant	4,796
Council Tax Freeze Grant 2012/13	120
Council Tax	4,818
Collection Fund Surplus	59
<b>Surplus transferred to Access Selby Reserve</b>	<b>314</b>

- 2.15 The MTFs allocated £445k from General Fund balances to support the revenue budget in 2012/13 leaving £1.8m available to mitigate the increased financial risk arising from the Government's 'Resource Review' as well as the continuing turmoil in the wider economy.
- 2.16 Beyond 2012/13 further grant cuts are expected and there is much uncertainty surrounding the impact of top-slicing grant for the New Homes Bonus scheme and the Government's 'Resource Review'. Current projections suggest that balancing the budget in future years will be challenging (even assuming Access Selby achieve their savings targets) and further savings are likely to be needed.

#### Housing Revenue Account

- 2.17 The HRA budgets have been prepared using the 7.9% average rent rise based on the Government's formula for local authority housing rents. Under self-financing it is expected that the Government will continue to determine rent increases.
- 2.18 Again, taking the 3 elements of the Council's service delivery model together, the estimated position for 2012/13 is shown below. Progress against the HRA savings action plan is ahead of target and therefore no further savings are expected for 2012/13, although opportunities for efficiencies will continue to be sought wherever possible.

2012/13 Housing Revenue Account Budget	£000's
Core	7,323
Access Selby	3,980
Communities Selby	0
<b>Net Budget</b>	<b>11,303</b>

Funded from:	£000's
Dwelling Rents	11,226
<b>Deficit transferred to HRA Balances</b>	<b>77</b>

- 2.19 As outlined in paragraph 1.2 the HRA will be affected by the move to self-financing. The budgets assume debt of £60m to be repaid over 50 years at an average rate of 4.57% p.a. and clearly these figures are subject to change once the terms of the debt have been finalised. Because of the capital financing rules all of the Council's debt is classed as General Fund debt but a large proportion of this debt can be attributed to former housing schemes. Reallocating debt to the HRA in this way, not only rectifies this anomaly but also has an on-going net benefit to the General Fund of £590k p.a. whilst still leaving funds for the Housing Investment Programme.
- 2.20 Assuming the Council meets its minimum requirements concerning monies set aside to reinvest in the housing stock or repay debt, then £77k will be needed from HRA balances in 2012/13. Thereafter some headroom is expected, which can be used to top up debt repayments or spend on housing improvements. However it should be stressed that we are still awaiting final details of the debt allocation and will not be in a position to fix our financing costs until late March 2012, therefore budgets should be treated with caution.
- 2.21 A contribution of £77k from HRA balances would take them to £1.450m - £50k short of the revised minimum working balance.

#### General Fund Capital Programme

- 2.22 The General Fund capital programme includes previously approved projects and new growth – a summary of growth proposals are shown at **Appendix E(i)** and the updated capital programme is attached at **Appendix B(i)**.
- 2.23 There is no room for additional revenue contributions to support the capital programme and therefore it is restricted to available capital receipts, external grants and earmarked reserves. The following table presents a summary of the programme:

<b>Programme</b>	<b>2011/12 £000's</b>	<b>2012/13 £000's</b>	<b>2013/14 £000's</b>	<b>2014/15 £000's</b>
Projects	2,588	219	0	579
Grants & loans	383	380	380	350
ICT	155	357	125	219
<b>Total Programme</b>	<b>3,126</b>	<b>956</b>	<b>505</b>	<b>1,148</b>
<b>Funding</b>				
Capital Receipts	2,334	322	240	210
Grants	176	140	140	140
Revenue	10	0	0	0
Reserves	606	494	125	798
<b>Total Funding</b>	<b>3,126</b>	<b>956</b>	<b>505</b>	<b>1,148</b>

- 2.24 Projects include the remaining work to the new Civic Centre, relocation of the communications mast at Portholme Road and leisure centre improvements – the latter are funded from the Building Repairs Reserve. Grants mainly relate to mandatory Disabled Facilities Grants and ICT projects cover a range of replacement and new systems, hardware and infrastructure – funding for ICT projects is covered by the ICT Replacement Reserve.

### Housing Investment Programme

- 2.25 The Housing Investment Programme includes a number of growth proposals to ensure our homes continue to meet the decency standard – a summary of these proposals is shown at **Appendix E(ii)** and the updated HIP is attached at **Appendix B(ii)**.
- 2.26 The following table presents a summary of the programme:

<b>Programme</b>	<b>2011/12 £000's</b>	<b>2012/13 £000's</b>	<b>2013/14 £000's</b>	<b>2014/15 £000's</b>
Central heating	1,031	1,185	1,405	1,305
Electrical works	360	300	300	300
Roof replacements	560	560	560	0
Doors and windows	42	197	63	63
Kitchens	318	342	342	342
Airey properties	1,009	0	320	1,376
Damp works	127	190	197	204
Other	143	193	199	205
<b>Total Programme</b>	<b>3,590</b>	<b>2,967</b>	<b>3,386</b>	<b>3,795</b>

<b>Funding</b>	<b>2011/12 £000's</b>	<b>2012/13 £000's</b>	<b>2013/14 £000's</b>	<b>2014/15 £000's</b>
Revenue	1,487	0	0	0
Major repairs allowance	1,989	0	0	0
Major repairs reserve	0	2,967	3,386	3,795
Grants	114	0	0	0
<b>Total Funding</b>	<b>3,590</b>	<b>2,967</b>	<b>3,386</b>	<b>3,795</b>

- 2.27 The impact of self-financing is also reflected in funding the capital programme – Major Repairs Allowance will no longer be received as part of the old subsidy system and instead the Council will make equivalent transfers to the Major Repairs Reserve. This reserve is then available for investment in the housing stock or repayment of debt.

### Budget Risk Assessment

- 2.28 **Appendix F** provides a risk assessment of the Council's major budgets covering the Core, Access Selby and Communities Selby. The continuing turmoil in the wider economy and cuts to public sector funding, mean greater financial risk for the Council - areas that are particularly high risk are income generation (for example planning fees) and savings and the impact of inflation on our contractual commitments. This reports recommends that the estimated surplus on the General Fund is set aside to support Access Selby to help mitigate this risk.

- 2.29 Services such as Housing Benefits remain under pressure with claims and changes in circumstances continuing to rise.
- 2.30 Changes to legislation also have the potential to bring further financial risk – for example proposals for the localisation of Council Tax benefit on the back of the Government's intended 10% cut.
- 2.31 The Council's contingency budgets and general balances provide a buffer for these risks but as balances are used to support the suppression of Council Tax there is less opportunity for the mitigation of budget pressures – subject to the assumptions contained within the Medium Term Financial Strategy and budget, balances are expected to remain above approved minimum level of £1.5m on the General Fund but fall short on HRA by £50k.

### **3. Legal/Financial Controls and other Policy matters**

#### **3.1 Legal Issues**

- 3.1.1 None as a result of this report.

#### **3.2 Financial Issues**

- 3.2.1 As set out in the report

### **4. Consultation Response (including Policy Review Committee comments)**

- 4.1 Policy Review Committee considered the Executive's draft budget proposals on 24 January 2012 and request that the Executive reconsider their proposal to freeze Council Tax for 2012/13 citing their concerns over the impact that this will have on the Council's future financial position and the impact that this will have on services.
- 4.2 At the time of writing this report the consultation with the wider community (including local businesses) shows no comments received on the draft budget proposals.

### **5. Conclusion**

- 5.1 This report presents the Executive's revenue budget and capital programme proposals for 2012/13 to 2014/15. The budget has been established against a back drop of significant financial constraints and future volatility arising from the continuing economy uncertainty, the Government's 'Resource Review', and the reform of the Housing Subsidy system (self-financing).
- 5.2 There remains an on-going challenge to balance the General Fund budget although the reallocation of historic HRA debt has helped to ease the immediate pressure. The MTFs identifies the future financial challenges facing the Council's General Fund and aims to provide stability through reasonable Council Tax rises and measured use of reserves. The Government's offer of a one year Council Tax freeze grant presents the opportunity to protect the public, but increases the strain on the General Fund in the longer term.

- 5.3 It is clear that there remains much uncertainty around the Council's future financial position and therefore the MTFs and Housing Business Plan will be updated as assumptions change.

## **6. Background Documents**

Medium Term Financial Strategy  
Budget Working Papers  
Intelligence sheet – Localisation of Business Rates  
Intelligence sheet – Localisation of Council Tax Benefit

### **Contact Details:**

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### **Appendices:**

A – Revenue estimates  
B – Capital programmes  
C – Access Selby budget pressures and outline savings plan  
D – Savings action plans  
E – Growth bids  
F – Budget risk assessment

**GENERAL FUND SUMMARY**

Committee	Total Budget			Access Selby Budget			Core Budget			Communities Selby Budget		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original
	£	£	£	£	£	£	£	£	£	£	£	£
Net Budget Access Selby	8,286,350	8,458,670	8,648,010	8,286,350	8,458,670	8,648,010	3,149,210	3,225,235	3,304,005	262,450	266,210	270,070
Core	3,149,210	3,225,235	3,304,005									
Communities Selby	262,450	266,210	270,070									
<b>Sub-total Gross Budgets</b>	<b>11,698,010</b>	<b>11,950,115</b>	<b>12,222,085</b>	<b>8,286,350</b>	<b>8,458,670</b>	<b>8,648,010</b>	<b>3,149,210</b>	<b>3,225,235</b>	<b>3,304,005</b>	<b>262,450</b>	<b>266,210</b>	<b>270,070</b>
CEC Charged to HRA	(2,619,930)	(2,662,480)	(2,712,630)	(2,358,220)	(2,397,170)	(2,442,530)	(261,710)	(265,310)	(270,100)			
<b>Net Budget after CEC Adjustments</b>	<b>9,078,080</b>	<b>9,287,635</b>	<b>9,509,455</b>	<b>5,928,130</b>	<b>6,061,500</b>	<b>6,205,480</b>	<b>2,887,500</b>	<b>2,959,925</b>	<b>3,033,905</b>	<b>262,450</b>	<b>266,210</b>	<b>270,070</b>
ICT Plan Projects	264,750	124,660	219,000				264,750	124,660	219,000			
Drainage Boards Additional Costs	75,000	75,000	75,000				75,000	75,000	75,000			
Revenue Growth Access Selby	35,000						35,000					
Procurement Savings to be Identified	(12,590)	(37,590)	(65,540)	(12,590)	(37,590)	(65,540)						
Additional Savings - Access Selby	(318,020)	(605,390)	(721,420)	(318,020)	(605,390)	(721,420)						
<b>Net Service Budget</b>	<b>9,122,220</b>	<b>8,844,315</b>	<b>9,016,495</b>	<b>5,597,520</b>	<b>5,418,520</b>	<b>5,418,520</b>	<b>3,262,250</b>	<b>3,159,585</b>	<b>3,327,905</b>	<b>262,450</b>	<b>266,210</b>	<b>270,070</b>
Investment Income	(165,000)	(225,000)	(350,000)				(165,000)	(225,000)	(350,000)			
External Interest	118,725	120,825	123,355				118,725	120,825	123,355			
Capital A/c Adjustment MRP Charge	196,685	193,430	190,305				196,685	193,430	190,305			
Capital A/c Adjustment DFG & Conservation Grants	10,000						10,000					
Contingencies	275,000	275,000	275,000	70,000	70,000	70,000	205,000	205,000	205,000			
<b>Net Budget before contribution to/(from) Reserves</b>	<b>9,557,630</b>	<b>9,208,570</b>	<b>9,255,155</b>	<b>5,667,520</b>	<b>5,488,520</b>	<b>5,488,520</b>	<b>3,627,660</b>	<b>3,453,840</b>	<b>3,496,565</b>	<b>262,450</b>	<b>266,210</b>	<b>270,070</b>
<b>Contribution To Reserves</b>												
Building Repairs	130,000	130,000	130,000				130,000	130,000	130,000			
Comp Development Cont	150,000	150,000	150,000				150,000	150,000	150,000			
Transport Contrib	3,000	3,000	3,000				3,000	3,000	3,000			
PFI	362,950	376,540	396,180				362,950	376,540	396,180			
Pension Equalisation Reserve	200,000	200,000	200,000				200,000	200,000	200,000			
District Election	30,000	30,000	30,000				30,000	30,000	30,000			
Spend To Save	119,073	119,073	119,073				119,073	119,073	119,073			
Special Projects	-	-					-	-				
<b>Contribution From Reserves</b>												
Computer Development	(264,750)	(124,660)	(219,000)				(264,750)	(124,660)	(219,000)			
PFI	(363,680)	(374,590)	(385,830)				(363,680)	(374,590)	(385,830)			
GF Unallocated Balances	(445,480)		50,000				(445,480)		50,000			
<b>NET REVENUE BUDGET</b>	<b>9,478,743</b>	<b>9,717,933</b>	<b>9,728,578</b>	<b>5,667,520</b>	<b>5,488,520</b>	<b>5,488,520</b>	<b>3,548,773</b>	<b>3,963,203</b>	<b>3,969,988</b>	<b>262,450</b>	<b>266,210</b>	<b>270,070</b>
Grant NDR/RSG	(4,795,963)	(4,754,073)	(4,494,073)				(4,795,963)	(4,754,073)	(4,494,073)			
Council Tax Freeze 12/13	(120,000)						(120,000)					
Ctax to be levied	(4,818,196)	(5,012,371)	(5,214,364)				(4,818,196)	(5,012,371)	(5,214,364)			
Collection Fund Deficit/(Surplus)	(58,898)	0	0				(58,898)	0	0			
<b>Payment to Access Selby &amp; Communities Selby</b>				<b>(5,667,520)</b>	<b>(5,488,520)</b>	<b>(5,488,520)</b>	<b>5,929,970</b>	<b>5,754,730</b>	<b>5,758,590</b>	<b>(262,450)</b>	<b>(266,210)</b>	<b>(270,070)</b>
<b>Shortfall / (surplus)</b>	<b>(314,314)</b>	<b>(48,511)</b>	<b>20,141</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(314,314)</b>	<b>(48,511)</b>	<b>20,141</b>	<b>-</b>	<b>-</b>	<b>-</b>
Note:				Note budgets for 2013/14 and 2014/15 are indicative only - Access Selby's cost envelope is subject to review								
C Tax Base	30,326	30,629	30,936									
Council Tax Rate	158.88	163.65	168.56									

**S.D.C.- ACCESS SELBY ESTIMATE WORKING PAPER  
OBJECTIVE ANALYSIS**

2010/2011 ACTUAL	NARRATIVE		2011/2012 REVISED ESTIMATE	2012/2013 BUDGET	2013/2014 BUDGET	2014/2015 BUDGET
£			£	£	£	£
	<b>ACCESS SELBY - OBJECTIVE SUMMARY</b>					
271,549	ABBEY LEISURE CENTRE (DISCRETIONARY)	AS1	233,370	217,820	224,070	230,470
-548	TADCASTER LEISURE CENTRE (DISCRETIONARY)	AS2	-7,640	-7,760	-8,050	-8,320
21,995	BUILDING CONTROL (STATUTORY)	AS3	36,050	36,050	36,050	36,050
5,730	BUS STATION (DISCRETIONARY)	AS4	-660	-2,220	-2,430	-2,650
31,389	CAR PARKS (DISCRETIONARY)	AS5	21,980	24,700	25,520	26,380
-230,981	CAR PARKS PAY & DISPLAY (DISCRETIONARY)	AS6	-248,070	-298,200	-296,620	-294,980
98,267	CIVIC AMENITIES (STATUTORY/DISCRETIONARY)	AS7	57,280	60,030	62,030	64,110
50,379	CLOSED BURIAL GROUNDS (STATUTORY)	AS8	16,030	15,260	15,690	16,130
2,974	COMMERCIAL HEALTH (STATUTORY)	AS9	5,800	5,810	5,830	5,850
442,359	CONCESSIONARY FARES (STATUTORY)	AS10	-1,570	-1,570	-1,570	-1,570
71,339	COUNTRYSIDE RECREATION & MGMNT (DISCRETIONARY)	AS11	55,700	17,790	17,810	17,830
544,661	DEVELOPMENT MANAGEMENT (STATUTORY)	AS12	-37,620	-569,720	-593,710	-618,600
42,109	DOG WARDEN (STATUTORY)	AS13	30,070	20,070	20,220	20,370
-9,355	ECONOMIC DEVELOPMENT (DISCRETIONARY)	AS14	0	0	0	0
13,256	ENVIRONMENTAL - OTHER (STATUTORY/DISCRETIONARY)	AS15	18,000	18,000	18,000	18,000
44,976	GF HOUSING (STATUTORY)	AS16	193,310	115,020	126,900	138,110
1,196,865	HOUSE & TRADE REFUSE COLLECTION (STATUTORY)	AS17	1,050,610	1,152,070	1,192,790	1,234,930
-137,626	HOUSING BENEFITS (STATUTORY)	AS18	-118,740	-286,030	-294,730	-303,620
-61,597	INDUSTRIAL UNITS (DISCRETIONARY)	AS19	-66,220	-93,120	-92,380	-91,620
78,801	LOCAL TAXATION COLLECTION (STATUTORY)	AS20	-78,130	-116,110	-119,030	-122,020
-16,849	MARKETS (DISCRETIONARY)	AS21	0	0	0	0
485	NAMING/NUMBERING OF STREETS (STATUTORY)	AS22	4,470	4,580	4,670	4,760
562,241	COMMUNITY SUPPORT TEAMS	AS23	955,280	1,154,580	1,181,600	1,209,300
144,124	CUSTOMER CONTACT CENTRE	AS24	104,080	103,320	104,780	106,300
41,589	DEPOTS - PORTHOLME ROAD	AS25	0	0	0	0
6,285	DEPOTS - PROSPECT WAY	AS26	2,470	1,360	1,410	1,460
16,367	EMERGENCY PLANNING (STATUTORY)	AS27	20,660	20,660	20,660	20,660
-50,763	LAND CHARGES (STATUTORY)	AS28	-79,920	-90,200	-94,400	-98,750
-39,174	LICENSING (STATUTORY)	AS29	-90,800	-120,250	-120,250	-120,250
-32,620	PROPERTY MANAGEMENT (DISCRETIONARY)	AS30	-57,040	-35,100	-34,930	-34,760
266,020	FINANCE	AS31	260,450	232,570	237,890	243,340

