

Selby District Council



Agenda

Meeting: **Executive**
Date: **Thursday 4 February 2016**
Time: **4.00pm**
Venue: **Committee Room**
To: **Councillors M Crane (Chair), J Mackman (Vice Chair),
C Lunn, C Metcalfe and D Peart.**

1. **Apologies for absence**
2. **Minutes**

The Executive is asked to approve the minutes of the meeting held on 7 January 2016 (pages 1 to 4 attached).

3. **Disclosures of Interest**

A copy of the Register of Interest for each Selby District Councillor is available for inspection at www.selby.gov.uk.

Councillors should declare to the meeting any disclosable pecuniary interest in any item of business on this agenda which is not already entered in their Register of Interests.

Councillors should leave the meeting and take no part in the consideration, discussion or vote on any matter in which they have a disclosable pecuniary interest.

Councillors should also declare any other interests. Having made the declaration, provided the other interest is not a disclosable pecuniary interest, the Councillor may stay in the meeting, speak and vote on that item of business.

If in doubt, Councillors are advised to seek advice from the Monitoring Officer.

4. Designation of Air Quality Management Area

Report E/15/47 presents the consultation responses on the designation of an AQMA and requests that the Executive determines the extent of the area to be designated. (Pages 5 to 17 attached).

5. Financial Results and Budget Exceptions Report to 31 December 2015 – Key Decision

Report E/15/48 provides the Executive with details of major variations between budgeted and actual expenditure and income for the 2015/16 financial year to 31 December 2015. (Pages 18 to 35 attached).

6. Treasury Management – Monitoring Report to 31 December 2015 – Key Decision

Report E/15/49 reviews the Council's borrowing and investment activity for the 9 month period 1 April to 31 December 2015 and presents performance against the Prudential Indicators. (Pages 36 to 44 attached).

7. Treasury Management – Treasury Management Strategy Statement 2016/17 – Key Decision

Report E/15/50 presents for approval the proposed Treasury Management Strategy together with the Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2016/17 and Prudential Indicators 2016/17 as required by the Department of Communities and Local Government and CIPFA. (Pages 45 to 74 attached).

8. Draft Revenue Budget and Capital Programme 2016/17 and Medium Term Financial Plan – Key Decision

Report E/15/51 presents the draft revenue budget and capital programme for 2016/17 to 2017/18 (General Fund and Housing Revenue Account). (Pages 75 to 95 attached).

**Mary Weastell
Chief Executive**

Dates of next meetings
18 February 2016 - Executive Briefing 2pm
3 March 2016 – Executive 4pm

For enquiries relating to this agenda please contact Palbinder Mann, Democratic Services Manager on 01757 292207 or pmann@selby.gov.uk.

Recording at Council Meetings

Recording is allowed at Council, committee and sub-committee meetings which are open to the public, subject to:- (i) the recording being conducted with the full knowledge of the Chairman of the meeting; and (ii) compliance with the Council's protocol on audio/visual recording and photography at meetings, a copy of which is available on request. Anyone wishing to record must contact the Democratic Services Manager using the details above prior to the start of the meeting. Any recording must be conducted openly and not in secret.

Selby District Council



Minutes

Executive

Venue:	Committee Room, Civic Centre, Selby
Date:	Thursday 7 January 2016
Time:	4pm
Present:	Councillors M Crane (Chair), C Lunn, J Mackman and D Peart.
Officers present:	Chief Executive, Deputy Chief Executive, Executive Director (s151), Solicitor to the Council, Senior Finance Officer (minute 82) and Democratic Services Manager.
Public:	0
Press:	0

NOTE: Only minute numbers 82 and 84 are subject to call-in arrangements. The deadline for call-in is 5pm on Tuesday 19 January 2016. Decisions not called in may be implemented from Wednesday 20 January 2016.

79. APOLOGIES FOR ABSENCE

Apologies were received from Councillor C Metcalfe.

80. MINUTES

The Executive considered the minutes from the meeting held on 3 December 2015.

RESOLVED:

To approve the minutes of the meeting held on 3 December 2015 for signature by the Chair.

81. DISCLOSURES OF INTEREST

There were no declarations of interest

82. HOUSING RENTS 2016/17 – KEY DECISION

Councillor Lunn, Lead Executive Member for Finance and Resources presented the report which presented proposals for Housing Revenue Account rent levels in accordance with Central Government's new policy on rent setting.

The Lead Executive Member for Finance and Resources explained that housing rents would reduce on average from £85.36 to £84.51 per week. This was based on the Government's decision for a 1% rent reduction. The Executive was informed that this would result in an income reduction to the Council's Housing Revenue Account of £4.5m by 2019/20.

RESOLVED:

To approve the proposed 1% average rent decrease for 2016/17.

REASON FOR THE DECISION

To allow rent levels to be set in advance of the coming financial year within the constraints of Government rent setting policy.

83. ORGANISATIONAL REVIEW UPDATE

The Chief Executive provided a verbal update on the organisational review which was currently taking place.

The Chief Executive reported that the formal consultation had closed on 4 January 2016 and there had been a high level of support to the proposals from across the organisation at all levels.

It was explained that the next stage in the process would be the assimilation and selection process for those employees classed as at risk against the roles in the new structure. The Executive were informed that this process would be conducted by an external provider and would involve an independent, robust and rigorous process. It was stated that an assessment day for the Director and Heads of Service posts would be held on 26 January 2016.

It was also stated that the job descriptions for the new roles were being evaluated through a job evaluation process by an independent assessment panel.

The Chief Executive explained that during the consultation, clarification had been sought on where a number of areas such as emergency planning, safeguarding, housing and planning would be situated in the new structure and job roles and in response to this the relevant job descriptions had been revised to make these areas more clear

The Executive were informed that individuals involved in the next stage of the process would be written to, by the end of the week and it was planned to seek approval for any budget virements, appointments to statutory roles and constitution amendments at Full Council on 7 February 2016.

A query was raised whether there were sufficient posts in the new structure for all employees. The Chief Executive stated that there were posts in the structure, however, there would be a selection process which would assess the suitability of candidates skills against the posts in the new structure.

In response to a query regarding which of the new Directors would be deputising in the absence of the Chief Executive, the Chief Executive explained that as previously discussed with the Executive at the time of formal approval to proceed to formal consultation the Director roles were not deputy roles. The respective Director would cover in the absence of the Chief Executive depending on the area of expertise and this was clearly detailed in the new Director job roles

RESOLVED:

To note the update.

84. APPOINTMENTS TO OUTSIDE BODIES

The Leader of the Council indicated his intention to consider the following urgent additional item of business which had arisen since the dispatch of the agenda and which required a decision before the next scheduled meeting of the Executive.

Appointments to Outside Bodies – Danvm Drainage Board

RESOLVED:

- i) To appoint Mr Andrew Parmenter as a Council Appointed Representative to the Danvm Drainage Board with immediate effect; and**

- ii) **To place on record the Council's thanks to the late Mrs Carol Mackman for the contribution she made to the work of the Drainage Board on behalf of the Council.**

REASON FOR THE DECISION

To ensure the Council is fully represented on the Danvm Drainage Board.

85. FLOODING OVER THE CHRISTMAS AND NEW YEAR PERIOD

The Leader of the Council expressed his thanks to all of the Council's staff involved in the recent flooding for all of their hard work in responding to the incident and supporting the local community.

The meeting closed at 4.37pm

Selby District Council

REPORT

Reference: E/15/47

Item 4 - Public



To: The Executive
Date: 4 February 2016
Status: Non Key Decision
Report Published: 27 January 2016
Author: Diana Adamson, Environmental Health Officer
Executive Member: Cllr David Peart
Lead Officer: Jonathan Lund

Title: Designation of Air Quality Management Area

Summary:

Further to the report to Executive Briefing on the 17 September 2015 a public consultation was carried out and completed on the 20 November 2015. The results of the consultation have been considered and are presented in the Appendix A to this report.

This report presents the consultation responses on the designation of an AQMA and requests that the Executive determines the extent of the area to be designated.

Selby District Council is now in a position to designate an Air Quality Management Area under Section 83(1) of Part IV of the Environment Act 1995. A draft Order has been produced and is given in Appendix C. The Order is to be accompanied by a plan of the area and the areas consulted on are attached in Appendix B.

Recommendations:

- i. **The Selby District Council decides the extent of the area to be designated as an AQMA considering plans given in Appendix B.**
- ii. **That Selby District Council resolves to designate an Air Quality Management Area by virtue of signing an Order (Appendix C).**
- iii. **That Selby District Council delegate the making of the AQMA Order to the Chief Executive.**

Reasons for recommendation

Selby District Council's (SDCs) Air Quality Progress Report, submitted to the Department of the Environment and Rural Affairs (DEFRA) in April 2014, identified elevated levels of nitrogen dioxide in the vicinity of New Street, Selby.

A Detailed Assessment report submitted on 10 March 2015 to DEFRA included the results of additional monitoring in this area and provided an accurate assessment of the likelihood of the air quality objectives being exceeded at 'relevant' locations and the designation of an Air Quality Management Areas was recommended.

A public consultation has been carried out and the consensus of opinions was to designate the area shown in Option 2 in Appendix B.

1. Introduction and background

- 1.1 Local authorities have a duty, under Part IV of the Environment Act 1995 to manage local air quality. The Government produced a National Air Quality Strategy as a result of the Environment Act 1995. This mapped out the way air quality would be managed in the UK and the Regulations introduced set Air Quality Objectives for seven key pollutants. Where levels of pollutants are unlikely to meet Government Air Quality Objectives then Local authorities are required to designate an Air Quality Management Area (AQMA). Following the declaration of an AQMA, local authorities have a duty under section 84(2) of the Environment Act 1995 to produce an Action Plan. The plan must set out what measures the authority intends to introduce in pursuit of the Air Quality Objectives. The Action Plan should include timescales to indicate when the measures will be implemented aimed at reducing the relevant pollutants. Local authorities are not obliged to meet the objectives, but they must show that they are working towards them.
- 1.2 A report was presented to the Executive Briefing in September 2015 to advise that a Detailed Assessment was submitted to Defra on the 10 March 2015 indicating that the monitoring results for nitrogen dioxide levels in the vicinity of New Street, Selby had breached the Air Quality Objectives.
- 1.3 The report advised that the geographical extent of the new AQMA would be subject to consultation with members and local residents. Also that monitoring nitrogen dioxide at the current monitoring locations would continue in order to ensure that any future changes in air quality are detected and that the installation of additional diffusion tube monitors along New Street / The Crescent had been implemented as recommended.

2. The Report

The Consultation

- 2.1 Since the report in September the consultation with members, businesses, public bodies and the public has been carried out between the 25 September and the 20 November 2015. The results of the consultation have been considered and are presented in Appendix A.