S.D.C.- ACCESS SELBY ESTIMATE WORKING PAPER  
OBJECTIVE ANALYSIS

2010/2011 ACTUAL	NARRATIVE		2011/2012 REVISED ESTIMATE	2012/2013 BUDGET	2013/2014 BUDGET	2014/2015 BUDGET
£			£	£	£	£
	<b>ACCESS SELBY - OBJECTIVE SUMMARY</b>					
218,917	BENEFITS & TAXATION	AS32	369,140	412,780	423,100	433,680
300,243	BUSINESS SUPPORT	AS33	560,930	566,010	579,110	592,530
13,234	DATA & SYSTEM	AS34	151,630	519,180	533,370	547,980
252,242	LEGAL	AS35	208,630	199,310	203,290	207,360
241,670	DEBT CONTROL	AS36	206,620	192,390	196,960	201,640
159,394	VIDEO CAMERAS (DISCRETIONARY)	AS37	-10,540	67,700	67,700	67,700
298,088	CIVIC CENTRE	AS38	246,010	255,320	267,220	275,400
24,829	TADCASTER COMMUNITY OFFICE	AS39	0	0	0	0
88,467	ACCESS SELBY MANAGEMENT TEAM	AS40	389,660	492,430	504,320	516,500
706,486	CONTRACTS	AS41	580,210	314,390	302,140	310,110
69,039	MARKETING & COMMUNICATIONS	AS42	69,120	68,630	70,070	71,540
164,414	HUMAN RESOURCES	AS43	220,740	184,190	185,910	187,680
348,513	POLICY STRATEGY	AS44	828,810	433,880	390,070	341,410
102,069	PARKS & OPEN SPACES (DISCRETIONARY)	AS45	105,850	111,590	115,500	119,540
639,662	ENVIRONMENTAL HEALTH & HOUSING	AS46	450,640	359,970	368,010	376,250
12,631	PEST CONTROL (STATUTORY)	AS47	13,890	13,890	13,890	13,890
-8,722	POLLUTION MONITORING & CONTAMINATED LAND (STATUTOR	AS48	14,490	11,440	11,620	11,800
63,868	PUBLIC CONVENIENCES (DISCRETIONARY)	AS49	70,050	68,180	68,410	68,650
16,022	RECREATION GROUNDS - SPORTS (DISCRETIONARY)	AS50	12,150	12,470	12,710	12,960
639,529	RECYCLING (STATUTORY)	AS51	592,370	659,730	694,830	731,250
2,715	SHERBURN COMMUNITY OFFICE	AS52	3,980	3,980	3,980	3,980
72,544	SPORT DEVELOPMENT & GROUNDWORK (DISCRETIONARY)	AS53	61,510	64,480	66,980	69,560
489,010	STREET CLEANSING (STATUTORY)	AS54	513,670	538,960	557,000	575,670
88,719	TRANSFORMATION	AS55	100,440	158,330	162,310	166,380
14,585	UNUSED BUILDINGS	AS56	5,310	6,270	7,220	8,230
0	ASSETS	AS57	577,590	782,100	801,030	820,440
0	ENFORCEMENT	AS58	141,850	209,340	214,100	218,970
	ALLOCATION OF COSTS TO HRA		-2,131,820	-2,358,220	-2,397,170	-2,442,530
<b>8,392,415</b>	<b>Total Net Expenditure</b>		<b>6,632,130</b>	<b>5,928,130</b>	<b>6,061,500</b>	<b>6,205,480</b>



S.D.C.- ACCESS SELBY ESTIMATE WORKING PAPER SUBJECTIVE ANALYSIS					
2010/2011 ACTUAL	NARRATIVE	2011/2012 REVISED ESTIMATE	2012/2013 BUDGET	2013/2014 BUDGET	2014/2015 BUDGET
£		£	£	£	£
<b>ACCESS SELBY - SUBJECTIVE SUMMARY</b>					
<b>Income</b>					
-21,171,111	Government Grants	-21,997,170	-22,661,180	-23,426,630	-24,218,630
-159,277	Industrial Units	-183,630	-195,590	-195,590	-195,590
-110,185	Court Fees/Cost/Summons Income	-150,100	-120,320	-120,320	-120,320
-36,978	Internal Recharges	-171,460	-51,500	-51,500	-51,500
-121,931	Licences	-123,090	-129,750	-129,750	-129,750
-40,462	Property Management Rent	-60,740	-39,000	-39,000	-39,000
-1,631	Water Sampling Fees	-11,710	-5,360	-5,360	-5,360
-20,499	Local Air Pollution	-18,000	-18,000	-18,000	-18,000
-105,202	Land Charges	-127,980	-122,460	-126,740	-131,170
-816,931	Recycling	-771,000	-772,800	-787,560	-802,750
-11,756	Refuse Collection General	-25,460	-16,450	-16,450	-16,450
-9,527	Clinical Waste	-10,450	-10,450	-10,450	-10,450
-512,096	Commercial Waste	-562,290	-481,790	-498,550	-515,900
-396,671	Planning Fees	-579,580	-890,020	-920,010	-951,050
-156,234	Groundwork Income	-109,710	-109,710	-109,710	-109,710
-307,178	Car Parks	-317,500	-357,530	-357,530	-357,530
-11,279	Legal Services	-16,730	-17,660	-18,270	-18,900
-169,587	Sundry Income	-97,660	-100,790	-91,200	-92,660
-40,593	Other Rent Income				
	Car Parks-Other				
-15,026	Urban Renaissance				
<b>-24,214,153</b>	<b>Total Income</b>	<b>-25,334,260</b>	<b>-26,100,360</b>	<b>-26,922,620</b>	<b>-27,784,720</b>
<b>Expenditure</b>					
5,383,083	Staff Costs	5,557,470	5,641,400	5,777,660	5,917,290
19,486,588	Housing & Ctax Benefit	20,779,840	21,505,290	22,256,120	23,033,240
517,121	Premises Running Costs	461,150	431,500	442,370	453,700

S.D.C.- ACCESS SELBY ESTIMATE WORKING PAPER SUBJECTIVE ANALYSIS					
2010/2011 ACTUAL	NARRATIVE	2011/2012 REVISED ESTIMATE	2012/2013 BUDGET	2013/2014 BUDGET	2014/2015 BUDGET
£		£	£	£	£
<b>ACCESS SELBY - SUBJECTIVE SUMMARY</b>					
89,748	Consultants Fees	527,750	82,000	62,000	62,000
411,942	Supporting People	432,000	371,560	374,560	377,560
2,708	Legal Fees	15,300	15,300	15,300	15,300
100,291	Transport Costs	119,850	113,800	113,840	113,880
320,311	ICT	374,060	333,920	343,560	353,500
332,751	PFI Scheme	343,030	362,490	373,360	384,560
24,503	Homeless Strategy	123,310	60,000	60,000	60,000
91,553	General Insurances	77,420	84,640	87,620	90,690
352,080	Office Running Costs	392,520	381,290	381,290	381,290
955,996	Other Sundry Costs	469,330	421,980	362,950	308,950
3,804,450	Street Scene Contract	3,668,520	3,791,990	3,928,240	4,065,100
343,833	Leisure Trust	298,260	288,740	297,450	306,420
282,066	Other Contracts	206,980	243,290	243,290	243,290
107,543	Partnership Arrangements	251,420	257,520	261,680	265,960
<b>32,606,568</b>	<b>Total Expenditure</b>	<b>34,098,210</b>	<b>34,386,710</b>	<b>35,381,290</b>	<b>36,432,730</b>
	Allocation of Costs to HRA	-2,131,820	-2,358,220	-2,397,170	-2,442,530
<b>8,392,415</b>	<b>Net Expenditure</b>	<b>6,632,130</b>	<b>5,928,130</b>	<b>6,061,500</b>	<b>6,205,480</b>

## S.D.C.- CORE ESTIMATE WORKING PAPER

## OBJECTIVE ANALYSIS OF EXPENDITURE

2010/2011 ACTUAL	NARRATIVE		2011/2012 REVISED ESTIMATE	2012/2013 BUDGET	2013/2014 BUDGET	2014/2015 BUDGET
£			£	£	£	£
97,608	CORE MISCELLANEOUS	CORE 1	679,350	527,114	540,055	548,515
179,793	COST OF AUDIT	CORE 2	185,640	169,580	164,610	164,640
461,978	DEMOCRATIC SERVICES	CORE 3	441,930	424,530	428,280	432,120
86,671	ELECTIONS	CORE 4	158,600	30,550	30,720	30,890
487,640	SMT & CORE SUPPORT	CORE 5	439,760	505,190	517,090	529,300
1,431,675	EXTERNAL PRECEPTS	CORE 6	1,441,790	1,492,250	1,544,480	1,598,540
<b>2,745,365</b>			<b>3,347,070</b>	<b>3,149,214</b>	<b>3,225,235</b>	<b>3,304,005</b>
	Allocation of Costs to HRA		-242,530	-261,710	-265,310	-270,100
	<b>Net Cost</b>		<b>3,104,540</b>	<b>2,887,504</b>	<b>2,959,925</b>	<b>3,033,905</b>

## S.D.C.- CORE ESTIMATE WORKING PAPER

## SUBJECTIVE ANALYSIS OF EXPENDITURE

2010/2011 ACTUAL	NARRATIVE	2011/2012 REVISED ESTIMATE	2012/2013 BUDGET	2013/2014 BUDGET	2014/2015 BUDGET
£		£	£	£	£
-6,530	Sundry Income	-14,780	-6,650	-6,760	-6,870
-312,141	Internal Recharge Inc	-293,830	-277,700	-260,630	-261,070
<b>-318,671</b>	<b>Total Income</b>	<b>-308,610</b>	<b>-284,350</b>	<b>-267,390</b>	<b>-267,940</b>
95,101	Audit Partnership	105,820	100,820	95,820	95,820
36,058	Consultants Fees	45,630	35,000	0	0
1,431,675	Drainage Board Levy	1,441,790	1,492,250	1,544,480	1,598,540
174	Election Costs	112,170	0	0	0
110,727	External Audit Fees	112,460	91,050	91,080	91,110
232,414	General Insurances	209,130	199,060	206,030	213,250
24,218	ICT	12,680	0	0	0
9,376	Legal Fees	8,000	8,000	8,000	8,000
224,028	Members Allowances	228,370	228,370	228,370	228,370
7,264	Members Seminars & Training	16,710	3,000	3,000	3,000
103,928	Other Sundry Costs	127,870	104,270	104,270	104,270
-75,131	Pension Costs	447,830	469,124	491,405	491,405
706	Premises Running Costs	2,320	2,320	2,340	2,360
845,565	Staff Costs	763,670	681,930	699,460	717,450
17,933	Transport Costs	21,230	18,370	18,370	18,370
<b>3,064,036</b>	<b>Total Expenditure</b>	<b>3,655,680</b>	<b>3,433,564</b>	<b>3,492,625</b>	<b>3,571,945</b>
	Allocation of Costs to HRA	-242,530	-261,710	-265,310	-270,100
<b>2,745,365</b>	<b>Net Expenditure</b>	<b>3,104,540</b>	<b>2,887,504</b>	<b>2,959,925</b>	<b>3,033,905</b>

## S.D.C.- COMMUNITIES SELBY ESTIMATE WORKING PAPER

## OBJECTIVE ANALYSIS OF EXPENDITURE

2010/2011 ACTUAL	NARRATIVE		2011/2012 REVISED ESTIMATE	2012/2013 BUDGET	2013/2014 BUDGET	2014/2015 BUDGET
£			£	£	£	£
0	COMMUNITIES SELBY	CS1	116,810	100,920	103,300	105,730
45,777	COMMUNITY ENGAGEMENT FORUMS	CS2	204,680	120,000	120,000	120,000
51,241	COMMUNITY SAFETY	CS3	134,450	0	0	0
0	INTEGRATED SERVICES FOR OLDER PEOP	CS4	0	0	0	0
-14,315	LOCAL STRATEGIC PARTNERSHIP	CS5	35,760	880	880	880
50,880	GRANTS	CS6	39,220	40,650	42,030	43,460
<b>133,583</b>	<b>Total Net Expenditure</b>		<b>530,920</b>	<b>262,450</b>	<b>266,210</b>	<b>270,070</b>

## S.D.C.- COMMUNITIES SELBY ESTIMATE WORKING PAPER

## SUBJECTIVE ANALYSIS OF EXPENDITURE

2010/2011 ACTUAL	NARRATIVE	2011/2012 REVISED ESTIMATE	2012/2013 BUDGET	2013/2014 BUDGET	2014/2015 BUDGET
£		£	£	£	£
	<b>Income</b>				
-16,975	LSP Contributions (inc)	-10,000	-10,000	-10,000	-10,000
<b>-16,975</b>	<b>Total Income</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>
	<b>Expenditure</b>				
45,777	CEF Costs	204,680	120,000	120,000	120,000
71,827	Community Safety	145,300			
-78,402	Community Safety Contributions	-26,430			
	General Insurances		340	350	360
2,034	Local Strategic Partnership	45,760	10,880	10,880	10,880
50,030	Miscellaneous Grants	39,220	40,650	42,030	43,460
	Office Running Costs				
57,816	Staff Costs	132,390	94,330	96,700	99,120
1,476	Sundry Costs				
	Transport Costs		6,250	6,250	6,250
<b>150,558</b>	<b>Total Expenditure</b>	<b>540,920</b>	<b>272,450</b>	<b>276,210</b>	<b>280,070</b>
<b>133,583</b>	<b>Net Expenditure</b>	<b>530,920</b>	<b>262,450</b>	<b>266,210</b>	<b>270,070</b>

**HOUSING REVENUE ACCOUNT SUMMARY**

	Total Budget			Access Selby Budget			Core Budget		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	Original	Original	Original	Original	Original	Original	Original	Original	Original
	£	£	£	£	£	£	£	£	£
Net Service Costs	1,758,040	1,770,390	1,754,890	1,746,080	1,758,430	1,742,930	11,960	11,960	11,960
Non-Dwelling Rents	(124,608)	(128,969)	(133,483)	(124,608)	(128,969)	(133,483)			
Capital Charges	1,465,540	1,479,540	1,509,910				1,465,540	1,479,540	1,509,910
<b>Sub-total Gross Budgets</b>	<b>3,098,972</b>	<b>3,120,961</b>	<b>3,131,317</b>	<b>1,621,472</b>	<b>1,629,461</b>	<b>1,609,447</b>	<b>1,477,500</b>	<b>1,491,500</b>	<b>1,521,870</b>
CEC Recharges from GF	2,619,930	2,662,480	2,712,630	2,358,220	2,397,170	2,442,530	261,710	265,310	270,100
<b>Net Service Budget</b>	<b>5,718,902</b>	<b>5,783,441</b>	<b>5,843,947</b>	<b>3,979,692</b>	<b>4,026,631</b>	<b>4,051,977</b>	<b>1,739,210</b>	<b>1,756,810</b>	<b>1,791,970</b>
Investment Income	(20,000)	(30,000)	(40,000)				(20,000)	(30,000)	(40,000)
HRA Debt - Payment of Interest	2,727,220	2,727,220	2,727,220				2,727,220	2,727,220	2,727,220
Pension - Past Service Costs	177,830	181,190	188,060				177,830	181,190	188,060
<b>Net Budget before contribution to/(from) Reserves</b>	<b>8,603,952</b>	<b>8,661,851</b>	<b>8,719,227</b>	<b>3,979,692</b>	<b>4,026,631</b>	<b>4,051,977</b>	<b>4,624,260</b>	<b>4,635,220</b>	<b>4,667,250</b>
<b>Contribution To Reserves</b>									
Comp Development Cont	20,000	20,000	20,000				20,000	20,000	20,000
Major Repairs Reserve	1,504,460	1,484,460	1,447,090				1,504,460	1,484,460	1,447,090
HRA Debt - MRR Principal	1,175,000	1,175,000	1,175,000				1,175,000	1,175,000	1,175,000
Additional Contribution to MRR	-	389,028	1,108,200				-	389,028	1,108,200
<b>NET REVENUE BUDGET</b>	<b>11,303,412</b>	<b>11,730,339</b>	<b>12,469,517</b>	<b>3,979,692</b>	<b>4,026,631</b>	<b>4,051,977</b>	<b>7,323,720</b>	<b>7,703,708</b>	<b>8,417,540</b>
Dwelling Rents	(11,226,392)	(11,780,031)	(12,469,517)				(11,226,392)	(11,780,031)	(12,469,517)
Payable to / (from) Core	-	-	-	(3,979,692)	(4,026,631)	(4,051,977)	3,979,692	4,026,631	4,051,977
<b>Shortfall / (surplus)</b>	<b>77,020</b>	<b>(49,692)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,020</b>	<b>(49,692)</b>	<b>-</b>
Note:				<b>Note budgets for 2013/14 and 2014/15 are indicative only - Access Selby's cost envelope is subject to review</b>					
No Dwellings (mid year)	3,153	3,152	3,150						
Average Rent	75.69	79.85	84.17						