- 2.2 The authority sent explanatory letters, consultation document and a return envelope to 84 residential addresses including all residential addresses within the two option areas. The same documents were also sent to addresses close to the areas on The Crescent, Thornden Buildings, Park Row, Ousegate, Church Lane and Church Hill.
- 2.3 The authority also sent the same documents to 62 businesses again in the two option areas and businesses on The Crescent, Park Row, Ousegate, Church Lane and Church Hill.
- 2.4 SDC also directly consulted the following organisations: all the local authorities who border SDC's boundary, Selby Town Enterprise Partnership, Defra, Environment Agency, Highways England, Selby Town Council, Public Health at NYCC, Highways and Transportation at NYCC and Planning Policy at SDC.
- 2.5 Local SDC and NYCC councillors were briefed prior to the start of the consultation.
- 2.6 To give additional information on the AQMA process a webpage was set up on the SDC website: <http://www.selby.gov.uk/air-quality-management-area>. This also allowed other members of the public, businesses and other organisations to respond to the consultation.
- 2.7 The consultation was also supported by a communications campaign to try and reach as many members of the public and local businesses as possible. This included two press releases and posts on social media and twitter. There was also an article in the October Team Brief. The hyperlink connected to the first press release issued in September received a total number of 96 views. The hyperlink connected to the second press release received a total of 64 views.

Consultation Results:

- 2.8 There were in total 18 responses to the consultation which are shown in Appendix A. The responses shown are verbatim. Out of these 18 responses six respondents opted for Option 1 and 9 for Option 2 with three respondents not giving an indication of either option. Three responses were anonymous two of which had opted for Option 1 and one for Option 2. It is concluded from the consultation that Option 2 is the preferred option.
- 2.9 Officer opinion would also support Option 2 for the following reasons:
 - The Council is obliged to designate an AQMA were the air quality strategy objectives are not being met. The results for 2014 indicate that they are not being met in the area covered by Option 1. However, consideration has been given to the current monitoring results for 2015 which indicate that the levels in the extended area covered by option 2 are likely to breach the objectives. This monitoring point lies outside Option 1 but within Option 2 hence designating Option 2 as the AQMA may prevent the need for a repeat of this exercise and further designation in the future.
 - Moreover, it should be ensured that actions taken to improve air quality in the area designated do not result in a reduced air quality in the surrounding areas. By including the area in Option 2 the residential receptors in this area will be considered and it ensured that air quality here does not reduce further and should improve.

Next Steps:

- 2.10 The authority is now required, by virtue of Section 83 of the Environment Act 1995, to designate the Air Quality Management Area.
- 2.11 Following the designation the local authority is further required to develop an Action Plan in pursuit of the achievement of air quality standards and objectives in the designated area.
- 2.12 The Action Plan will be developed as quickly as possible under the control of a Steering Group consisting of SDC officers including Strategic Planning, NYCC officers including Highways and Transportation, members of the local community from both the residential and business sectors.
- 2.13 One of the initial steps in drawing up the Action Plan is to carry out source apportionment which will require a traffic count to be undertaken including the type of vehicle, how much time is traffic free flowing, impact of congestion, incline, impact of wind direction if any, any industrial sources.
- 2.14 Possible actions will be proposed and tested to determine the extent of the impact that they are predicted to have on the air quality within the district. The Steering Group will then have information to recommend which actions should be taken forward in regard to impact on air quality, the improvement required, timescale and cost.
- 2.15 North Yorkshire County Council is required (Section 86 of the Environment Act 1995) to submit proposals to the Selby District Council in pursuit of the achievement of air quality standards and objectives in relation to powers exercisable by the County Council.
- 2.16 Discussions have already taken place with Planning Policy to ensure the area is taken into account during the land allocation process.
- 2.17 Once the Action Plan has been completed it will be presented to Executive and subject to review by NYCC governance in respect to actions attributable to NYCC.
- 2.18 Following the adoption of the Action Plan it will be subject to annual review.

3. Legal/Financial Controls and other Policy matters

Legal Issues

- 3.1 Section 83 of the Environment Act 1995 places a duty on local authorities to designate an Air Quality Management Area where it appears that the objectives are not being achieved.
- 3.2 SDC's Legal team have been consulted on the 9 June 2015 in respect to the Council's Constitution and the determination by responsible person for the declaration of an Air Quality Management Area and making the AQMA Official Order.

- 3.3 Legal was again consulted on the 15 July in respect of the declaration process and in October on the Order document.

Financial Issues

- 3.4 Financial costs associated with the existing monitoring and assessment work along with the consultation process have been met from base budget as has the specialist advice commissioned to assist in the consultation process. It will be necessary to commission further specialist assistance on the subsequent development of the Action Plan, working with partners to address air quality in the designated area. Costs associated with producing the Air Quality Action Plan are not accounted for within existing budget estimates. The initial phase of the Action Planning would be to carry out source apportionment which would include the commissioning of a traffic count. This requirement has been discussed with Planning Policy who have recent information which will reduce the extent of the work which is required. Dependant on the findings of the 'Action Planning' process additional funding might be necessary to implement the measures identified in the Plan, by either the Council or partners and will be the subject of subsequent reports and funding requests, as appropriate .
- 3.5 The Lead Officer: Finance was made aware on the 15 September of cost implications of the designation and action planning work identifying where the costs will be met from base budget.