## ACCESS SELBY - HOUSING REVENUE ACCOUNT

## APPENDIX A

## SUBJECTIVE ANALYSIS OF EXPENDITURE

2010/2011 ACTUAL OUTTURN £		2011/2012 LATEST APPROVED £	2012/2013 BUDGET £	2013/2014 BUDGET £	2014/2015 BUDGET £
	<b>Income</b>				
-414,649	Internal Recharges	-432,000	-371,560	-374,560	-377,560
-177,574	Other Rent Income	-212,600	-201,858	-208,889	-216,153
-119,878	Property Repairs	-38,000	-28,000	-28,000	-28,000
-52,241	Other Income	-42,130	-37,130	-36,440	-35,770
<u>-764,340</u>	<b>Total Income</b>	<u>-724,730</u>	<u>-638,548</u>	<u>-647,889</u>	<u>-657,483</u>
	<b>Expenditure</b>				
1,953,572	Staffing Costs	581,750	37,510	38,400	39,310
198,816	Transport Costs	172,780	129,200	129,680	130,180
665,087	Dwellings Repairs & Maintenance	933,380	816,450	843,120	824,260
102,316	Dwellings Adaptation Work	130,000	130,000	130,000	130,000
257,969	Contract Payments	263,500	264,500	264,500	264,500
272,793	Equipment & Materials	276,400	269,310	269,310	269,310
129,480	Equipment Leases	162,185	140,690	142,950	145,290
125,355	General Insurances	101,290	119,650	123,840	128,180
390,865	Other Sundry Costs	398,770	352,710	335,550	335,900
	Net CEC Charges from the General Fund	2,131,820	2,358,220	2,397,170	2,442,530
<u>4,096,253</u>	<b>Total Expenditure</b>	<u>5,151,875</u>	<u>4,618,240</u>	<u>4,674,520</u>	<u>4,709,460</u>
<u><b>3,331,912</b></u>	<b>Net Expenditure</b>	<u><b>4,427,145</b></u>	<u><b>3,979,692</b></u>	<u><b>4,026,631</b></u>	<u><b>4,051,977</b></u>



## ACCESS SELBY - HOUSING REVENUE ACCOUNT

## OBJECTIVE ANALYSIS OF EXPENDITURE

2010/2011 ACTUAL OUTTURN £		2011/2012 LATEST APPROVED £	2012/2013 BUDGET £	2013/2014 BUDGET £	2014/2015 BUDGET £
209,386	Warden Schemes	4,880	-25,880	-22,570	-19,040
2,377,683	Housing Repairs	1,803,920	1,365,360	1,383,740	1,356,230
-907	Sale of Council Houses - Admin.	2,500	2,500	2,500	2,500
743,623	Housing General Management	496,745	272,620	258,220	261,410
26,386	Hostels	-14,390	690	1,300	1,980
85,658	Special Management	119,670	130,790	135,240	139,850
0	Net CEC Charges from the General Fund	2,131,820	2,358,220	2,397,170	2,442,530
-109,916	Garages	-118,000	-124,608	-128,969	-133,483
<u>3,331,912</u>		<u>4,427,145</u>	<u>3,979,692</u>	<u>4,026,631</u>	<u>4,051,977</u>

## CORE SELBY - HOUSING REVENUE ACCOUNT

## SUBJECTIVE ANALYSIS OF EXPENDITURE

2010/2011 ACTUAL OUTTURN £		2011/2012 LATEST APPROVED £	2012/2013 BUDGET £	2013/2014 BUDGET £	2014/2015 BUDGET £
	<b>Expenditure</b>				
14,135	Other Sundry Costs	11,960	11,960	11,960	11,960
-741,380	Pension Costs	-43,210	0	0	0
50,671,277	Capital Charges	2,117,580	1,465,540	1,479,540	1,509,910
<b>49,944,032</b>	<b>Total Expenditure</b>	<b>2,086,330</b>	<b>1,477,500</b>	<b>1,491,500</b>	<b>1,521,870</b>
	Net CEC Charges from the General Fund	242,530	261,710	265,310	270,100
	<b>Total Expenditure</b>	<b>2,328,860</b>	<b>1,739,210</b>	<b>1,756,810</b>	<b>1,791,970</b>

## ACCESS SELBY - HOUSING REVENUE ACCOUNT

## OBJECTIVE ANALYSIS OF EXPENDITURE

2010/2011 ACTUAL OUTTURN £		2011/2012 LATEST APPROVED £	2012/2013 BUDGET £	2013/2014 BUDGET £	2014/2015 BUDGET £
-727,245	Housing General Management	-31,250	11,960	11,960	11,960
50,671,277	Capital Charges	2,117,580	1,465,540	1,479,540	1,509,910
<b>49,944,032</b>		<b>2,086,330</b>	<b>1,477,500</b>	<b>1,491,500</b>	<b>1,521,870</b>
	Net CEC Charges from the General Fund	242,530	261,710	265,310	270,100
	<b>Total Expenditure</b>	<b>2,328,860</b>	<b>1,739,210</b>	<b>1,756,810</b>	<b>1,791,970</b>

**2012/13 – 2014/15 GENERAL FUND CAPITAL PROGRAMME**

	Current Programme 2011/12 £	Forecasted Programme 2012/13 £	Estimated Programme 2013/14 £	Estimated Programme 2014/15 £
<b><u>PROJECTS</u></b>				
Asset Management Plan Leisure Centres & Park	3,125	136,725	0	579,000
Tadcaster Central Area	267,470	0	0	0
Selby Community Project	2,137,210	82,000	0	0
Road Adoption - Industrial Units Sherburn	25,000	0	0	0
Mast Relocation	155,000	0	0	0
<u>Grants</u>				
Conservation / Heritage Grants	10,000	0	0	0
Disabled Facilities Grants	300,000	350,000	350,000	350,000
Stay Putt	37,500	0	0	0
Repair Assistance Loans	24,000	30,000	30,000	0
Energy & Efficiency Grants	11,770	0	0	0
<u>ICT Hardware &amp; Systems Within ICT Strategy</u>				
Hardware	11,000	9,000	55,000	26,000
Software	57,000	196,250	17,657	138,000
Implementation & Infrastructure Costs	20,000	34,500	27,000	30,000
Desktop Replacement Programme	30,000	25,000	25,000	25,000
ICT - Virtualisation	29,340	0	0	0
ICT - Financial Management System E-Procurement	7,930	0	0	0
<u>Additional ICT Investment</u>				
ICT - FMS Upgrade	0	10,000	0	0
ICT - Integration of Systems	0	62,500	0	0
ICT - Datango Software	0	20,000	0	0
<b>TOTAL</b>	<b>3,126,345</b>	<b>955,975</b>	<b>504,657</b>	<b>1,148,000</b>
<b><u>SUMMARY OF FUNDING</u></b>				
Capital Receipts	2,334,710	322,000	240,000	210,000
Grants & Contributions	175,770	140,000	140,000	140,000
Revenue	10,000			0
Reserves	605,865	493,975	124,657	798,000
Borrowing	0	0	0	0
<b>TOTAL</b>	<b>3,126,345</b>	<b>955,975</b>	<b>504,657</b>	<b>1,148,000</b>

**2012/13 – 2014/15 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME**

	2011/12	2012/13	2013/14	2014/15
	Current	Forecasted	Estimated	Estimated
	Programme	Programme	Programme	Programme
<b>PROJECTS</b>	£	£	£	£
<b><u>Current Projects</u></b>				
Electrical Rewires	360,000	300,000	310,500	321,500
Central Heating - Gas	675,580	575,480	575,480	575,480
Central Heating - Solid Fuel to Gas	198,000	99,000	99,000	0
Central Heating - Solid Fuel	157,500	157,500	157,500	157,500
Roof Replacments	560,000	560,000	560,000	0
Damp Surveys & Works	127,000	190,000	196,500	203,500
Door Replacements	42,000	42,000	48,000	48,000
Kitchen Replacements	318,000	237,000	237,000	237,000
Disabled Adaptation - Tenant Street	30,000	0	0	0
Pre Paint & Cyclical Repairs	113,000	113,000	113,000	113,000
<b><u>New Projects</u></b>				
Window Replacements	0	140,000	0	0
Void Property Repairs	0	50,000	51,750	53,500
Additional External Door Replacements	0	15,500	15,500	15,500
Additional Pre Paint & Cyclical Repairs	0	29,000	34,000	39,000
Central Heating - Economy 7 to Gas	0	353,400	573,000	572,000
Additional Kitchen Replacements	0	105,000	105,000	105,000
Airey Properties	1,008,520	0	320,000	1,376,000
<b>TOTAL</b>	<b>3,589,600</b>	<b>2,966,880</b>	<b>3,396,230</b>	<b>3,816,980</b>

**SUMMARY OF FUNDING**

Revenue Contributions	1,486,620	0	0	0
Major Repairs Allowance	1,988,780	0	0	0
Major Repairs Reserve	0	2,966,880	3,396,230	3,816,980
Grants	114,200	0	0	0
<b>TOTAL</b>	<b>3,589,600</b>	<b>2,966,880</b>	<b>3,396,230</b>	<b>3,816,980</b>

**Access Selby Budget Pressures****Budget adjustments included in estimates****General Fund****Items beyond Access Selby's Control****Income**

Land Charges Income	12,000	
Property Management rent	21,740	
Water Sampling Fees	2,000	
		<hr/>
		35,740

**Expenditure**

Streetscene inflation re-base	63,000	
NNDR re-base	19,980	
Insurance Rebase	7,800	
PFI	9,000	
		<hr/>
		99,780

<b>Total non-controllable items</b>		<hr/> <b>135,520</b> <hr/>
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**Other growth to be managed within budgets****Income**

Court Fees / Summons Costs	29,780	
Commercial Waste	70,000	
		<hr/>
		99,780

**Expenditure**

Grant Audit - inc costs	11,000	
Customer Contact Centre - Security	4,000	
Net additional Civic centre costs	7,000	
		<hr/>
		22,000

<b>Total growth</b>		<hr/> <b>121,780</b> <hr/>
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**Savings passed onto HRA through CEC's**

Plus: - savings taken from 11/12 base passed on to HRA through CEC recharges	130,000	
CEC allocation to HRA - new savings allocated to HRA through recharges	70,000	
		<hr/>
<b>Total savings passed to HRA</b>		<b>200,000</b> <hr/>

<b>TOTAL BUDGET PRESSURES</b>		<hr/> <b>457,300</b> <hr/>
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**Potential savings options**

Option	Issues	Potential savings £000's	Risks	Impact on performance
Cost savings	Access Selby's cost base has the potential for further rationalisation with evidence of a number of smaller contingencies held within individual service budgets.	100	Relatively low risk – an operational contingency of £70k on General Fund activities means that budget officers should have no need to retain contingencies.	No
	Merging of responsibilities has identified duplication or some redundancy of ICT systems.	25	Low risk – although some up front investment in officer resource will be required to implement the rationalisation of systems – this could be a Spend to Save bid.	No
	Hold frozen/vacant posts – cost pressures are being mitigated by salary savings in 2011/12 there may be potential for this to continue. This could be a shorter term measure whilst other savings are generated.	50	Medium risk – the performance specification is more challenging in year 2.	Yes

	<p>Nearly £4m of Access Selby's annual spend is with Enterprise (street scene contract) – there may be potential to renegotiate the contract ( e.g. RPI increase) or work with our partners to reduce their costs for mutual benefit.</p> <p>Consider the potential for more shared working – particularly in 'back office' services (finance/legal/HR/admin).</p>	<p>40</p> <p>50</p>	<p>High risk – there may be resistance to vary the contract in such a way – would require 'open book accounting' between partners.</p> <p>Medium/high risk – there is limited interest from other Councils in North Yorkshire based on services being delivered through our SDV. There may be potential for other Councils to host shared arrangements but this may limit the future trading potential of Access Selby. There may be other opportunities but these could require a change in the legal status of Access Selby, which in turn could risk a procurement exercise by SDC.</p>	<p>Possibly</p> <p>No</p>
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	Reprioritise resources – are there things we can reduce or stop doing altogether.	25	Low/medium risk – will require transformation team input.	No
	What opportunities are there for ‘capital’ or other up front investment to provide cost savings or an income stream. A 5% ROI could generate £5k p.a. for every £100k invested.	25	Medium/high risk – would require capital resources from the Core.	Possibly – challenge would be to prioritise resources without adverse impact on performance
Income generation	A number of income streams are contributing to the financial pressures for Access Selby. Review our approach to these business areas to maximise profit/minimise losses – commercial waste, land charges, property management rentals.	100	Medium/high risk – turning a business area around will require active and sustained management and resource input, however we must tackle this.	No
	Redeploy resources from higher performing areas to income generating activities – are we maximising income to Access Selby and the Council – are there grant funding streams that may be available; do capital projects reflect the full cost of delivery through Access	50	Low/medium risk – will require resource input	Yes – aim to even out performance against approved specification

	<p>Selby; do we have skills that other organisations would pay for (even on a short term basis).</p> <p>Council policy changes could provide income generation opportunities for Access Selby – charging for green waste, car park charges in Tadcaster – to cover inflationary increases on contractual commitments and say minimum 10% benefit to Access Selby.</p>	150	High risk – policy changes will require political buy-in and Council is likely to want to realise the additional income to fund its priorities, however with rising contractual commitments there is a need to cover costs plus there may be an opportunity for Access Selby to spread some of its overheads to reflect the additional work to administer the changes.	No
Renegotiation of cost envelope	Calculation of the cost envelope was based upon the Council's approved Medium Term Financial Plan – have there been any cost/income pressures beyond Access Selby's control that should result in an increase to the envelope.	136	Medium/high risk – there may be some items within the budget that have ultimately been overstated (mast income for example) or issues beyond Access Selby's control (higher than budgeted inflation on street scene contract) –	No

	<p>Some cost or income pressures being experienced by Access Selby may be to the benefit of the Council – for example court costs recovered arising from effective debt collection is estimated to cost Access Selby £30k p.a. in lost income. Should this improved debt collection result in Collection Fund surpluses then Access Selby could negotiate a share.</p>	25	<p>these could provide negotiating points.</p> <p>High risk – ‘payment’ collection fund surpluses lag 2 years although improved collection rates should allow a case to be made.</p>	No
Renegotiation of performance specification	<p>Are there business areas where the original performance specification was unrealistic?</p> <p>Are there areas which are no longer a priority for the Council and where resources redeployed to other business areas could have a greater impact and lead to cost savings?</p>	<p>Links to holding of frozen posts/vacancies/redeployment.</p> <p>Links to holding of frozen posts/vacancies/redeployment.</p>	<p>Low/medium risk – Core may want a reduction in price for a reduction in performance – will need to demonstrate additional added value elsewhere.</p> <p>Low/medium risk – Core may want a reduction in price for a reduction in performance – will need to demonstrate additional added value elsewhere.</p>	<p>Yes</p> <p>Yes – look to agree reduced performance in lower priority areas</p>

Redistribution of costs/resources between the General Fund and HRA and/or Access Selby and the Core	Review and redefine overhead apportionments – for example office accommodation is for mutual benefit is it appropriate for say the General Fund to bear the full cost less the cost of HRA usage – would a more equitable split be appropriate and justified. This could redress the balance of cost swing from the HRA to the General Fund.	150	Medium/high risk – requires full review of overhead charges. There is continuing pressure to fund improvements to the Council's housing stock, with insufficient funds to cover all identified work – there will be pressure to spend any perceived additional resources.	No
Carry forward 2011/12 'profits' to help offset future losses	The Q2 financial results and budget review have identified further in-year savings which could be used to off-set losses pending delivery of the required savings.	£140k (One-off) (or £70k on-going)	High risk – this would provide at best a brief respite but would leave Access Selby vulnerable to further cost pressures with no fall back reserves. Would require Executive approval. Alternatively could remove £70k contingency from the budget and the 11/12 surplus could provide a contingency reserve.	No
<b>TOTAL</b>		<b>£1.066m</b>		

**GENERAL FUND BASE BUDGET**  
**SAVINGS/EFFICIENCIES ACTION PLAN**  
**2011/12 - 2013/14 (V60)**  
**Updated January 25 2012**

**Key:**

Green	Savings likely to be achieved/low risk
Amber	Tentative savings - further work required/medium risk
Red	Savings require a change in Council policy or significant change in service delivery/high risk

Proposed Savings	Status	2012/13 £	2013/14 £	2014/15 £	Progress
<b>Inflation factor</b>		0.020	0.020	0.020	
<b>Procurement Workstream</b>					
Change provider for telephone calls and rationalisation of telephone accounts	Green	13,750	13,750	10,800	Completed
Partnering Back Office Support	Green	93,000	93,000	93,000	Completed
Election software	Green	4,700	4,700	4,700	Completed
CCTV	Amber	42,000	42,000	42,000	An options appraisal has been carried out and presented to Executive on 6 October. Further work is underway but saving likely to be delayed to 2012/13.
Recycling	Green	159,000	159,000	159,000	Completed
Collaborative corporate contracts through shared procurement service Note: The balance of this target will reduce as individual procurement projects are identified	Red	12,590	37,590	65,540	Spend Analysis carried out and a detailed action plan is being put together for targeted procurement. This will include a savings target for this project
Expanded Building Control Partnership	Red	-	5,000	5,000	Savings in 11/12 and 12/13 unlikely to be achieved due to continued downturn in fee earning work. It was anticipated that a new partner would join for 12/13, this now seems unlikely but potentially will happen 13/14 as the authority in question still remain positive about joining which will have a positive impact on future savings.
Audit Partnership	Green	10,000	15,000	15,000	Completed for 11/12. Planned reduction in Audit days and merger with Veritau agreed w.e.f. 1 April 2012.
Contact Centre Electricity	Green	10,000	10,000	10,000	Completed
ICT - Server Virtualisation	Green	10,000	10,000	10,000	Completed
Gas Utilities Contract	Green	6,160	6,160	6,160	Completed
Citizen Link Printing	Green	800	800	800	Completed
<b>Total Procurement</b>		<b>362,000</b>	<b>397,000</b>	<b>422,000</b>	

**Transformation**

<b>Proposed Savings</b>	<b>Status</b>	<b>2012/13</b> £	<b>2013/14</b> £	<b>2014/15</b> £	<b>Progress</b>
WTT - Review of remaining cash collection	Green	4,500	4,500	4,500	Completed
WTT - Transformation (SDV)	Green	1,380,890	1,380,890	1,380,890	Completed
WTT - Transformation (Core)	Green	50,000	50,000	50,000	Completed
WTT - Transformation HRA Impact	Green	-200,000	-200,000	-200,000	Completed - Impact of savings generated through staff reduction which are transferred to HRA via CEC
<b>Total Transformation</b>		<b>1,235,390</b>	<b>1,235,390</b>	<b>1,235,390</b>	
<b>Asset Management Workstream</b>					
Vacation of Portholme Road Depot	Green	13,497	13,497	13,497	Completed. In addition, there is a saving to the HRA of £26,833
Running costs of new Civic Centre	Amber	40,000	40,000	40,000	Staff occupied new building from 1 August, running costs are currently being monitored.
Closure of Tadcaster office	Green	30,000	30,000	30,000	Completed
Barby Depot	Red	20,000	20,000	20,000	Option appraisals for the long and short term usage are to be carried out. Potential for income generation or a reduction in costs in the short term
<b>Total Asset Management</b>		<b>103,497</b>	<b>103,497</b>	<b>103,497</b>	
<b>Value for Money Workstream</b>					
Telecommunications Mast	Red	13,000	13,000	13,000	An agent has been appointed to manage the project and the timescale for a new mast to be located at the Prospect Way Depot is 12-18 months
Internal Drainage Boards	Green	40,000	40,000	40,000	Completed
Community Safety	Green	15,000	15,000	15,000	Completed
Decentralisation of Planning Fees	Red	250,000	250,000	250,000	Devolved Planning fees – Regulations awaited.
Car Park Income	Green	60,000	60,000	60,000	Review of fees agreed at Executive early July 2011 & implementation October 2011. Expectation from January 2011 Budget Away day of £50,000 increase against current budget. An increase of 20% for both long and short stay parks has been approved and implemented from 1 December 2011.
<b>Total Value for Money</b>		<b>378,000</b>	<b>378,000</b>	<b>378,000</b>	
<b>Base Budget Review Workstream</b>					
External Audit Fee	Green	31,840	31,840	31,840	Completed
Early Retirements - Strain on Pension Fund	Green	75,000	75,000	75,000	Completed

<b>Proposed Savings</b>	<b>Status</b>	<b>2012/13</b> £	<b>2013/14</b> £	<b>2014/15</b> £	<b>Progress</b>
Corporate and Democratic Core	Green	7,000	7,000	7,000	Completed
Car Allowances	Green	41,150	41,150	41,150	Completed
Car Allowances	Green	2,850	2,850	2,850	Completed
Rationalisation IT Support Costs	Green	50,000	50,000	50,000	Completed
LGA Subscriptions	Green	1,000	1,000	1,000	Completed
Additional Licensing Income	Green	5,660	5,660	5,660	Completed
<b>Total Base Budget Review</b>		<b>214,500</b>	<b>214,500</b>	<b>214,500</b>	
HR - Budget review	Green	5,000	5,000	5,000	Completed
New charge for planning advice	Green	30,000	30,000	30,000	Completed - But currently running behind income expectations due to the economic climate.
Reduce opening hours at Access Selby	Green	35,000	35,000	35,000	Completed
Barlow Nature Reserve	Amber	53,000	53,000	53,000	The two posts will become redundant from 20th January 2012. An interim supervision and maintenance plan has been put in place for Barlow Common until the wider Countryside Management Strategy is developed with partners
External Grants	Green	12,000	12,000	12,000	Completed
<b>Total Discretionary Service Review</b>		<b>135,000</b>	<b>135,000</b>	<b>135,000</b>	
<b>Inflation adjustment</b>		<b>48,568</b>	<b>99,521</b>	<b>152,309</b>	
<b>Total General Fund Savings</b>		<b>2,476,955</b>	<b>2,562,908</b>	<b>2,640,696</b>	
<b>Target (Per 2011/12 - 2013/14 MTFP)</b>		<b>2,594,000</b>	<b>3,006,000</b>	<b>3,006,000</b>	
<b>New savings per MTFP*</b>		<b>201,000</b>	<b>162,000</b>	<b>377,000</b>	
<b>New Target</b>		<b>2,795,000</b>	<b>3,168,000</b>	<b>3,383,000</b>	
<b>Headroom/Deficit (+/-)</b>	** -	<b>318,045</b>	<b>- 605,092</b>	<b>- 742,304</b>	
<b>Green Savings</b>		2,037,753	2,083,710	2,122,254	
<b>Amber Savings</b>		137,700	140,454	143,263	
<b>Red Savings</b>		301,502	338,744	375,179	
Still to identify**		318,045	605,092	742,304	
<b>Total</b>		<b>2,795,000</b>	<b>3,168,000</b>	<b>3,383,000</b>	

\* New savings for 13/14 and 14/15 are indicative only and subject to a review of Access Selby cost envelope

## General Fund Bids 2012/13 - 2014/15

Bid No.	Description	Strategic Theme / Priority	Revenue			Capital			Comments	Board	Term	Category
			12/13	13/14	14/15	12/13	13/14	14/15				
1	To support current excess demand for mandatory Disabled Facilities Grant service to ensure all those identified as in need receive the necessary support in a timely manner.	The bid aims to ensure full delivery of a mandatory housing function whilst significantly supporting the Council's commitment to vulnerable people. DFG provides the necessary funds to provide disabled adaptations to residents to help maintain their independence at home.				50,000	50,000	350,000	Selby Contribution to bid approved 2012/13 and 2013/14 at £160,000. Bid requesting additional £50k. Ongoing bid 2014/15.	Core	Fixed	A
	<b>Net Cost of Bid</b>		0	0	0	50,000	50,000	210,000	-140,000 Government Funding - estimate based on current level of grant funding			
2	To provide a Repair Assistance Loan service to enable urgent house repairs to vulnerable households in the private sector.	Supports one of the key priorities in the Access Selby Business Plan - Supporting Vulnerable People.				30,000	30,000		This funding was previously provided via regional Housing Board Grant which has ceased.	Core	Fixed	B
	<b>Net Cost of Bid</b>		0	0	0	30,000	30,000	0				
3	To continue to fund the Home Improvement Agency at a much reduced level for a further 2 years to ensure that statutory private housing assistance functions are delivered in line with legislation.	Supports one of the key priorities in the Access Selby Business Plan – Supporting Vulnerable People	10,000	5,000					The bid will ensure the continued availability of the Selby Home Improvement Agency (HIA) as a key partner in the delivery of housing services across the district. The HIA administers the mandatory DFG service on behalf of Access Selby. There is currently no provision within the Access Selby structure to provide this work internally	Core	Fixed	A
	<b>Net Cost of Bid</b>		10,000	5,000	0	0	0	0				
4	Upgrade the Financial Management System to the latest version.	Impacts on all aims and priorities.				10,000			The financial management system is a shared system with both Hambleton and Richmondshire District Councils and went live on 1 April 2010 as part of a shared service procurement (making better use of resources). All 3 Councils will need to implement the upgrade. Note that on the 23 November we will be able to Confirm the exact amount and any future up grade payment requirements	Core	One -Off	B
	<b>Net Cost of Bid</b>		0	0	0	10,000	0	0	To be funded from ICT reserve			



Bid No.	Description	Strategic Theme / Priority	Revenue			Capital			Comments	Board	Term	Category
			12/13	13/14	14/15	12/13	13/14	14/15				
5	To provide an initial investment of £62,500 to allow us to integrate our ICT systems to allow for automated information exchange between systems with the aim of reducing the number of systems we currently administer and allowing users to have all the information they require. The same software also allows us to develop our mobile working solutions which would aid the new Community Team.	Tackling the tough stuff and being switched on and fit for the job		14,250	14,250	62,500			To be funded from ICT reserve	Core	One-Off Permanent	B
	<b>Net Cost of Bid</b>		<b>0</b>	<b>14,250</b>	<b>14,250</b>	<b>62,500</b>	<b>0</b>	<b>0</b>				
6	The Purchase of Datango Procedure Manual software, which builds up procedure notes in real time, complete with screen dumps and instructions. Procedure manuals take a long time to write, this software builds manuals in the time it takes to do a task. The software is also compatible with any of the ICT systems used within Access Selby.	Working Towards Tomorrow model to maintain the provision of priority services through working in innovative and cost effective ways to meet the terms of the performance specification.		4,000	4,000	20,000			To be funded from ICT reserve	Core	One-Off Permanent	C
	<b>Net Cost of Bid</b>		<b>0</b>	<b>4,000</b>	<b>4,000</b>	<b>20,000</b>	<b>0</b>	<b>0</b>				
7	Planned rolling programme of PC replacements (Desk Tops & Lap Tops)	Being switched on and fit for the job				25,000	25,000	25,000	To be funded from ICT reserve	Core	Permanent	B
	<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>				
8	To provide additional budget for the purchase of expert planning advice in relation to contaminated land, district valuer reports, occupational workers dwellings, rural business enterprise case analysis, arboricultural and other advice, legal/counsel/barrister advice (for complex appeals) which is not available in-house.	This bid links to all the council's strategic themes and priorities - stronger council, changing places, living well and leading happy and healthy lives, tackling the tough stuff and being switched on and fit for the job.	25,000	25,000	25,000				The existing base budget is £15,000 in the last 3 years an average of £35,000 has been spent on this specialist advice, and the base budget has been increased by a bid of £25,000 in each of these years.	Access	Fixed-Term	C
	<b>Net Cost of Bid</b>		<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>0</b>				
	<b>Net Cost of GF Bids</b>		<b>35,000</b>	<b>48,250</b>	<b>43,250</b>	<b>197,500</b>	<b>105,000</b>	<b>235,000</b>				

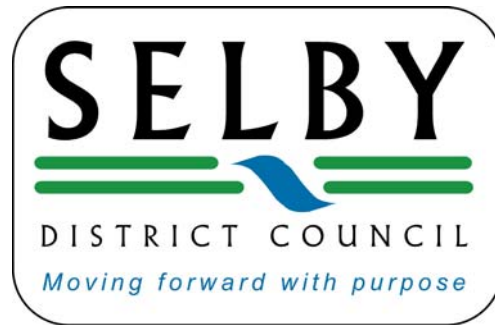
**Key to Bid Categories**

- A - Statutory
- B - Essential to maintain the existing level of service.
- C - Corporate Plan Improvement
- D - State of the Area Address Initiative
- E - Section Improvement Plan Initiative
- F - New Service

Housing Revenue Account Bids 2012/13 - 2014/15

Bid No.	Description	Strategic Theme / Priority	Revenue			Capital			Comments	Board	Term	Category
			12/13	13/14	14/15	12/13	13/14	14/15				
1	To cover costs of electrical rewires to SDC housing stock. Bid covers for properties identified as requiring a full electrical rewire following periodic electrical testing. Once a property is identified as having defective wiring there is a legal requirement to take remedial action within a very short timescale. Bid ensures SDC complies. Year 2 & 3 include a saving by bringing Testing in house for better Targeting of work. <b>Net Cost of Bid</b>	Effectively maintain the condition of SDC housing stock				-60,000	-49,500	-38,500	Amendment to programme approved as part of 11/12 budget process. Current budget £360k reassessment of programme has indicated that this level of funding is not required. Adjustment to allow for inflation at 3.5% applied to 2013/14 & 2014/15.	Core	Perm	B
			0	0	0	-60,000	-49,500	-38,500				
2	To cover costs of damp surveys and consequential remedial works to SDC housing stock.  <b>Net Cost of Bid</b>	Effectively maintain the condition of SDC housing stock				63,000	69,500	76,500	Additional cost to existing programme - £127K approved as part of 11/12 budget process. Current expenditure is indicating that this level of funding is not sufficient. Inflation of 3.5% added to 2013/14 & 2014/15.	Core	Perm	B
			0	0	0	63,000	69,500	76,500				
3	Funding to cover costs of replacing windows across the district where the existing windows are beyond repair.  <b>Net Cost of Bid</b>	More energy efficient Council housing stock therefore reducing SDC carbon footprint. Reducing fuel costs for tenants, therefore reducing fuel poverty Ensuring SDC housing stock is wind and water tight Effectively maintain the condition of SDC housing stock				140,000				Core	Temp	B
			0	0	0	140,000	0	0				
4	Funding to cover costs of Capital works in void properties throughout year and to ensure Lettability Standard is achieved. Bid will cover the cost of renewing kitchens and bathrooms in properties that achieved the Decent Homes Standard because only one element was failing. However now property is void the failed element has to be replaced.  <b>Net Cost of Bid</b>	Compliance with SDC Lettability Standard Effectively maintain the condition of SDC housing stock				50,000	51,750	53,500	Higher refusal rate on lettings. If the kitchen and electrical rewire bids are approved some of this work could be funded from there but it would reduce those budgets for the planned works 3.5% inflation applied to 13/14 & 14/15	Core	Perm	B
			0	0	0	50,000	51,750	53,500				
5	Funding to cover costs of external door replacements across the district where the existing doors are beyond repair. These replacement doors are in areas not covered by the Pre-paint repairs bid. Estimated 62 doors in Selby area due to fail in next 3 years. Average cost of replacement is £500 per door. The amount in excess of the 62 doors at £500 is to create a contingency for other incidental door replacements that may arise during the course of the programme.  <b>Net Cost of Bid</b>	More energy efficient Council housing stock therefore reducing SDC carbon footprint. Improved security for tenants Reducing fuel costs for tenants, therefore reducing fuel poverty Ensuring SDC housing stock is wind and water tight Effectively maintain the condition of SDC housing stock				15,500	15,500	15,000	if no bid approved this would have major impact on cyclical repairs budget meaning less homes would be prepared	Core	Fixed	B
			0	0	0	15,500	15,500	15,000				
6	Funding to cover costs of Pre-paint and cyclical repairs to the housing stock. If approved bid will enable a 6 year rolling programme with around 500 properties progressed each year. Typical works undertaken will be ridge/verge re-pointing, footpath repairs and flat roof repairs/replacements to outhouses/porches. Yr1 - Tadcaster area and southern area of district Yr2 - Villages north east of district Yr3 - Sherburn and surrounding villages  <b>Net Cost of Bid</b>	Effectively maintain the condition of SDC housing stock				29,000	34,000	39,000	if no bid approved then a smaller sum for reactive replacement would be required, this sum would increase yr on yr. there would also be no need for the painting revenue budget of £55k. This would also mean that the condition would deteriorate the longer properties were left. 3.5% inflation applied to 13/14 & 14/15	Core	Perm	B
			0	0	0	29,000	34,000	39,000				

Bid No.	Description	Strategic Theme / Priority	Revenue			Capital			Comments	Board	Term	Category
			12/13	13/14	14/15	12/13	13/14	14/15				
7	Replacing E7 storage systems across the district where the existing heating systems have come to the end of their serviceable life and the properties are on the gas network. Bid to provide a 3yr planned programme of replacement based on. Yr1 114 3 bed props at £3,100 Yr2 191 2 bed props at £3,000 Yr3 220 1 bed props at £2,600 <b>Net Cost of Bid</b>	Effectively maintain the condition of SDC housing stock	-6,610	10,830 -11,080	28,980 -12,760	353,400	573,000	572,000	Set Up Capital Cost Maintenance Costs/Savings Repairs Savings (Other Costs/Gas Servicing)	Core	Fixed	B
8	Funding to cover costs of replacement Kitchens in SDC housing stock. To maintain decency plus a further 107 kitchens require replacement over next 3 years Programme: Yr1 35 kitchens Yr2 35 kitchens Yr3 37 kitchens Average cost of kitchens £3,000 <b>Net Cost of Bid</b>	Effectively maintain the condition of SDC housing stock	0	0	0	105,000	105,000	111,000	This bid is to maintain where we are now with decency. If not successful there is likely to be considerable pressure from tenants as many of these kitchens will be beyond repair. the impact on the repairs budget would also be great	Core	Perm	B
9	Bid to carry out works to remaining 53 Airey properties to bring them up to Decent homes standard <b>Net Cost of Bid</b>	Effectively maintain the condition of SDC housing stock	0	0	0	0	320,000	1,376,000	this would allow for the remaining 53 properties to be completed over a 2 yr period and is on top of the £1.024m already approved for the initial 31 properties	Core	Fixed	B
10	To supplement the budget to cover a programme of improvement works identified through the Community Centre Review <b>Net Cost of Bid</b>	Healthier communities Improving the look of the district by ensuring buildings kept in good state of repair	5,000	5,000	5,000	0	0	0		Core	Fixed	B
<b>Net Cost of HRA Bids</b>			-1,610	4,750	21,220	695,900	1,119,250	2,204,500				



**MAJOR BUDGETS  
RISK ASSESSMENT  
2012/13**

**1.0 BACKGROUND:**

- 1.1 This paper provides a risk assessment for material items of revenue income and expenditure. It identifies those significant budgets where the risk of over or underachievement is greatest, including budgets which are particularly volatile or susceptible to fluctuation as a result of external factors, and attempts to quantify the financial risk to Access Selby, Communities Selby and the Core of the Council.
- 1.2 Inflation is an important factor for the Council's budgets, and can have an impact when rates are high relative to income growth. The Council is also locked into some large contracts (e.g. Streetscene - £3.7m) which use the RPI for the rate of uplift, and these alone can add considerable risk to the relevant expenditure budgets.