Impact Assessment

- 3.6 Due to the location of the proposed LAQM to one of the bridges over the river Ouse being a main exit/entry for traffic this may impact on development in and around the town centre in terms of residential, commercial or industrial applications. The Planning Policy Team is aware of proposed AQMA and timescales. Allocation of land for development will be considered in terms of the impact on traffic flow in the proposed LAQM.

4. Conclusion

- 4.1 Selby District Council has a duty to designate an AQMA in the area of New Street/The Crescent, Selby.
- 4.2 The public consultation has indicated that the area to be designated should include the area where the air quality strategy objectives are exceeded but also extend it to an area where the levels are elevated but within the objectives (Option 2).

5. Background Documents

Consultation responses and precise.

Summary of Responses to Consultation and Stakeholder Engagement on AQMA as included in Appendix A
2014 Air Quality Progress Report for Selby District Council
Detailed Assessment of Nitrogen Dioxide (NO₂) on New Street, Selby March 2015
Air Quality Management in Selby consultation document

Plans showing Options 1 and 2
Frequently Asked Questions

Contact Officer:

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Appendices:

Appendix A: Summary of Responses to Consultation and Stakeholder
Engagement on AQMA

Appendix B: Plans of proposed AQMA showing Option 1 and Option 2

Appendix C: Draft order

*All spreadsheets should be sent as separate pdf attachments. Please take
care with spreadsheets with more than one tab and ensure the pdf includes all
tabs.*

Appendix A: Summary of Responses to Consultation and Stakeholder Engagement on the AQAP

No	Category	Option		Response
		1	2	
1	Unknown	√		
2	Unknown	√		
3	Unknown	√		
4	Business		√	Was this monitoring done when the bypass was closed and more heavy traffic was passing down new Street? A further monitoring should be done now the roads are back to normal. Also there is a weight restriction for traffic using New Street. Is this ever policed? Perhaps if it was the level of Nitrogen dioxide should decrease so perhaps this should be looked into.
5	Residential		√	
6	Neighbouring Local Authority		√	As the air quality issues in this area are likely to related to traffic, it would seem sensible to designate the wider are of New Street. As an Air Quality Management Area. This would ensure that the area is managed as a whole.
7	Unknown		√	
8	Business		√	I applaud your efforts but I think you are probably wasting time and money that could be used on much worthier projects in these difficult economic times.
9	Residential		√	
10	Residential	√		Air Quality is unbearable in summer; doors have to be kept closed all the time if not breathing difficulties happen with the traffic at a standstill for the toll bridge lights. Traffic dust and dirt a big problem it coats everything in black dust. I feel the only answer is to make the road of New Street traffic free, or at least on way to reduce the amount of standing traffic.
11	Business			I noticed your page on the breaches in Selby of NOx levels: http://www.selby.gov.uk/air-quality-management-area Your asking people to choose 2 areas without a single detail of how, what, when and how you will tackle a problem you know exists.

				<p>You know now that the levels in that area are toxic and have already got the 2014 data, so take action.</p> <p>You also don't need a 18 month consultation and action plan process, you could implement an emergency / temporary solution now</p> <p>It's obvious what needs to be done; make the road into a one way road. This will reduce congestion and reduce the impact of NOx on peoples health.</p>
12	Stakeholder			<p>Many thanks for the consultation received in regards to the breaches you have noted in and around New Street, Selby.</p> <p>As the extent of the jurisdiction of Highways England extend to the A64 solely, I have no further comments to add at this time.</p> <p>I would however encourage the council to seek the opinions of the Local Highways Authority (if they have not already done so) as this will no doubt be of interest for them.</p>
13	Stakeholder			<p>Any actions will be related to traffic and not any of the installations. The area is a narrow stretch of road with buildings either side close to the road which probably make it worse. The bypass was intended to reduce traffic through the centre of Selby and has proved a big success in this respect. All heavy traffic to the installations (Sedalcol, Greencore, BOCM, Hovis, ICL) can access site from the bypass without going through the designated area.</p> <p>We presume you will introduce some form of traffic management scheme which restricts vehicle movements in this area. This would be a big improvement if the bus services that currently use the route are diverted to go round via the bypass, and some other commercial vehicles are routed round the other side of Selby via an existing route that will miss out the affected area.</p>
14	Stakeholder		√	
15	Stakeholder		√	<p>Any changes that are made to address air quality issues within option 1 are likely to affect the extended area and should therefore be considered at the same time. In addition the characteristics of the highway and buildings through the option 2 extended area are similar to</p>

				<p>the option 1 area.</p> <p>Our traffic signal engineers will work with SDC to investigate the possibility of using the two sets of signals on the edge of the proposed AQMA to gate traffic to potentially reduce queuing within the AQMA and therefore potentially the emissions in the AQMA. Further investigations are necessary to establish the potential effectiveness of these proposals.</p>
16			√	<p>Thank you for your letter and invitation to respond to the AQMA consultation in Selby.</p> <p>I note that in recent years monitoring of traffic sources along New Street has indicated decreased air quality, and that data from 2014 suggests that nitrogen dioxide levels along the two rows of terraced buildings flanking New Street has exceeded the Air Quality Strategy Objectives.</p> <p>I therefore welcome the designation of an AQMA to enable Selby District Council to consider traffic reduction strategies and methods to raise public awareness and encourage behaviour change.</p> <p>As I am sure you are aware, there is strengthening evidence that NO₂ is associated with harm to physical health. In December, the Committee on the Medical Effects of Air Pollutants (COMEAP), which advises Government on the health effects of air pollution, will publish an assessment of how reductions in No₂ concentrations might impact on mortality in the UK. In March this year they suggested that ‘on the balance of probability, No₂ itself is responsible for some of the health impact found to be associated with it in epidemiological studies’.</p>
17	Residential		√	<p>“Wonderful News” – Air quality in new Street is horrific and has been for many years. The only solution has to be traffic related, and if you solve the objective in Option 1 then Option 2 would also see improvement as well. A one way road system would cut emissions by approximately 50%, and improve pedestrian safety as an added bonus.</p>
18	Business		√	<p>Following your recent communication I write to express my deep concern regarding the potentially disastrous outcome that could arise following this consultation.</p>

				<p>Obviously poor air quality is completely unacceptable and measures must be made to firstly ensure that air quality readings are accurate and reliable and that the acceptable threshold is consistent with national acceptable levels.</p> <p>I suggest that the smallest possible area of New Street (option 1) is designated as an AQMA and continually monitored.</p> <p>If it is found that this area continues to report high levels of Nitrogen dioxide then measures must be implemented to help disperse the air pollution by mechanical means such as fans and air ducts combined with continuous drain/vent kerbs which could circulate fresh air.</p> <p>I most strongly object to any restriction of light traffic travelling along New Street as this two way street, the main entry and exit carriageway for visitors to Selby town centre from the North, these visitors are the lifeblood of all our town centre business and it is vitally important that we make their journey as easy as possible without any restriction, therefore helping Selby to compete with the numerous 'out of town' shopping centres in our local area.</p>
18		6	9	<p>3 Respondents did not indicate an Option but did give a name and contact details. 3 Responses were anonymous two of which had opted for Option 1 and one for Option 2.</p> <p>In conclusion is that Option 2 is the preferred option.</p>

Option 1



Option 2



Selby District Council

Environment Act 1995 Part IV Section 83(1)

Selby District Council

Air Quality Management Area for Nitrogen Dioxide Order No 1

Selby District Council in exercise of the powers conferred upon it by Section 83(1) of the Environment Act 1995, hereby makes the following Order:

This Order may be cited as the Selby District Council Air Quality Management Area for Nitrogen Dioxide Order No 1 and shall come into effect on XXXXXXXX.

The area shown on the attached map in red is to be designated as an air quality management area (the designated area). The designated area incorporates [name of streets and building numbers].

The map may be viewed at the Council Offices.

This Area is designated in relation to a likely breach of the nitrogen dioxide annual mean objective as specified in the Air Quality Regulations 2000.

This Order shall remain in force until it is varied or revoked by a subsequent order.

Dated this XX day of XXXXXXXXXX, 2016

The Common Seal of Selby District Council

was hereto affixed and signed in the presence of

Selby District Council

REPORT

Reference: E/15/48

Item 5 - Public



To: The Executive
Date: 4 February 2015
Status: Key Decision
Report Published: 27 January 2016
Author: Jodie Taylor – Lead Officer Finance
Executive Member: Councillor C Lunn – Lead Member for Finance & Resources
Lead Officer: Karen Iveson – Executive Director (s151)

Title: Financial Results and Budget Exceptions Report to 31 December 2015

Summary:

At the end of quarter 3, the full year forecast for the General Fund shows an estimated surplus of £151k (£0k Core, £2k Communities & £149k Access Selby) and the HRA shows a surplus of £521k (£242k Core & £279k Access Selby). There is currently a shortfall of £157k on the Access Selby's General Fund savings plan and a shortfall of £132k against the Core's General Fund savings plan; the HRA savings target contains headroom of £79k. The HRA Capital Programme is progressing well with minimal slippage expected for the year. Within the General Fund Capital Programme there are a number of projects that will not be completed in 2015/16 and will need budgets to be carried forward if they are to be completed.

Recommendations:

- i. The Executive endorse the actions of officers and note the contents of the report.
- ii. Delegated authority be given to Executive Director s151 to approve a drawdown from the Elections Reserve to cover the shortfall between the electoral spend and the allowable claim.

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 if necessary.

1. Introduction and background

- 1.1 At the end of quarter 2 the General Fund showed an estimated deficit of -£8k (£0k Core, £2k TSO & -£10k Access Selby) and the HRA a surplus of £321k (£131k Core & £190k Access Selby).

2. The Report

Financial Results

- 2.1 **Appendix A** presents the major forecasted variances identified to date for 2015/16 against approved budgets.

General Fund – Revenue

- 2.2 The full year forecast for the General Fund currently shows an estimated surplus of £151k (£0k Core, £2k Communities & £149k Access Selby).

General Fund	Budget £000's	Forecast Full Year Variance £000's
Core	4,932	0
Access Selby	5,682	149
Communities Selby	193	2
	10,807	151

- 2.3 At the end of quarter 3 the Core's General Fund is forecasting a breakeven position against a budgeted deficit of (£34k). The main contributing factors to this improvement to budget is a small amount of additional grant £9k mainly from new homes bonus, an estimated underspend on homeless funding of £31k, slightly offset by increased audit costs and Core support costs. There is potentially a requirement to drawdown additional funding from the Elections reserve as there is a shortfall between total electoral spend and the allowable claim submitted to the Election Claims Unit. The full extent of the shortfall will be known early January but is expected to be between £32-45k.
- 2.4 Access Selby's General Fund variance includes: increased Planning Income of £170k after allocation of additional resources to manage the additional demand. There is a shortfall of housing benefit subsidy of (£240k) due to a fall in claim numbers against budget, this is offset by a reduction in payments to claimants of £239k. The lifeline service is currently forecasting a shortfall in grant income of (£188k) as a result of a reduction in the support, this is partially offset by an increase in private subscribers to the service bringing in an additional £111k (Including £13k for telecare) to give a net shortfall of (£77k). There has been an improvement with the position on recycling with tonnages slightly increased and the sale of recyclates increasing from £17 per tonne to £53 per tonne. If these prices and conditions were to continue then the current budget for recycling income & credits would be exceeded

by £20k. This however is an area with high volatility and prices will continue to be monitored closely.