**CORE****2.0 INVESTMENT INTEREST**

- 2.1 The low bank base rate continues to challenge our investment returns. Investment rates are currently base rate or above, generally in the 0.50% - 2.00% range dependent on the length and counterparty involved and the Council's investment advisor, Sector, expects the base rate not to increase until the 2nd quarter of 2013. With this in mind 1.25% has been used for budget calculations.

## Sensitivity Analysis

2012/13 Budget	0.25% Variance	0.5% Variance	1.0% Variance
225,000	45,000	90,000	180,000

Sensitivity: Medium

Impact: Medium

Risk: Medium

**ACCESS SELBY, CORE and COMMUNITIES SELBY****3.0 SALARIES AND WAGES**

- 3.1 Salaries and Wages forms a major expenditure for Access Selby, the Core and Communities Selby with total budgets for 2012/13 nearing £6.42m. This figure represents a significant decrease due to the introduction of the new Service Delivery Vehicle from 1 July 2011.
- 3.2 Variances to the budgets can come from the following pressures:
- Vacancies (downward pressure).
  - Service pressures – unexpected requirement for overtime eg, backlogs in work or cover for sickness absence (upward pressure).
  - Maternity leave (upward or downward pressure – depending on how the leave is covered and the period of the leave).

- Sickness absence – short term sickness generally has no financial implications. Long term sickness absence may require the post to be covered, for example by overtime or temporary staff (upward pressure).

- 3.3 Although the new delivery arrangements have seen a reduction in employee numbers, this is seen to increase the risk on the budget, as there are less staff available to meet any subsequent pressures. Also, the size of the budget means that a minor change can result in a significant variance.

#### Sensitivity Analysis

2012/13 Budget		0.5% Variance	1.0% Variance	2.0% Variance
Salaries	Access Selby	28,200	56,400	112,800
	Communities Selby	472	943	1,886
	Core	3,410	6,819	13,638

Sensitivity: Low

Impact: High

Risk: Medium

- 3.4 The Local Government Pension Scheme and its funding have been and continue to be the subject of change. Cost pressures arise from increases in pension fund membership, and whilst these have not been significant in the past, changes introduced in 2011/12 mean that employees who have previously opted out of the scheme will be automatically re-entered every 3 years, bringing a potential increase in cost if those employees do not choose to opt out again. In 2012/13 the Employer's contribution is based on a future service rate of 11.4% together with a lump sum of £690,600

#### Sensitivity Analysis

2012/13 Budget		1% Variance	5% Variance	10% variance
'Ers Superannuation	Access Selby	4,762	23,808	47,615
	Communities Selby	90	451	902
	Core	575	2,876	5,752
Back Funding	Lump Sum Contb'n	6,906	34,530	69,060

Sensitivity: Low

Impact: Medium

Risk: Low

### **ACCESS SELBY**

#### **4.0 HOUSING AND COUNCIL TAX BENEFITS:**

- 4.1 The single highest item of expenditure for the Council is Housing and Council Tax Benefit payments and is estimated to be £21.46m in 2012/13. The estimate has been based upon the latest information (mid year subsidy return) and has been updated for assumptions of the overall increase in Council Tax bills and private sector rents. It has also taken into account a continued increase in claimants due to the current economic climate.
- 4.2 With such large figures, a small variance can have a significant effect - a 1% deviation on £21.46m is £214,600. Broadly speaking, Housing and Council Tax Benefit payments are fully funded by Central Government (subsidy budget is £21.42m). Although overpayments can have a significant impact on subsidy received, accuracy rates remain constant at around 99%.

## Sensitivity Analysis

2012/13 Budget	1% Variance	5% Variance	10% Variance
Benefits Paid	214,600	1,073,000	2,146,000
Subsidy Received	214,200	1,071,000	2,142,000
Net	400	2,000	4,000

Sensitivity: High

Impact: Medium

Risk: Medium

**5.0 ENERGY COSTS (various budgets):**

- 5.1 Energy costs are difficult to predict with precision as they are affected by both volume of consumption and price. The Council procures energy through a framework contract although transfer of responsibilities for the leisure centres to WLCT and the joint arrangements with the NHS for the new Civic Centre mean that our direct procurement of energy has reduced.

## Sensitivity Analysis

2012/13 Budget	10% Variance	20% Variance	30% variance
Gas 41,230	4,123	8,246	12,369
Electricity 130,210	13,021	26,042	39,063
Total 171,440	17,144	34,288	51,432

Sensitivity: High

Impact: Medium

Risk: Medium

**6.0 LEISURE SERVICES CONTRACT:**

- 6.1 At the beginning of September 2009, the responsibility for the management of the Council's leisure facilities transferred to Wigan Leisure and Culture Trust. The financial performance of the contract is monitored to ensure that the arrangements are sustainable.
- 6.2 The Council, as landlord of the properties used by WLCT, retains a responsibility for maintaining them. A 10 year maintenance programme is supported by an earmarked revenue reserve.

## Sensitivity Analysis

2012/13 Budget	1% Variance	5% Variance	10% variance
311,250	3,112	15,563	31,125

Sensitivity: Low

Impact: Low

Risk: Low

**7.0 WASTE COLLECTION:**

- 7.1 With effect from October 2009, the Council introduced an alternate weekly bin collection system as part of a new Streetscene contract with Enterprise Managed Services Ltd. A sum of £1,648,150 is included in the 2012/13 budgets for contractor payments and waste disposal charges made by the County Council.

- 7.2 Contained within the contract is an annual price review, to be effective on the anniversary of the commencement of the agreement. To allow RPI to be used as an inflation factor, an additional 1% was added to the tender price at the start of the contract, with RPI as at September being used to inflate this adjusted base price each subsequent year. The contract also absorbs any additional cost pressure from increased properties, unless such additions require a fundamental change (i.e. an additional round / refuse vehicle). Given the forecast growth in property numbers over the next five years, this is unlikely to impact in 2012/13, but is something that will need to be closely monitored in future years.
- 7.3 The County Council charges relate to Land Fill Tax (£56) and Trade Waste Disposal Charges (£22.47). Both items of expenditure are multiplied by the tonnage disposed of. With regard to tonnage the estimates are based upon the latest information and projections. However, to the extent that tonnage is not certain, there is the risk that there may be some variance to the original budget.
- 7.4 With regard to price, the land fill price per tonne for 2012/13 will increase by £8 (14.3% increase), and disposal charges will increase by £0.53 (2.4% increase).

## Sensitivity Analysis

2012/13 Budget	1% Variance	5% Variance	10% variance
Contractor Costs	14,882	74,408	148,815
County Council Charges	1,540	7,700	15,400

Sensitivity: Medium

Impact: Medium

Risk: Medium

- 7.5 Income from refuse collection charges is now in the region of £509k per annum (£479k of which relates to trade refuse income). This is a decrease of £27,342 over the 2012/13 latest estimate. Like any other business, income from this source is subject to increasing competition from other providers, and from the tough economic conditions currently being encountered.

## Sensitivity Analysis

2012/13 Budget	1% Variance	5% Variance	10% variance
Commercial Waste Income	4,818	24,089	48,179
Domestic Waste Income	164	822	1,645

Sensitivity: Low

Impact: Low

Risk: Low

**8.0 RECYCLING:**

- 8.1 A sum of £1,424,630 is included in the 2012/13 budgets for contractor charges. These relate to the fees that the Council pays to the various companies that take away commodities for recycling. The main items for recycling are green waste, paper, glass, plastic containers/bottles and cans. As with the waste collection costs the expenditure is subject to both price and tonnage which makes estimating difficult as the figures in Table 2 below demonstrate. In 2011/12 a change has been agreed relating to the sale of recyclable materials, and this is covered in detail in paragraph 14.



**Table 2**

Year	Original Estimate £	Actual Outturn £	Variance	
			£	%
2008/09	1,445,250	1,300,154	-145,096	-10.04
2009/10	1,458,800	1,490,731	31,931	2.19
2010/11	1,505,280	1,448,922	-56,538	-3.76
2011/12	1,514,470			
2012/13	1,424,630			

- 8.2 On average the estimates have been under by 3.9%. There is a high risk that this could occur again – if so the cost would be £1,369,069. However, linked to the cost of recycling is the income received from the County Council as recycling credits. The pattern over recent years is shown in Table 3:

**Table 3**

Year	Original Estimate £	Actual Outturn £	Variance	
			£	%
2008/09	-396,630	-352,891	43,739	11.03
2009/10	-412,500	-507,107	-94,607	-22.94
2010/11	-429,000	-491,333	-62,333	-14.53
2011/12	-491,000			
2012/13	-492,800			

- 8.3 As the cost per tonne charged and the recycling credit per tonne are not directly related, the correlation between expenditure and income is not direct. The County Council have decided that the amount for the 2012/13 recycling credit, will be £43.15 per tonne, increasing from £41.89 per tonne in 2011/12. Future annual increases of 3% will be added until further notice.
- 8.4 Taking the External Fees and Recycling Credits together the risk is assessed as follows:

**Sensitivity Analysis**

2012/13 Budget	1% Variance	5% Variance	10% variance
Contractor Costs	14,246	71,232	142,463
Recycling Credits	-4,928	-24,640	-49,280

Sensitivity: Medium

Impact: Medium

Risk: Medium

**9.0 PLANNING APPLICATION FEES:**

- 9.1 Income from planning application fees is budgeted at £857,020 for 2012/13. The pattern over recent years is shown in Table 4:

**Table 4**

Year	Original Estimate £	Actual Outturn £	Variance	
			£	%
2008/09	536,580	383,665	-152,915	-28.50
2009/10	461,580	572,075	110,495	23.94
2010/11	561,580	373,330	-188,250	-33.50
2011/12	561,580			
2012/13	857,020			

9.2 The housing market continues to be depressed due to the economic recession and this is impacting on planning applications for the current financial year. This unpredictability means that this area has a high degree of sensitivity and therefore should be monitored closely.

9.3 The budget for 2012/13 has been increased to £857,020 to reflect the possible decentralisation of planning fees, which it is believed could be introduced by April 2012. This would allow the authority to set it's own level of fees.

#### Sensitivity Analysis

2012/13 Budget	10% Variance	20% Variance	30% variance
857,020	85,702	171,404	257,106

Sensitivity: High

Impact: High

Risk: High

### **10.0 COUNCIL TAX COURT COSTS (income)**

10.1 Owing to a more effective and embedded recovery procedure, fewer cases have reached the summons stage and subsequent court action. This has meant a reduction in the level of court cost income. This area is still particularly volatile and therefore should be monitored closely.

#### Sensitivity Analysis

2012/13 Budget	10% Variance	20% Variance	30% variance
120,320	12,032	24,064	36,096

Sensitivity: High

Impact: Low

Risk: Medium

### **11.0 INDUSTRIAL UNIT RENTS**

11.1 The industrial units are managed by Selby DC on behalf of itself and partners. The ground rent was revised in 2010/11 as a result of an independent rent review. The maintenance rent has been adjusted in line with the anticipated change in maintenance costs.

11.2 Industrial Unit rents are at risk as they vary depending on the occupancy rate of each unit, the rental is calculated at between 80% and 90% of full occupancy as all the units are rarely 100% occupied although the rent review has made a positive impact. Due mainly to the economic downturn, the units are experiencing varying levels of occupancy and after a certain period of time being

unoccupied will also become liable for NNDR. The rent review has led to increased usage, as rent levels are now set lower. This has made longer void periods less likely, but due to economic conditions it is difficult to forecast future income levels.

#### Sensitivity Analysis

2012/13	5% Variance	10% Variance	15% Variance
195,590	9,780	19,559	29,339

Sensitivity: High

Impact: Medium

Risk: Medium

### **12.0 CAR PARK PAY AND DISPLAY INCOME**

- 12.1 Car parking income has a separate policy for increasing fees which is reviewed bi-annually Board in accordance with the policy agreed in July 2006.
- 12.2 A review of car parking charges was agreed by the Executive in July 2011. An increase of 20% on long and short stay charges was agreed, with implementation in December 2011, after changes to the machines and signage. It is envisaged that the increases will generate an additional £60k in 2012/13, if usage levels are maintained.

#### Sensitivity Analysis

2012/13 Budget	1% Variance	5% Variance	10% variance
357,530	3,575	17,876	35,753

Sensitivity: Low

Impact: Medium

Risk: Medium

### **13.0 INCOME FROM DOMESTIC AND TRADE WASTE COLLECTION**

- 13.1 Income is derived from two main sources, the collection and disposal of commercial waste from non-domestic properties, and the collection of bulky household waste from domestic premises. The commercial waste budgets for 2012/13 have been set to take into account the increased disposal costs from the County Council, and an inflationary increase in line with the Council's fees and charges policy. The bulky waste budgets have also been increased by 5.6% as per the policy.
- 13.2 There should be little risk to the commercial waste budgets as the contract prices are set to recover the expected charges, and although the SORTED scheme is popular, the current economic climate may threaten the maintenance of the current customer base.

#### Sensitivity Analysis

2012/13 Budget	1% Variance	5% Variance	10% variance
498,240	4,982	24,912	49,824

Sensitivity: Low

Impact: Medium

Risk: Medium

**14.0 SALE OF RECYCLABLES**

- 14.1 The Council's contractors, Enterprise are now responsible for the management and sale of material sold for recycling. An income share mechanism has been agreed between the Council and Enterprise whereby the Council achieves a guaranteed income from the sale of recyclates and Enterprise can recoup some additional costs through the income generated. A profit share is then applied whereby Enterprise receive 30% of the remaining income generated and the Council receives 70%. The budget in the table below has been adjusted to take into account a guaranteed income to Selby DC of £70,000.

## Sensitivity Analysis

2012/13 Budget	1% Variance	5% Variance	10% variance
210,000	2,100	10,500	21,000

Sensitivity: High

Impact: Low

Risk: Low

**15.0 LAND CHARGES INCOME**

- 15.1 Land charges fees are set by central government and increases are governed by direction from them. In addition Land Charges income is particularly susceptible to external factors such as the movement in the property market, and the option for house buyers to facilitate gathering of information in the most economical way by undertaking elements of the searches themselves.
- 15.2 The housing market continues to show little sign of recovery after the slow down experienced during the 'credit crunch'. The budget for 2012/13 has been set at a level to reflect this, although the unpredictability of this area means it has a high degree of sensitivity and therefore should be monitored closely.

## Sensitivity Analysis

2012/13 Budget	10% Variance	20% Variance	30% variance
122,440	12,244	24,488	36,732

Sensitivity: High

Impact: Low

Risk: High

**16.0 LICENSING ACT 2003 INCOME**

- 16.1 Licensing charges fees are set by central government and increases are governed by direction from them.
- 16.2 Licensing Act 2003 income which forms the largest element has the potential to be volatile as it depends on the number of applications for variables such as temporary events notices.

## Sensitivity Analysis

2012/13 Budget	1% Variance	5% Variance	10% variance
60,000	600	3,000	6,000

Sensitivity: Low

Impact: Low

Risk: Low

**17.0 HOUSING RENTS**

- 17.1 Housing rents form the main source of funding for the Housing Revenue Account. Rents are calculated based on complex rent restructuring formulas provided by CLG. The aim of this is to get council rents to converge with those of Registered Social Landlords. These calculations, combined with capping of increases have seen significant fluctuations in rents.

**Table 5**

Year	Original Estimate £	Actual / Projected Outturn £	Variance	
			£	%
2007/08	8,714,200	8,816,658	(102,458)	(1.18%)
2008/09	9,241,850	9,410,335	(168,485)	(1.82%)
2009/10	9,495,000	9,680,904	(185,904)	(1.96%)
2010/11	9,530,000	9,700,000	(170,000)	(1.78%)
2011/12	10,500,000	10,540,000	(40,000)	(0.38%)
2012/13	11,351,000			

- 17.2 Rent income levels are difficult to project year on year, due to the number of void dwellings. In addition any sales of dwellings under Right to Buy will also have an impact. A large number of sales or a number of dwellings unavailable as void can have a significant impact on the income generated. It should be noted that as at November 2011, there has only been two Right to Buy sales during 2011/12, and three sales have been forecast for 2012/13.
- 17.3 When calculating the budget, given the complex nature, a conservative estimate is used. It is possible that actual rent income received could exceed the budget estimate.

**Sensitivity Analysis**

2012/13 Budget	0.5% Variance	1% Variance	2% Variance
11,351,000	56,755	113,510	227,020

Sensitivity: Low

Impact: High

Risk: Medium

**18.0 MAINTENANCE OF HOUSING STOCK**

- 18.1 As part of HRA Reform is the removal of the Housing Subsidy System. Although the HRA was a negative subsidy payer, it received a Major Repairs Allowance Grant which was to be utilised to support capital works to the housing stock. Under the new regime, the HRA is now self financing, it still has the requirement to fund repairs to its stock.
- 18.2 Selby has an ageing stock; as a result costs to maintain stock to an appropriate level of decency are likely to increase in the future as the dwelling condition deteriorates. There is a high risk that this scenario will occur. There is a capital programme in place to meet specific programmed demands, but revenue repairs are responsive and can vary daily in the nature and requirements of the property.

The HRA attained the decent homes standard by the December 2010 deadline, but further work will be needed to maintain and improve this standard.

- 18.3 Funding will be limited to maintain the stock and work required will be prioritised. The HRA as part of the reform arrangements will have a significant debt to service (£59m approx) spread over a period up to 30 years. Treasury Management decisions will be made to establish an appropriate payment plan which could conflict with the funding available to maintain the stock, especially in the shorter term. As rents increase, headroom for the continued maintenance of the stock will be created.
- 18.4 Recently, issues have arisen due to unforeseen circumstances. During 2010 there was an issue with unsafe boilers being condemned and needing urgent replacement, this year an increase in damp in properties has been identified that will need to be rectified, if not managed within existing budgets, alternative funding will need to be sought, including savings elsewhere within the HRA.
- 18.5 Stock surveys are continually carried out. The feedback received will help inform a programme of works, the most critical work prioritised accordingly. This work will need to run in parallel with the debt repayment profile to ensure that funds are allocated correctly and affordability in the HRA is maintained whilst delivering front line services.
- 18.6 Void properties continue to be an issue and can be a drain on resources to get them in to lettable standard. While the property is empty, no rent is earned and each dwelling varies in terms of the work that is required.