Housing Revenue Account

- 2.5 The HRA full year forecasted surplus is £521k (£242k Core & £279k Access Selby).

HRA	Budget £000's	Forecast Full Year Variance £000's
Core	6,952	242
Access Selby	4,269	279
Communities Selby	0	0
	11,221	521

- 2.6 The Core's HRA variance includes interest payments of £225k from not yet taking additional borrowing for housing development; and Housing Rents of £18k, although this is influenced by sales and voids. Access Selby's HRA variance includes Right to Buy Admin fees of £26k based on current sales estimates; and Garage Rents of £33k - the budget was reduced for 2015/16 to reflect sites identified for development but until work commences occupancy remains at previous levels; £100k savings for various repairs and maintenance, the largest one being gas servicing (£57k) that has seen demand for repairs drop following the installation of modern boilers; There is £38k additional income for backdated community centre charges and these variances are in addition to the budgeted surplus of £94k.

Capital

- 2.7 Within the General Fund a decision has been made not to progress with the housing management system due to issues that came to light with the tender, this will be re-procured at a later date and may require the budget to be carried forward. Work on the Portholme Road Culvert civil engineering project will commence in January 2016 with work on site expected October 2016. Planning applications have been submitted for phase 1 of the housing development new build projects with start on site expected late spring.
- 2.8 Good progress is being made on the HRA capital programme. Work is complete on the painting programme and the Kitchen replacements with work progressing well on Electrical rewires, heating systems, door replacements and damp works. The tendering for the Laurie Backhouse Court refurbishment will start early January with work expected to start towards the end of 2015/16 financial year. The details of all budget exceptions can be found in **Appendix B**.

Savings

- 2.9 **Appendix C** presents an update on progress against the Council's savings action plan for the General Fund and HRA.

- 2.10 At the end of quarter 3 there is a savings shortfall of £157k against the General Fund savings plan for Access Selby, this is an increase in the budgeted shortfall of £92k of £65k. This shortfall has been reflected in the full year forecasted position. Forecasted underspends and increased income are going some way to mitigate this, however officers are working to plug the shortfall. The Core General fund is currently £132k short of its savings target for 2015/16 and the HRA has exceeded its target for the year by £79k.

Programme for Growth

- 2.11 Work is progressing well with the Leisure Village with completion on track for June 2016. Following the success of the first graduate programme the second tranche of graduates have been recruited. Work is progressing well with the growing enterprise strand of the programme with a programme of monthly enterprise cafes scheduled and the SME advisor commenced in November 15. Details of the Programme for growth can be found in **Appendix D**.

3. Legal/Financial Controls and other Policy matters

Legal Issues

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

Financial Issues

- 3.2 Forecasts are based on information available and subject to change as the year progresses – officers monitor actual income and expenditure against budget and forecasts will be refined as necessary. There are contingencies within the budgets to cope with unforeseen pressures.

4. Conclusion

- 4.1 The shortfall against the Access Selby savings plan has impacted the forecasted year end position; however additional income and efficiencies are helping to mitigate the impact of the shortfall. There has been an improvement with sales and credits for recycling although it continues to be an area of high volatility. Capital programme for the HRA is progressing well with minimal unplanned slippage expected at this stage however the General Fund may require some budgets to be carried forward to future years if they are to be completed.

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Appendices:

- Appendix A – General Fund and Housing Revenue Account Revenue budget exceptions
- Appendix B – General Fund and Housing Revenue Account Capital Programme
- Appendix C – General Fund and Housing Revenue Account Savings
- Appendix D – Programme for Growth

BUDGET EXCEPTIONS REPORT

April 2015 - November 2015

Core

General Fund Income

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Other government Grants	2,150	9	One-Off	Small amounts of additional grant received including New Homes Bonus (7k)
Total Variance - General Fund Income		9		

Core

General Fund Expenditure

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Supplies and Services	686	23	On-going	Anticipated saving on homeless funding £31k, it not expected that Access Selby will bid for additional support this financial year, this is offset by small increases in Audit and Core Support costs.
Total Variance - General Fund Expenditure		23		
Total Variance - Operating Surplus/(deficit)		32		

Access Selby
General Fund Income

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Government Grants	17,769	(433)	On-going	The lifeline service is currently forecasting a net shortfall as a result of a reduction in the support grant and a subsequent reducing client base (£188k), this is partly offset by an increasing private payers base giving a net (£77k) shortfall. Housing Benefit payments are forecast to be less than budget estimates, resulting in lower subsidy receipts of approx (£240k) (offset in expenditure).
Customer & Client Receipts	4,107	373	On-going	The shortfall in lifeline grant is partially mitigated by an increase in private payers £98k and Telecare income £13k, a new Friends & Family tariff is being piloted to attract new business. Planning fee income is expected to exceed budget by £170k although additional resources have been committed against this. Commercial Waste income is currently forecasting to exceed target by £8k. Legal fees are exceeding expectations by £25k, Court costs raised are expected to exceed budget by £23k, Land Charges £10k, special waste collections £7k and Recycling income £21k from better prices for paper per tonne.
Total Variance - General Fund Income		(60)		