**Table 6 – Revenue Costs (Equipment & Materials, Sub-Contractors (Responsive) and Change of Tenancy)**

Year	Original Estimate £	Actual / Projected Outturn £	Variance	
			£	%
2007/08	383,590	487,093	103,503	26.98
2008/09	447,910	451,808	3,898	0.87
2009/10	474,230	480,185	5,955	1.25
2010/11	424,230	566,514	142,284	33.53
2011/12	475,000	475,000	0	0
2012/13	480,000			

- 18.7 Generally, the revenue budget is more sensitive to risk in the fact that the work is responsive, Capital works are programmed and tendered to a fixed price.

#### Sensitivity Analysis

2012/13 Budget	1% Variance	5% Variance	10% variance
480,000	4,800	24,000	48,000

Sensitivity: Medium

Impact: Medium

Risk: Low

**19.0 BUILDING CONTROL**

- 19.1 Selby District Council is one of five partners forming the North Yorkshire Building Control Partnership. The Building Control Partnership is experiencing reduced levels of business due to the economic slowdown, with income levels down. It is anticipated that the financial position will improve for 2012/13 onwards as confidence rises in the building sector and a new partner is expected to join. The partnership has had to make significant changes and savings to streamline the service to reduce costs to offset the shortfall in income.
- 19.2 It is anticipated that the Partnership will run at a deficit for 2011/12 and as part of the legal agreement each partner would be expected to make additional contributions to maintain a minimum reserve balance if there was a deficit. Each partner may have to make an additional contribution of up to £20k in 2011/12 to maintain a break even position.
- 19.3 It is anticipated there will be an additional contribution by Selby District Council during 2011/12.

**Table 7**

Year	Original Estimate £	Actual / Projected Outturn £	Variance	
			£	%
2007/08	48,610	64,706	16,096	33.11
2008/09	38,000	53,215	15,215	40.03
2009/10	39,650	69,650	30,000	75.66
2010/11	40,090	21,995	(18,095)	(45.13)
2011/12	36,050	56,050	20,000	55.47
2012/13	41,050			

**Sensitivity Analysis**

2012/13 Budget	50% Variance	125% Variance	200% variance
36,050	18,025	45,063	72,100

Sensitivity: Medium

Impact: Medium

Risk: Medium

# Selby District Council

## REPORT

Reference: E/11/54

Public

Item 8



**To:** The Executive  
**Date:** 2 February 2012  
**Status:** Key Decision  
**Report Published:** 25 January 2012  
**Author:** Nicola Chick Lead Officer - Finance  
**Executive Member:** Councillor C Lunn  
**Lead Director:** Executive Director (s151)

**Title:** Draft Treasury Management – Treasury Management Strategy Statement 2012/13, Minimum Revenue Provision Policy Statement 2012/13, Annual Investment Strategy 2012/13 and Prudential Indicators 2012/13.

### Summary:

This report presents for approval the proposed Treasury Management Strategy together with the Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2012/13 and Prudential Indicators 2012/13 as required by the Department of Communities and Local Government and CIPFA.

### Recommendations:

It is recommended to Council that:

- i. The Operational Borrowing Limit for 2011/12 be revised to £71m
- ii. The Authorised Borrowing Limit for 2011/12 be revised to £75m
- iii. The Operational Borrowing Limit for 2012/13 is set at £71m
- iv. The Authorised Borrowing Limit for 2012/13 is set at £75m
- v. Councillors delegate authority to the Executive Director (s151) to effect movement within the agreed authorised boundary limits for



**long-term borrowing for 2012/13 onwards.**

- vi Councillors delegate authority to the Executive Director (s151) to effect movement within the agreed operational boundary limits for long-term borrowing for 2012/13 onwards.**
- vii. The treasury management strategy statement 2012/13 be approved.**
- vii. The minimum revenue provision policy statement for 2012/13 be approved.**
- ix The treasury management investment strategy for 2012/13 be approved.**
- x The prudential indicators for 2012/13 which reflect the capital expenditure plans which are affordable, prudent and sustainable be approved.**

### **Reasons for recommendation**

To ensure the Council's Treasury Management Strategy and associated policies are prudent and affordable.

#### **1. Introduction and background**

- 1.1** The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested to maximise returns within a policy which prioritises security of capital and liquidity of funds..
- 1.2** The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3** The Council's Treasury Management Strategy is attached at Appendix A. The strategy sets out the limits to borrowing and investments that officers will apply over the coming year in order to ensure the Council's capital investments plans are affordable, prudent and sustainable.
- 1.4** A key issue facing the Council is the impact of Housing Revenue Account (HRA) reform. This essentially sees the end of the housing subsidy system and the opportunity for the Council to manage its HRA with minimum external control. The Council is required to produce a 30

year business plan to be accompanied by a 30 year financial plan.

## **2. The Report**

### **HRA Reform**

- 2.1 The present HRA subsidy arrangements are to be replaced by a new self-financing regime which will commence from 1<sup>st</sup> April 2012. Under the revised arrangements the Council is expected to become entirely self sufficient, as a result of an adjustment to its HRA debt position.
- 2.2 The Department for Communities and Local Government (DCLG) has produced a settlement valuation based on assumed levels of income and expenditure over the next 30 years.
- 2.3 CIPFA were invited by DCLG to provide guidance on the treatment of borrowing or debt liability notional interest costs once the existing subsidy system finishes. This is against the background of the main drivers for the newly independent HRA being certainty of, and control over, costs and income streams.
- 2.4 CIPFA has recognised this in proposing its preferred option of splitting borrowing into two pools (supported by DCLG) – one for the General Fund and one for the HRA. However both CIPFA and DCLG have made it clear that it is not their intention to impose a single solution. The Council is at liberty to carry on using the current one pool system for debt or the two pool approach, or retain one pool for its existing debt and then split debt for the General Fund and HRA going forward. Based on advice and historical evidence Officers believe that it is best for the Council if the two pool approach is used.
- 2.5 In November 2011 the estimated debt settlement valuation within for the Council was announced at £63.395m. This valuation includes an amount of debt which the Council currently has allocated to it through the housing subsidy system of £5.335m (known as the subsidy capital financing requirement (CFR)). The settlement payment is the difference between the valuation and the subsidy CFR which is currently estimated at £58.060m. The settlement payment date is 28 March 2012.
- 2.6 To comply with the Localism Bill the settlement will need to be treated as capital expenditure and will have the effect of increasing the both the HRA CFR and Council's overall CFR.
- 2.7 The (overall) CFR measures the Council's underlying need to borrow. Currently due to historical issues the Council has borrowing in excess of its CFR. A review of the £10.1m debt currently held by the Council has shown that of this £7.5m relates to previous HRA capital expenditure. This debt is currently cash backed by reserved capital receipts from previous asset sales. As a consequence of the excessive penalties

associated with early redemption of this debt the Council has not redeemed these loans.

- 2.8 By using the two pool approach it is possible to disaggregate the Council's existing debt between General Fund and HRA. This then will allow the £7.5m to become part of the HRA pool and the capital receipts to be used as part of the £58.060m debt settlement calculation. The Council would then need to borrow the balance of £50.560m. Going forward the two pool approach would then ensure that all future borrowing undertaken by the Council is allocated to the appropriate service.
- 2.9 The HRA debt settlement valuation will also be the maximum amount that the Council is permitted to borrow for HRA capital expenditure throughout the 30 year financial plan. This will be known as the HRA Debt Cap. The Council is free to choose the length of borrowing it takes and also the type of loan. With interest rates at historically low levels it could be prudent to take borrowing for the maximum period allowed. It is proposed that the Officers work with the Council's Treasury Management Advisors at Sector to determine the optimum approach.
- 2.10 The PWLB has indicated that the interest to be charged on the HRA borrowing taken to fund the settlement will be 0.85% below its normal schedule of lending rates.

### **Treasury Management Strategy**

- 2.11
- The Council's 'Authorised Limit for External Debt' is £75m for 2012/13, which is the maximum that can be borrowed in the year;
  - The 'Operational Boundary' (the maximum amount that is expected to be borrowed) is £71m in 2012/13, providing £4m headroom for any unusual cashflow purposes, should this be required;
  - Officers will manage the Council's exposure to interest rate variations during the year by working within agreed upper limits for fixed and variable interest rates (variable rate borrowing will be limited to 30%);
  - Within its Treasury Management Strategy, the Council will contain its exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums, by setting limits for the amounts that can be invested from 1 up to 5 years (ranging from £20m down to £3m respectively);
  - The Council has a range of loans with differing maturity limits the value of loans at 02/02/2012 is £10.109m at an average rate of 7.59%;
  - The Council is expecting to pay £58.060m to the Government in respect of the HRA self financing settlement payment. Loans of £51.1m will be raised and the Council will use cash backing £7.5m of its existing debt which historically belongs to the HRA as the balance.

- As at 02/02/2012 total investments are around £23m at an average rate of 1.41%.

### **Minimum Revenue Provision (MRP) Policy**

- 2.12
- MRP for new borrowing will be based on the asset life;
  - Total MRP for 2012/13 is £710k (£197k for loans and £513k for leases)

### **Annual Investment Strategy**

- 2.13
- The priorities for investing the Council's cash reserves are security of capital and liquidity of funds;
  - Credit ratings and other credit intelligence are used to inform decisions on investments;
  - Cash balances for investment are expected to range between £12m and £26m over the coming year dependent upon cashflows;
  - Interest rates are not forecast to increase over the coming months and therefore sums are being invested over a range of periods of time to try and achieve the budgeted return and to allow us to take advantage of rising rates as soon as possible;
  - An average rate of return of 1.25% has been estimated for 2012/13.

### **Prudential Indicators**

- 2.14
- The Council plans to spend £3.923m on capital projects in 2012/13
  - This expenditure will be funded from major repairs reserve, capital receipts, grants or revenue resources;
  - Principle (Minimum Revenue Provision or MRP) and interest repayments on current and proposed borrowing, less interest on investments, equate to 9.38% of the General Fund Budget and 26.34% of the HRA net budget in 2012/13 – even though the Council is a net investor the cost of borrowing outweighs the investment interest earned;
  - The capital programme in 2012/13 is not reliant on new borrowing.

## **3. Legal/Financial Controls and other Policy matters**

### **3.1 Legal Issues**

There are no legal issues as a result of this report.

### **3.2 Financial Issues**

There are no financial implications as a result of this report. However, the Executive Director (s151) and Lead Officer - Finance will, with advice from the Council's advisor (Sector Treasury Services) look to

maximise opportunities with the Council's investment and borrowing position.

#### **4. Conclusion**

- 4.1 The Council has a statutory duty to produce its annual treasury management and investment strategies.

#### **5. Background Documents**

Accountancy treasury management files

##### **Contact Details**

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##### **Appendices:**

Appendix A – Treasury Management Strategy 2012/13  
Appendix B – Minimum Revenue Provision Policy 2012/13  
Appendix C – Annual Investment Strategy 2012/13  
Appendix D – Prudential Indicators 2012/13

## TREASURY MANAGEMENT STRATEGY STATEMENT 2012/13

1. **Introduction**
  - 1.1 Treasury management is defined as:
 

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”
  - 1.2 **Reporting requirements** – The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Executive.
  - 1.3 **A Mid Year Treasury Management Report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.
  - 1.5 **An Annual Treasury Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
  - 1.6 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included as Appendix D); this sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.
  - 1.8 The suggested Treasury Management Strategy for 2012/13 covers the following Issues
    - the current treasury position;
    - treasury indicators which will limit the treasury risk and activities of the Council;
    - prospects for interest rates;
    - HRA self financing;
    - the borrowing strategy;
    - policy on borrowing in advance of need;
    - debt rescheduling;
    - the investment strategy;
    - creditworthiness policy; and
    - policy on the use of external service providers.
  - 1.9 These elements cover the requirements of the Local Government Act 2003, the CIPFA prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

- 1.20 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -
- Increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
  - Any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.
- 1.21 The Council uses Sector Treasury Services as its external treasury management advisors.
- 1.22 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. (Treasury Management Practice 11)
- 1.23 The capital expenditure plans set out in Appendix D provide a summary of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

**Table 1: Current Treasury Portfolio at 02/02/12**

		<b>Principal</b>		<b>Ave. rate</b>	
		£m	£m	%	
Fixed rate funding	PWLB	3.61			
	Market	<u>6.50</u>	10.11		7.59
Variable Rate Funding	PWLB	0			
	Market	0	0		0
Other long term liabilities	Leases	2.66	2.66		2.95
<b>TOTAL DEBT</b>			<u>12.77</u>	<u>6.62</u>	
<b>TOTAL INVESTMENTS</b>			<b>23.00</b>	<b>1.41</b>	

- 1.24 The Council's current treasury portfolio position is shown in Table 1 and the forecasted position at 31 March 2011, with forward projections are

summarised in Table 2. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

**Table 2: Forecasted Portfolio Position**

	2010/11 Actual £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
External borrowing					
Borrowing at 1 April	13,145	14,742	62,802	62,304	61,808
Expected Change in Borrowing	988	(2,008)	(4)	0	0
HRA Settlement	0	50,560	0	0	0
Leases	609	-492	-494	-496	-452
Actual borrowing at 31 March	14,742	62,802	62,304	61,808	61,356
CFR – the borrowing need	2,267	64,466	63,856	63,146	62,446
Under / (over) borrowing	(12,475)	1,665	1,552	1,338	1,090
Investments					
Total Investments at 31 March	22,717	19,500	16,000	17,000	18,000
Investment Change	(4,627)	(3,217)	(3,500)	1,000	1,000
Net Borrowing	(7,975)	43,302	46,304	44,808	43,356

## 2. Treasury Limits for 2012/13 to 2014/15

- 2.1 Selby District Council has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day-to-day cash management, no distinction can be made between revenue and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending.
- 2.2 CIPFA's Prudential code for Capital Finance in Local Authorities' includes the following key indicator of prudence;  
*"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external*



*borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years.”*

- 2.3 The Executive Director (s151) reports that the authority had no difficulty meeting this requirement in 2010/11, nor are any difficulties envisaged for the current (2011/12) or future years (2012/13 – 2014/15). This view takes into account current commitments, existing plans and the proposals in the budget.
- 2.4 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. In England and Wales the authorised limit represents the legislative limit specified in Act.
- 2.5 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is ‘acceptable’. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.
- 2.6 Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion in corporate financing by both external borrowing and other forms of liability, such as credit arrangements.
- 2.7 The Authorised Limit for external borrowing is a key prudential indicator and represents a control on the maximum level of borrowing. It is a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Council on a rolling basis, for the forthcoming financial year and two successive financial years. This information is shown in table 3.

**Table 3: Authorised Borrowing Limit**

	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Authorised Limit for External Debt</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	20,000	14,000	14,000	14,000	14,000
Add HRA Settlement	0	58,000	58,000	58,000	58,000
Other Long Term Liabilities	3,000	3,000	3,000	3,000	3,000
<b>Total</b>	<b>23,000</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>

- 2.8 The Operational Boundary is the limit beyond which external borrowing is not normally expected to exceed and within which officers will manage the Council's external debt position. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing. This information is shown in table 4.

**Table 4: Operational Borrowing Limit**

Operational Boundary	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
Borrowing	14,000	10,000	10,000	10,000	10,000
Add HRA Settlement	0	58,000	58,000	58,000	58,000
Other Long Term Liabilities	3,000	3,000	3,000	3,000	3,000
<b>Operational Boundary Total</b>	<b>17,000</b>	<b>71,000</b>	<b>71,000</b>	<b>71,000</b>	<b>71,000</b>

- 2.9 In respect of its external debt, table 3 details the proposed authorised limits for the Council's total external debt gross of investments for the next three financial years which councillors are recommended to approve. These limits separately identify borrowing from other long-term liabilities such as finance leases. The 2010/11 and 2011/12 figures shown above are for comparative purposes. It is also recommended that members continue to delegate authority to the Executive Director (s151), within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities. Any such changes made will be reported to The Executive at its next meeting following the change.
- 2.10 The Executive Director (s151) reports that these authorised limits are consistent with the authority's current commitments, existing plans and the proposals in the budget for capital expenditure and financing, and with its approved treasury management policy statement and practices. The Executive Director (s151) confirms that they are based on the estimate of the most likely, prudent but not worst-case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

### **3. Prospects for Interest Rates**

- 3.1 The Council appointed Sector Treasury Services as a treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. Annex 1 draws together a number of current City forecasts for short term (bank rate) and longer fixed interest rates. Table

5 gives the Sector central view.

**Table 5: Sector View interest rate forecast – December 2011**

	2012				2013				2014	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	%	%	%	%	%	%	%	%	%	%
Bank Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50
3 Month Rate	0.70	0.70	0.70	0.70	0.75	0.80	0.90	1.20	1.40	1.60
1 Year Rate	1.50	1.50	1.50	1.60	1.70	1.80	1.90	2.20	2.40	2.60
5 Yr PWLB	2.30	2.30	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.10
10 Yr PWLB	3.30	3.30	3.40	3.40	3.50	3.60	3.70	3.80	4.00	4.20
25 Yr PWLB	4.20	4.20	4.30	4.30	4.40	4.50	4.60	4.70	4.80	4.90
50 yr PWLB	4.30	4.30	4.40	4.40	4.50	4.60	4.70	4.80	4.90	5.00

- 3.2 Growth in the UK economy is expected to be weak in the next two years. Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite inflation currently being well above the Monetary Policy Committee inflation target. Hopes for an export led recovery appear likely to be disappointed due to the Eurozone sovereign debt crisis depressing growth in the UK's biggest export market. The Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, will also depress growth during the next few years.
- 3.3 Fixed interest borrowing rates are based on UK gilt yields. The outlook for borrowing rates is currently much more difficult to predict. The UK total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt.
- 3.4 This challenging and uncertain economic outlook has a several key treasury management implications:
- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
  - Investment returns are likely to remain relatively low during 2012/13;
  - Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;

- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

#### **4. HRA Self Financing**

- 4.1 The present HRA subsidy arrangements are to be replaced by a new self-financing regime which will commence from 1<sup>st</sup> April 2012. Under the revised arrangements the Council is expected to become entirely self sufficient, as a result of an adjustment to its HRA debt position.
- 4.2 The Department for Communities and Local Government (DCLG) has produced a settlement valuation based on assumed levels of income and expenditure over the next 30 years.
- 4.3 CIPFA were invited by DCLG to provide guidance on the treatment of borrowing or debt liability notional interest costs once the existing subsidy system finishes. This is against the background of the main drivers for the newly independent HRA being certainty of, and control over, costs and income streams.
- 4.4 CIPFA has recognised this in proposing its preferred option of splitting borrowing into two pools (supported by DCLG) – one for the General Fund and one for the HRA. However both CIPFA and DCLG have made it clear that it is not their intention to impose a single solution. The Council is at liberty to carry on using the current one pool system for debt or the two pool approach, or retain one pool for its existing debt and then split debt for the General Fund and HRA going forward. Based on advice and historical evidence Officers believe that it is best for the Council if the two pool approach is used.
- 4.5 In November 2011 the estimated debt settlement valuation within for the Council was announced at £63.395m. This valuation includes an amount of debt which the Council currently has allocated to it through the housing subsidy system of £5.335m (known as the subsidy capital financing requirement (CFR)). The settlement payment is the difference between the valuation and the subsidy CFR which is currently estimated at £58.060m. The settlement payment date is 28 March 2012.
- 4.6 To comply with the Localism Bill the settlement will need to be treated as capital expenditure and will have the effect of increasing the both the HRA CFR and Council's overall CFR.
- 4.7 The (overall) CFR measures the Council's underlying need to borrow. Currently due to historical issues the Council has borrowing in excess of its CFR. A review of the £10.1m debt currently held by the Council has shown that of this £7.5m relates to previous HRA capital expenditure. This debt is currently cash backed by reserved capital receipts from previous asset sales. As a consequence of the excessive penalties associated with early redemption of this debt due to currently low interest

rates the Council has not redeemed these loans.

- 4.8 By using the two pool approach it is possible to disaggregate the Council's existing debt between General Fund and HRA. This then will allow the £7.5m to become part of the HRA pool and the capital receipts to be used as part of the £58.060m debt settlement calculation. The Council would then need to borrow the balance of £50.560m. Going forward the two pool approach would then ensure that all future borrowing undertaken by the Council is allocated to the appropriate service.
- 4.9 The HRA debt settlement valuation will also be the maximum amount that the Council is permitted to borrow for HRA capital expenditure throughout the 30 year financial plan. This will be known as the HRA Debt Cap. The Council is free to choose the length of borrowing it takes and also the type of loan. With interest rates at historically low levels it could be prudent to take borrowing for the maximum period allowed. It is proposed that the Officers work with the Council's Treasury Management Advisors at Sector to determine the optimum approach.
- 4.10 The PWLB has indicated that the interest to be charged on the HRA borrowing taken to fund the settlement will be 0.85% below its normal schedule of lending rates.

## **5. Borrowing Requirement**

- 5.1 The Council currently has due to historic circumstances an over-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has been fully funded with loan debt and that there is additional loan debt balances over and above this which are now forming part of the Council's investments until such time as the debt fall due for repayment. This situation is not ideal in the current climate. However, the need for the Council to borrow to pay for the HRA settlement on 28 March has provided an opportunity to address this issue.
- 5.2 The requirement for the HRA reform settlement to be made to the CLG on 28 March 2012 will require a separate consideration of a borrowing strategy. The Council will need to have the cash settlement amount of £58.1m available by the 28<sup>th</sup> March 2012, so separate borrowing solely for this purpose is anticipated. The PWLB are providing loans at interest rates 0.85% lower than the usual PWLB interest rates solely for the settlement requirements. This provides a compelling reason to utilise this borrowing availability. The exact structure of debt to be drawn is currently being considered by officers to ensure it meets the requirements of the HRA business plan and the overall requirements of the Council. Whilst the debt can be drawn earlier than needed, this may incur a revenue cost, and will be considered when a review of the structure of actual prevailing borrowing and investment interest rates is undertaken nearer to the time.
- 5.3 It is recommended that the Council take the opportunity through the use of the 'two debt pool option' to align debt to the relevant fund (General Fund /

HRA). As a consequence £7.5m of existing debt (£1m PWLB & £6.5m market debt) has been identified as belonging to the HRA. This debt will be classed as part of the HRA settlement figure which means that to extinguish its liability to the Government the Council will use £7.5m of its own cash from reserved capital receipts and borrow the balance of £50.56m from the PWLB.

- 5.4 This would leave £2.6m of debt allocated to the General Fund and with a General Fund CFR of £4.7m this means that the capital borrowing need (the Capital Financing Requirement), is not fully funded with loan debt and that cash supporting the Council's reserves, balances and cash flow is used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high and will be maintained for the borrowing excluding the HRA reform settlement.
- 5.5 Against this background and the risks within the economic forecast, caution will be adopted with the 2012/13 treasury operations. The Executive Director (s151) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- if it was felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
  - if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
- 5.6 Any decisions will be reported to the Executive at the next available opportunity.
- 5.7 The current capital programme funding forecasts for 2012/13 to 2014/15 for both the General Fund and the HRA shows that there is currently no borrowing requirement. This will be reviewed as the capital programmes for these future years are confirmed.
- 5.8 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. Tables 6 and 7 summarise these indicators which are:
- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

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

**Table 6: Interest Rate Exposure**

<b>Upper Limit for Fixed Interest Rate Exposure</b>	%	%	%	%	%
Net Interest re Fixed Rate Borrowing / Investments	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Upper Limit for Variable Rate Exposure</b>	%	%	%	%	%
Net Interest re Variable Rate Borrowing	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
Net Interest re Variable Rate Investments	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Table 7 : Maturity Structure Fixed Rate Borrowing 2011/12**

<b>Maturity Structure New Borrowing 2011/2012</b>	<b>Upper Limit</b>	<b>Lower Limit</b>
Under 12 Months	20%	0%
12 Months and within 24 Months	20%	0%
24 Months and within 5 Years	50%	0%
5 Years and within 10 Years	90%	0%
10 Years and 15 Years	90%	0%
15 Years and over	90%	20%

5.9 The Council has a policy of borrowing from the Public Works Loans Board in the first instance (over periods up to 50 years) or the money markets (over periods up to 50 years) which ever reflects the best possible value for the Council at the time. Individual loans are taken out over varying periods depending on the relative value of interest rates at the time of borrowing need and to avoid wherever possible a distorted repayment profile.

**6. Debt Rescheduling**

6.1 The Council's current debt portfolio as shown in Table 1 is made up of £4.6m of PWLB debt and £6.5m of market debt. Opportunities for debt rescheduling have been limited. Flexibility for rescheduling was put into the PWLB debt taken to fund the Community Office Project (£2.6m) to

enable opportunities to generate savings if appropriate. This element of the debt portfolio will be kept under review.

- 6.2 The reasons for any rescheduling to take place will include:
- the generation of cash savings at minimum risk;
  - help fulfil the strategy outlined in paragraph 5 above; and
  - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 6.3 Any rescheduling of debt will be reported to Executive at the meeting following its action.

**7. Extraordinary & Other Issues**

Housing Revenue Account (HRA) Reform

- 7.1 The reforms of the HRA take effect from 1 April 2012. The proposals indicate that the Council will be allocated £63.4m of debt. On 28 March 2012 the Council will have to make a payment of £58.1m to the Government for which it will have to take borrowing of £50.6m on March 28 2012. This impacts on the Council's Operational and Authorised Borrowing Limits for 2011/12 and it is recommended that the levels of both are raised by £52m to give a revised Operational limit of £71m (currently £19m) and Authorised limit of £75m (currently £23m)
- 7.2 The review of the HRA required as a consequence of the reform has identified that there may be an opportunity to reverse previous decisions by the Council for using capital receipts to fund part of the HRA capital programme, and that this expenditure could be adjusted for within the Debt Cap due to the currently negative position of the HRA CFR. These receipts would then be made available for General Fund use. The impact of this is currently being researched.



## **INTEREST RATE FORECASTS**

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

### **Sector Interest Rate Forecast**

	Q/E 1 2012 %	Q/E 2 2012 %	Q/E 3 2012 %	Q/E4 2012 %	Q/E 1 2013 %	Q/E 2 2013 %	Q/E 3 2013 %	Q/E4 2013 %	Q/E 1 2014 %	Q/E 2 2014 %	Q/E 3 2014 %	Q/E4 2014 %	Q/E 1 2015 %
Bank Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	2.00	2.25	2.50
5Yr PWLB Rate	2.30	2.30	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.10	3.30	3.50	3.70
10Yr PWLB Rate	3.30	3.30	3.40	3.40	3.50	3.60	3.70	3.80	4.00	4.20	4.40	4.60	4.80
25Yr PWLB Rate	4.20	4.20	4.30	4.30	4.40	4.50	4.60	4.70	4.80	4.90	5.00	5.10	5.20
50Yr PWLB Rate	4.30	4.30	4.40	4.40	4.50	4.60	4.70	4.80	4.90	5.00	5.10	5.20	5.30

### Capital Economics Interest Rate Forecasts

	Q/E 1 2012 %	Q/E2 2012 %	Q/E3 2012 %	Q/E4 2012 %	Q/E 1 2013 %	Q/E 2 2013 %	Q/E 3 2013 %	Q/E4 2013 %
Bank Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
5Yr PWLB Rate	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
10Yr PWLB Rate	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
25Yr PWLB Rate	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90
50Yr PWLB Rate	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00

### UBS Interest Rate Forecast

	Q/E 1 2011 %	Q/E 3 2011 %	Q/E 1 2012 %	Q/E 3 2012 %	Q/E 1 2013 %	Q/E 2 2013 %	Q/E 3 2013 %	Q/E4 2013 %
Bank Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
5Yr PWLB Rate								
10Yr PWLB Rate	3.50	3.50	3.60	3.70	3.70	3.70	3.70	3.70
25Yr PWLB Rate	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.90
50Yr PWLB Rate	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

### Survey of Economic Forecasts

This table is based on data from HM Treasury and is a summary of the forecasts from the December 2011 report. The data for 2012-2015 is based on 32 forecasts.

Bank Rate Forecasts	Actual %	Quarter Ended		Annual Average Bank Rate		
		Q4 2012 %	Q4 2013 %	2013 %	2014 %	2015 %
Average	0.90	1.80	3.10	3.10	4.10	4.50
Highest	0.50	0.60	1.20	1.20	2.10	3.10
Lowest	0.50	0.10	0.50	0.50	0.90	1.40

## **MINIMUM REVENUE PROVISION POLICY STATEMENT 2012/13**

### **1 Introduction**

- 1.1 Since 2008 the Council's Minimum Revenue Provision (MRP) liability has been governed by statutory guidance issued under the Local Government and Public Involvement in Health Act 2007 and Statutory instrument 2008 no 414 rather than regulation. A general duty has been placed upon local authorities to make an amount of MRP which it considers to be prudent, with responsibility being placed upon the Council to approve an annual MRP policy statement. MRP is the minimum amount that must be charged to revenue to repay loans.

### **2 Minimum Revenue Provision Policy**

- 2.1 In May 2008 the Council set its MRP policy. As part of the budget setting process this policy is reviewed each year.
- 2.2 The currently agreed policy is that for all expenditure prior to 1 April 2008 which formed the General Fund Capital Financing Requirement (CFR) that is capital expenditure funded through borrowing be charged at 4% of the outstanding balance each year. The exception was public conveniences. The public conveniences element was to be charged over 15 years which was agreed as part of the funding for the refurbishment programme. The policy also agreed that all expenditure giving rise to MRP going forward would be charged over a period reasonably commensurate with the asset life.
- 2.3 The Council's MRP policy for 2011/12 is:
- CFR Method – Whereby the amount of MRP is calculated solely in relation to the CFR for the General Fund without any adjustments at the start of the year. This is the method that the Council has applied since an amendment to the regulations in 2006.
- And
- Asset Life Method – for the public conveniences project completed in 2006/07 which is being repaid over 15 years and all other projects funded from borrowing since April 2008.
- 2.4 It is proposed that this policy continues for 2012/13
- 2.5 The Council does not charge MRP on non-operational its assets i.e. those currently under construction. This option is in line with the principle that MRP should only be charged when assets are completed / become operational.
- 2.6 During 2012/13 the Council does not forecast the need for prudential borrowing to fund the General Fund or HRA capital programmes.

- 2.7 In 2012/13 MRP chargeable to the General Fund will relate to historic debt liability of £2.034m, public conveniences of £0.096m and the new civic centre £2.600m. This gives rise to an MRP liability of £197k for 2012/13 (£96k for 2011/12).
- 2.8 Should any expenditure incurred by the Council not be capable of being related to an asset because for example it is a grant to another organisations capital project then an asset life will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.
- 2.9 Any finance lease that comes onto the balance sheet via the introduction of the new International Reporting Standards will already have taken capital financing into account as part of their revenue charges. For this reason they will be excluded from MRP calculations.
- 2.10 No revenue charge is currently required for the HRA. However under HRA reform the HRA will be required to charge depreciation on its assets, which will have a revenue effect. In order to address any possible adverse impact, regulations will allow the Major Repairs Allowance to be used as a proxy for depreciation for the first five years.
- 2.11 Repayments included in finance leases are applied as MRP.

## **ANNUAL INVESTMENT STRATEGY STATEMENT 2012/13**

### 1. **Introduction**

- 1.1 The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance"), and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

### 2. **Investment Principles**

- 2.1 All investments will be in sterling. The general policy objective for this Council is the prudent investment of its treasury balances. The Council's investment priorities are:

- the security of capital and
- liquidity of its investments.

- 2.2 The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity. The risk appetite of the Council is low in order to give priority to security of its investments.

- 2.3 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

- 2.4 Investment instruments identified for use in the financial year are listed in Annex 2 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

### 3. **Creditworthiness Policy**

- 3.1 The Council uses the creditworthiness service provided by Sector Treasury Services. This employs a sophisticated modelling approach with credit ratings from all three agencies – Fitch, Moody's and Standard and Poors, forming the core element. The credit ratings of counterparties are supplemented with the following overlays:-

- Credit watches and credit outlooks from rating agencies
- Credit Default Swaps (CDS) spreads to give an early warning of likely changes in credit ratings. CDS spreads are a risk mitigation tool used by the financial markets to help assess the creditworthiness of financial institutions. A CDS is an insurance against debt default.
- Sovereign ratings to select counterparties from only the most credit worthy countries.

- 3.2 This modelling approach combines credit ratings, credit watches, and

credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative credit worthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council is satisfied that this service along with information from other sources such as the financial press and markets gives an additional level of security for its investments. It is also a service that the Council would not be able to replicate using in-house resources.

- 3.3 The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of worldwide potential counterparties. The Council will use counterparties within the following durational bands:
- Yellow – up to 5 years (this is for AAA rated Government debt or its equivalent, including local authorities)
  - Purple – up to 2 years
  - Blue – up to 1 year (nationalised/semi nationalised UK banks only)
  - Orange – up to 1 year
  - Red – up to 6 months
  - Green – up to 3 months
  - No Colour – not to be used
- 3.4 The Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as this would leave the Council with very few banks on its lending list, meaning that the value of total deposits would rise thus increasing counterparty exposure risk. The Sector service uses a wider array of information and provides a balanced score for counterparties.
- 3.5 All credit ratings are monitored on a weekly basis and at the time that the Council wishes to lend. The Council is alerted to changes to ratings of all three agencies as they happen through the use of the Sector creditworthiness service.
- If a down grade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as for new investment will be withdrawn immediately
  - In addition the Council will be advised of movements in CDS status and other market movements, which could result in an institution being removed from the list.
- 3.6 The Council does not place sole reliance on the use of this service from Sector. Other information from a number of sources is also used to assist in forming a view on suitable counterparties.
- 3.7 The Council will only use approved counterparties from countries with a minimum sovereign rating of AA from Fitch Ratings. The list of countries that currently qualify using this credit criteria are shown in Annex 2. This list will be added to, or deducted from by officers should ratings change in accordance with this policy.

4. **Investment Strategy**
- 4.1 The Council's funds are managed in-house and are a mixture of cash-flow derived and a core balance available for investment up to 2 years if the market conditions are appropriate. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Core cash balances are derived from reserved capital receipts which are required for repayment of borrowing at a future date of more than 12 months.
- 4.2 Based on its cash flow forecasts, the Council anticipates its cash balances for investment in financial year 2012/13 to range between £12m and £26m. Cash balances consist of capital receipts, earmarked reserves General Fund and HRA balances and the Council's forecast cash flow. Balances will fluctuate during the year due to income being received in advance of expenditure occurring.
- 4.3 The bank rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 3 of 2013. Bank rate forecasts for financial year ends (March) are as follows: -
- 2011/12 0.50%
  - 2012/13 0.50%
  - 2013/14 1.25%
  - 2014/15 2.50%
- 4.4 There are risks to these forecasts if economic growth remains weaker for longer than expected then rates will remain lower for longer. However, should growth pick up more sharply than expected then rates could increase sooner than forecast.
- 4.5 The Council has budgeted for an average return of 1.25% on its investments for 2012/13. This has been based on the rates currently being offered for investments using a mixture of shorter periods for non-core balances and longer periods (if appropriate) for core balances. Sector forecast an average of 0.70% for returns on short-term deposits in 2012/13.
- 4.6 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (over night to three months) in order to benefit from the compounding of interest.
- 4.7 The Council is required to set limits for its investments it would need to contain its exposure to long-dated investments to avoid losses on forced early redemptions. This framework provides a balance between caution and the freedom to take advantage of suitable market opportunities that may arise. Advice is always sought from market information available through the Council's treasury management advisors (Sector Treasury Services) before making such a commitment for investment periods of longer than 364 days. This is shown in Table 1.