Access Selby
General Fund Expenditure

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Employees	6,270	14	On-going	Projected salary savings from vacancies and frozen posts.
Premises	658	11	On-going	Car Park savings from reduced NNDR charges due to rateable value, repairs and utility savings £23k, Industrial Unit repairs £6k and Civic Centre grounds maintenance saving due to new SLA £9k offset by NNDR on empty buildings (£11k) the old Profiles Gym site, and increased spend on litter bins (£6k).
Benefit Payments	17,186	239	On-going	The number of claimants has not risen in line with the assumptions made when the budget was set.
Savings	(170)	(65)	On-going	Current anticipated shortfall against the Access Selby savings target. Officers continue to work towards meeting the target. This is in addition to the budgeted shortfall of £92k giving a total savings shortfall of £157k.
Total Variance - General Fund Expenditure		199		
Total Variance - Operating Surplus/(deficit)		139		

Core

Housing Revenue Account Income

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Housing Rents	12,489	18	On-going	It is currently anticipated that rent income will exceed budget but is influenced by sales during the year and the number of voids. Rent will also be reduced by taking properties out of management for development such as Byram Park Rd flats, this will be mitigated by HRA contingency.
Total Variance - Core HRA Income		18		

Core

Housing Revenue Account Expenditure

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
External Interest Payable	2,638	225	On-going	This saving was due to no additional borrowing being taken out for new developments within the HRA.
Total Variance - Core HRA Expenditure		225		
Total Variance - Core HRA		243		

**Access Selby
Housing Revenue Account Income**

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Customer & Client Receipts	127	79	On-going	Estimated Right to Buy administration fees based on a forecast of 20 sales in the year £26k and charges to former tenants for repairs and property clearance to council dwellings £22k. Community Centres have seen a windfall in income from room hire due from NYCC, there were a number of years where charges were not levied but due £38k. Hostel income is anticipated to reduce (£6k) due to Edgerton being rarely utilised pending closure, Ousegate will compensate from an increase in capacity.
Garage Rents	93	33	On-going	The budget was reduced for 2015/16 to reflect sites identified for development but until work commences occupancy remains at previous levels.
Total Variance - HRA Income		112		

**Access Selby
Housing Revenue Account Expenditure**

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Premises	778	100	One-Off	Savings on Solid Fuel Servicing £10k mainly from reduced repairs, Hostel utilities & repairs £6k, Grounds Maintenance costs £6k, repairs and gas for the community centres £20k and Gas Servicing contract £57k from reduced repairs from dwellings having modern boilers.
Supplies & Services	1,160	(24)	One-Off	Due to the demand for adaptations to properties, an overspend of (£50k) is anticipated offset by materials £21k due to procurement, sub-contractors £10k due to maintaining staffing levels and additional income mentioned above. Costs have been incurred associated with housing development projects (£6k).
Total Variance - HRA Expenditure		76		
Total Variance - Access Selby HRA		188		