**Table 1: Limit Principal Sum Investments Greater Than 364 Days**

Upper Limit for Total Principal Sums Invested for Over 364 Days	£'000	£'000	£'000	£'000	£'000
1 to 2 Years	20,000	20,000	20,000	20,000	20,000
2 to 3 Years	15,000	15,000	15,000	15,000	15,000
3 to 4 Years	5,000	5,000	5,000	5,000	5,000
4 to 5 Years	3,000	3,000	3,000	3,000	3,000

**Table 2: Analysis of Core Cash Investments at 2 February 2012.**

Institution	Amount £'000	Start Date	Maturity	Rate %
Santander UK plc	1,000	12.12.2011	12.03.2012	1.35
Nat West Bank plc	1,000	02.06.2011	02.03.2012	1.26
Barclays Bank plc	1,000	14.03.2011	14.03.2011	1.57
City of Newcastle Council	2,000	04.04.2011	02.04.2012	1.30
City of Newcastle Council	1,000	01.06.2011	30.05.2012	1.60
Leeds City Council	2,000	15.09.2011	13.09.2012	2.00
Santander UK plc	1,000	05.09.2011	05.03.2012	1.47
City of Newcastle Council	2,000	05.09.2011	03.09.2012	1.70
Barclays Bank plc	1,000	10.11.2011	10.02.2012	0.91
Sheffield City Council	3,000	01.12.2011	29.11.2012	1.55
Doncaster MBC	1,000	24.10.2011	24.05.2013	1.40
North Lanarkshire Council	2,000	18.11.2011	20.05.2013	1.20
Fife Council	2,000	24.11.2011	29.03.2013	0.90
Fife Council	1,000	05.01.2012	06.01.2014	1.30
Total	23,000			



- 4.8 Table 2 shows an analysis of the Councils cash balances investments as at 2 February 2012.
- 4.9 Investment instruments identified for use in the financial year are listed at Annex 3 under the following categories:-
- ‘Specified Investments’ – which are defined as
    - Investments denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
    - The investment is not a long term investment, i.e. it is only up to 1 year.
    - The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 31456 as amended].
    - The investment is made with a body or in an investment scheme of high credit quality, the UK government or with a UK public sector body.
- and
- ‘Non-Specified Investments’ are defined as those not meeting the definition of a Specified Investment.
- 4.10 Counterparty limits will be as set through the Council’s Treasury Management Practices – Schedules.

5 **Investments Defined as Capital Expenditure**

- 5.1 Investments in “money market funds” which are collective investment schemes and bonds issued by “multilateral development banks” – both defined in SI 2004 No 534 – will not be treated as capital expenditure.
- 5.2 A loan or grant or financial assistance by this Council to another body for capital expenditure by that body will be treated as capital expenditure.

6 **End of Year Investment Report**

- 6.1 At the end of the financial year, the Council will prepare a report on its investment activity as part of its Annual Treasury Report.

7 **Policy on the Use of External Service Providers**

- 7.1 The Council uses Sector as its external treasury management advisers.
- 7.2 The Council recognises that the responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed on our external service providers.
- 7.3 The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of

their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

**Approved Countries For Investment**

<b>Rating</b>	<b>Country</b>
AAA	Canada
	Denmark
	Finland
	France
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
	United Kingdom
	AA+
Belgium	
Hong Kong	
United States of America	
AA	Kuwait
	United Arab Emirates

LOCAL GOVERNMENT INVESTMENTS (England)SPECIFIED INVESTMENTS

<b>Investment</b>	<b>Security / Minimum Credit Rating</b>	<b>Circumstance of use</b>	<b>Maximum Amount</b>	<b>Maximum Maturity period</b>
<b>Debt Management Agency Deposit Facility*</b> (DMADF)	Govt-backed	In-house	£5m	1 year
<b>Term deposits</b> with the UK government or with UK local authorities with maturities up to 1 year	High security although LA's not credit rated.	(1) In-house using decision matrix and (2) by external fund manager	£5m per Organisation	1 year
<b>Term deposits</b> with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year	Yes-varied Sector Colour - Green	(1) In-house using decision matrix and (2) by external fund manager	£5m per institution	1 year
<b>Certificates of Deposit</b> issued by credit-rated deposit takers (banks and building societies): up to 1 year.	Yes-varied Sector Colour - Green	(1) In-house following consultation with Sector and (2) by external fund manager	£5m per institution	1 year
<b>Gilts</b> : with maturities up to 1 year.	Govt-backed AAA	(1) Buy and hold to maturity: to be used in-house after consultation / advice from Sector. (2) For trading by external fund manager only, subject to the guidelines and parameters agreed with them.	£5m	1 year
<b>Money Market Funds</b> - collective investment scheme as defined in SI 2004 No 534	Yes-varied - AAA	(1) In-house and (2) by external fund managers subject to the guidelines and parameters agreed with them	£5m per institution	1 year

**LOCAL GOVERNMENT INVESTMENTS (England)****SPECIFIED INVESTMENTS**

<b>Investment</b>	<b>Security / Minimum Credit Rating</b>	<b>Circumstance of use</b>	<b>Maximum Amount</b>	<b>Maximum Maturity period</b>
<b>Forward deals</b> with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	Yes-varied Sector Colour - Green	(1) In-house and (2) fund managers	£5m per institution	1 year in aggregate
<b>Gilt Funds and other Bond Funds</b>	Yes – minimum rating Fitch AA-Moody's Aa3 S&P AA-	To be used by external fund managers only subject to the guidelines and parameters agreed with them	£5m	
<b>Treasury bills</b>	Govt-backed	(1) In-house following consultation with Sector and (2) by external fund manager	£5m	1 year
<b>Bonds issued by a financial institution that is guaranteed by the United Kingdom Government</b> (as defined in SI 2004 No 534) with maturities under 12 months.	Govt-backed	(1) Buy and hold to maturity: to be used in-house after consultation / advice from Sector. (2) For trading by external fund manager only, subject to the guidelines and parameters agreed with them.	£5m	1 year
<b>Bonds issued by multilateral development banks</b> (as defined in SI 2004 No 534) with maturities under 12 months	AAA	(1) Buy and hold to maturity: to be used in-house after consultation / advice from Sector. (2) For trading by external fund manager only, subject to the guidelines and parameters agreed with them.	£5m	1 year

**LOCAL GOVERNMENT INVESTMENT (England)**  
**NON-SPECIFIED INVESTMENTS**

<b><u>Investment</u></b>	<b><u>Security / Minimum Credit Rating</u></b>	<b><u>Circumstance of use</u></b>	<b><u>Max % of overall investments</u></b>	<b><u>Maximum maturity of investment</u></b>
<b>Term deposits</b> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	YES-varied Sector Colour Purple	(1) In-house and (2) fund manager	60%	Suggested limit : 2 Years
<b>Certificates of Deposit</b> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	YES-varied Sector Colour Purple	(1) In-house following consultation with Sector and (2) by external fund manager	30%	Suggested limit : 2 Years
<b>Callable deposits</b> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	YES-varied Sector Colour Purple	(1) In-house following consultation with Sector and (2) by external fund manager	10%	Suggested limit : 2 Years in aggregate
<b>UK government gilts</b> with maturities in excess of 1 year	Govt backed	(1) Buy and hold to maturity: to be used in-house after consultation / advice from Sector. (2) For trading by external fund manager only, subject to the guidelines and parameters agreed with them.	50%	Suggested maturity limit: 10 years including but also including the 10 year benchmark gilt
<b>Sovereign issues ex UK govt gilts</b> : any maturity	AAA	(1) Buy and hold to maturity: to be used in-house after consultation / advice from Sector. (2) For trading by external fund manager only, subject to the guidelines and parameters agreed with them.	30%	Suggested limit : 10 years

**LOCAL GOVERNMENT INVESTMENT (England)**  
**NON-SPECIFIED INVESTMENTS**

<b><u>Investment</u></b>	<b><u>Security / Minimum Credit Rating</u></b>	<b><u>Circumstance of use</u></b>	<b><u>Max % of overall investments</u></b>	<b><u>Maximum maturity of investment</u></b>
<b>Forward deposits</b> with credit rated banks and building societies for periods > 1 year (i.e. negotiated deal period plus period of deposit)	YES-varied Sector Colour Purple	(1) In-house following consultation with Sector and (2) by external fund manager	50%	Suggested limit : 2 Years in aggregate
<b>Deposits with unrated deposit takers with unconditional financial guarantee from HMG or credit-rated parent institution</b> : any maturity	YES-varied Sector Colour Purple	(1) In-house and (2) fund managers	50%	Suggested limit : 1 year
<b>Bonds issued by a financial institution that is guaranteed by the United Kingdom Government</b> (as defined in SI 2004 No 534)	AAA / government guaranteed	(1) Buy and hold to maturity: to be used in-house after consultation / advice from Sector. (2) For trading by external fund manager only, subject to the guidelines and parameters agreed with them.	10%	Suggested limit : 10 years
<b>Bonds issued by multilateral development banks</b> (as defined in SI 2004 No 534)	AAA or government guaranteed	(1) Buy and hold to maturity: to be used in-house after consultation / advice from Sector. (2) For trading by external fund manager only, subject to the guidelines and parameters agreed with them.	30%	Suggested limit : 10 years

*All "Non Specified Investments" listed will be sterling-denominated with maturities over 1 year meeting the minimum 'high' rating criteria where applicable.*

Note: Whilst the council does not currently utilise the services of a Fund Manager the inclusion of the types of investments that a Fund Manager would use maintains flexibility within the investment strategy should the circumstances be right and the Council wish to appoint one.

## **THE CAPITAL PRUDENTIAL INDICATORS 2012/13 – 2014/15**

### **1. Introduction**

- 1.1 The 'Prudential Code' provides Council's with a regime of self-regulation for borrowing money for capital purposes. A local authority can borrow as much as it wishes as long as it can afford the repayments. The Code outlines four key objectives relating to the capital investment plans and treasury management procedures of local authorities. To demonstrate that these objectives are being fulfilled the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account.
- 1.2 The Code prescribes how the issue of affordability is measured using a set of prudential indicators. The four key objectives of the Code are to ensure that capital investment plans of local authorities are affordable, prudent and sustainable, and to ensure that treasury management decisions are taken in accordance with good professional practice. The indicators are mandatory but the figures used in the calculations are a matter for each local authority.
- 1.3 The prudential indicators required by the Code are designed to support and record local decision-making. They are not designed to be comparative performance indicators and the use of them in this way would be likely to be misleading and counter productive.
- 1.4 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators which are designed to assist members overview and confirm capital expenditure plans.
- 1.5 A key issue facing the Council is the impact of planned HRA reform. This will see the end of the housing subsidy system and will see the HRA as a stand alone business. The legislation is included within the Localism Bill which was enacted in December 2011.
- 1.6 The Council currently pays into the HRA housing subsidy system, and in order to stop future payments from 1 April 2012 the Council is required to pay the CLG £58m. This payment is effectively HRA debt, and so the prudential indicators have been adjusted to reflect this change. The actual payment will be made on the 28 March 2012 and so the indicators will take immediate effect from the approval of these limits by Council. The change is expected to be beneficial to the Council.

### **2. Capital Expenditure:**

- 2.1 This prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts summarised in Table 1.



**Table 1: Capital Expenditure**

Capital Expenditure	2010/11 Actual £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
General Fund	5,502	3,126	956	505	1,148
HRA Existing	2,988	3,590	2,967	3,396	3,817
HRA Settlement	0	58,060	0	0	0
Total HRA	8,490	64,776	3,923	3,901	4,965

2.2 Other long term liabilities. The above financing need excludes other long term liabilities, such as leasing arrangements which already include borrowing instruments (this includes the leases the councils contractors have for vehicles and equipment within the Street Scene and Leisure Contracts). Table 2 below includes these costs.

**Table 2: Financing of Capital Expenditure**

Capital Expenditure	2010/11 Actual £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
General Fund	6,579	3,126	956	505	1,148
HRA Existing	2,988	3,590	2,968	3,396	3,817
HRA Settlement	0	58,060	0	0	0
Total	9,567	64,776	3,654	3,901	4,965
Financed By:					
Revenue & Reserves	1,502	2,102	494	125	798
Capital Receipts	2,063	2,335	322	240	210
Grants	473	290	140	140	140
Major Repairs Allowance / Reserve	816	1,989	2,698	3,396	3,817
Borrowing - Debt	3,636	58,060	0	0	0
Borrowing - Leases	1,077	0	0	0	0
Total	9,567	64,776	3,654	3,901	4,965

- 2.3 Table 2 summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

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

- 3.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. This is summarised in Table 3.

**Table 3: Capital Financing Requirement**

	2010/11 Actual £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
CFR General Fund	2,326	4,826	4,730	4,534	4,340
CFR GF Leases	2,051	2,654	2,140	1,626	1,120
<b>Total CFR General Fund</b>	<b>4,377</b>	<b>7,480</b>	<b>6,870</b>	<b>6,160</b>	<b>5,460</b>
CFR HRA Existing	(2110)	(1,074)	(1,074)	(1,074)	(1,074)
HRA Settlement	0	58,060	58,060	58,060	58,060
<b>Total HRA</b>	<b>(2,110)</b>	<b>56,986</b>	<b>56,986</b>	<b>56,986</b>	<b>56,986</b>
<b>TOTAL CFR</b>	<b>2,267</b>	<b>64,466</b>	<b>63,856</b>	<b>63,146</b>	<b>62,446</b>
<b>Movement in CFR</b>	<b>4,139</b>	<b>57,450</b>	<b>(710)</b>	<b>(700)</b>	<b>(645)</b>
<b>Movement in CFR represented by</b>					
Net Financing need for the year	4,713	0	0	0	0
HRA Settlement	0	58,060	0	0	0
Less MRP & Other financing movements	(574)	(610)	(710)	(700)	(645)
<b>Movement in CFR</b>	<b>4,139</b>	<b>57,450</b>	<b>(710)</b>	<b>(700)</b>	<b>(645)</b>

- 3.2 Following accounting changes the CFR includes any other long term

liabilities (e.g. finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. These are also shown in Table 3.

- 3.3 Selby District Council has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day-to-day cash management, no distinction can be made between revenue and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast the capital financing requirement reflects the authority's underlying need to borrow for capital purposes.
- 3.4 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Table 4 shows the estimates of the year end balances for each resource and anticipated day to day cash flow balances.

**Table 4: Year End Resources**

	2010/11 Actual £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
GF Fund Balances / Reserves	8,595	7,556	7,192	7,557	7,263
HRA Fund Balances / Major Repairs Reserve	1,671	1,857	2,959	4,107	5,314
Capital Receipts	94	2,050	2,678	2,532	2,387
GF Provisions	53	0	0	0	0
HRA Provisions	0	0	0	0	0
Other (Grants)	191	191	191	191	191
Total Core Funds	10,604	11,654	13,020	14,387	15,155
Working Capital	18,644	17,000	14,000	15,000	17,000
Expected Investments	22,717	19,500	16,000	17,000	18,000

#### 4. **Affordability Prudential Indicators**

- 4.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:
- 4.2 The indicator of actual and estimates of the ratio of financing costs to net revenue stream identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. These are shown in Table 5. The estimates of financing costs include current commitments and the proposals in this report.

**Table 5: Ratio of Financing Costs to Net Revenue Stream**

	<b>2010/11 Actual</b> %	<b>2011/12 Forecast</b> %	<b>2012/13 Estimate</b> %	<b>2013/14 Estimate</b> %	<b>2014/15 Estimate</b> %
GF	15.99	17.64	11.29	11.84	11.81
HRA	5.14	4.86	26.52	25.14	23.87

- 4.3 In considering its programme for capital investment, the Council is required within the Prudential Code to have regard to:
- Affordability, e.g. Implications for the Council Tax
  - Prudence and sustainability, e.g. implications for external borrowing
  - Value for money, e.g. option appraisal
  - Stewardship of assets, e.g. asset management planning
  - Service objectives, e.g. strategic planning for the authority
  - Practicality, e.g. achievability
- 4.4 A key measure of affordability is the incremental impact on the Council Tax, and the Council could consider different options for its capital investment programme in relation to their differential impact on the Council Tax.
- 4.5 The estimate of the incremental impact of capital investment decisions agreed as part of the budget, over and above capital investment decisions that have previously been taken prior to the 2009/10 budget setting round are shown in table 6.

**Table 6: Incremental Impact of Capital Investment Decisions**

Capital Investment Impact Upon:	2011/12 £	2012/13 £	2013/14 £	2014/15 £
Annual Band D Council Tax	0.20	3.53	(0.03)	0.55
Average Weekly Housing Rent	0.16	0.94	0.95	0.95

- 4.6 The impact on Council Tax represents the cost of additional revenue financing of capital spending (or any prudential borrowing less any revenue savings or income).
- 4.7 Housing rents are effectively fixed by rent restructuring any extra revenue costs due to capital investment have no impact on HRA rents. The figures for rent therefore show the element of rent required to support capital projects.