2015/16 Selby District Council Capital Programme - To 30 November 2015

General Fund	Annual Budget	Year to date Budget	Year to date Actual	Year to date Variance	Forecast	Forecast Variance	Comments
Industrial Units - Road Adoption	23,785	0	780	780	23,785	0	Incremental progress has taken place, Yorkshire Water have adopted the sewer underneath and some street lighting has been installed. Highways will inspect the road when all lighting works are completed to establish if anything else is required for adoption.
Tadcaster Central Area Redevelopment	2,000	0	0	0	2,000	0	Planting work completed, just awaiting invoice.
Mast Relocation Project	139,060	0	0	0	0	-139,060	No immediate plans to relocate mast unless a proposal is submitted by the owners of the old Civic Centre. Decision to be made at year end about whether or not to carry the budget forward.
Portholme Road Culvert	150,000	0	89	89	150,000	0	Contract terms & conditions have been agreed and draft contract sent off. Consultancy contract (civil engineering) commences January 16. Expect to spend £20 to £30k this year which will involve commissioning the work to start on site approximately October 16 for completion late 2016/17 subject to costings.
Tadcaster Bus Station	25,000	25,000	25,000	0	25,000	0	Completed
Transactional Website	38,590	0	0	0	0	-38,590	Website is live as part of phase 1- phase 2 will see a joint development project of the CRM and web. The saving is to be utilised for the next phase of the CRM project below.
Northgate Revs & Bens	15,000	7,500	3,900	-3,600	12,000	-3,000	Upgrades for annual billing and universal credit further patches are anticipated later in the year. Any saving although not fully established will be required to fund shortfall in budget such as DIP maintenance.
Electronic Payments Project	70,190	0	0	0	70,190	0	Part of £100k project, a project officer has been recruited and a purchase order raised to enable payments to be collected electronically for Council Tax, NNDR, Rents, Housing Benefit overpayments and sundry debts. Awaiting a response as when to be on site to proceed.
ICT Infrastructure Replacement	40,000	14,000	14,000	0	15,000	-25,000	Required for hardware implementation, on hold pending NYCC options. Utilised for IT equipment for the CIL. The remaining balance has not yet been earmarked for a specific project but may be required when NYCC take over the IT service.
DIP Upgrade	19,510	19,510	22,444	2,934	22,444	2,934	Complete, slightly overspent on retention works, but savings on Northgate will offset this.
IDOX Upgrade	7,000	0	0	0	6,500	-500	Committed £6.5k for Public Access, to complete early 2016.
Environmental Health System	33,000	25,000	27,062	2,062	39,562	6,562	Committed a further £12.5k to migrate Environmental Health in to Planning systems by April 2016.
Councillor I-Pads	18,340	0	0	0	18,340	0	Currently under trial. Business case will be brought forward in 2015/16. Solutions to progress this are under discussion with NYCC as they currently do not currently support I-pads.
CRM	55,380	55,380	82,000	26,620	93,970	38,590	The first phase of this project is almost complete with only the Community Officers case management still to deliver. This has been scoped and some test processes produced. Funded from remaining website budget saving above.
Mobile Working Solution	249,800	0	0	0	249,800	0	ICT Board recommended to wait until the outcome of the council review before looking at this project - the business case will be reviewed and a delivery plan put together. It will impact on the profile of the savings which is highlighted on the savings schedule.
Genero Housing System	125,610	0	0	0	0	-125,610	It has been decided not to proceed with this project in its current format, during the process a number of issues came to light such as the detail of the implementation plan and allocation of resources. This will be retendered and the budget carried forward.
ICT - Desktop Replacement Programme	17,500	8,750	2,103	-6,647	17,500	0	Continued cycle of replacement of IT equipment. Replacements paused until IT function transfers to NYCC from Craven DC.
Asset Management Plan - Leisure & Parks	3,350	0	-9,653	-9,653	3,350	0	2015/16 phase for Tadcaster Leisure Centre fencing and Selby Park pavilion timber cladding complete. A structural engineering report has been received regarding a crack in Tadcaster Leisure Centre wall, the cause being tree roots. The tree is to be felled and the wall repaired, to be met from the remaining balance.
Burn Airfield	1,768,000	1,768,000	1,783,676	15,676	1,783,676	15,676	Purchase complete.

2015/16 Selby District Council Capital Programme - To 30 November 2015

Private Sector - Home Improvement Loans	37,200	0	777	777	37,200	0	Committed currently to spend a further £12k. There have been some repayments which were not predicted.
Disabled Facilities Grants	447,230	0	64,938	64,938	300,000	-147,230	Current expected spend based on spend to date and grant approvals awaiting completion is £193,000. Further applications due based on enquiries received to date meaning expect to finish around 300k at end of the year. Meeting regularly with the HIA to discuss progress. This saving will remain within capital receipts as the grant funding is utilised first.
New Build Projects	1,550,000	0	0	0	1,550,000	0	Planning Applications have been submitted for phase 1 of the development projects. Work is estimated to start on site in June 2016
	4,835,545	1,923,140	2,017,116	93,976	4,420,317	-415,228	

2015/16 Selby District Council Capital Programme - To 30 November 2015

Housing Revenue Account	Annual Budget	Year to date Budget	Year to date Actual	Year to date Variance	Forecast	Forecast Variance	
Kitchen Replacements	421,900	390,000	378,870	-11,130	421,900	0	Main kitchen programme complete, remaining budget to be used for void properties and other one-off replacements.
Pointing Works	300,000	10,000	8,948	-1,052	300,000	0	Currently on hold until the outcome of the Tadcaster Structural survey are complete.
Electrical Rewires	260,000	195,000	151,879	-43,121	240,000	-20,000	Work continues on full and partial rewires, some work is linked with the kitchen replacement programme. A small saving is anticipated.
Bathroom Replacements	180,000	10,000	2,706	-7,294	180,000	0	Tenders received and evaluated to replace 66 bathrooms. Work is to commence on site from January, likely will all be committed this year.
Airey Property Works	0	0	-8,917	-8,917	0	0	Completed.
Asbestos Surveys	30,000	0	0	0	30,000	0	Work is required to meet current legislation standards, a new format is required to match up with the new housing system implementation.
Central Heating System Replacements	890,480	400,000	347,727	-52,273	450,000	-440,480	Continued rolling programme of heating replacements. Struggling to complete E7 replacement as tenants do not want disruption. This work is only being completed when a property becomes void. The anticipated saving will remain in the major repairs reserve where it is likely to be used for future replacement programmes.
Roof Replacements	555,600	0	3,395	3,395	555,600	0	Scheme in Tadcaster currently on hold, with a view to commence during 2015/16 pending more detailed survey work which commenced in December. Any uncommitted budget at the end of the year will need to be carried forward to continue the scheme along with any other potential funding required from the results of the survey.
Damp Works	250,000	150,000	147,909	-2,091	250,000	0	Work continues to cover more responsive work including some prevention measures (improving ventilation).
External Cyclical Repairs (Painting & Windows)	113,000	113,000	113,004	4	113,004	4	Completed.
External Door Replacements	134,000	120,000	113,911	-6,089	134,000	0	Work is progressing and is anticipated to be completed by February.
Void Property Repairs	53,500	20,000	16,638	-3,362	53,500	0	This work is responsive to the level of void properties and is dependent on each individual scenario as to the level of work required. The level of void work is being managed both through capital and revenue budget.
Fencing Programme	40,000	30,000	25,292	-4,708	40,000	0	Budget has been fully committed for the year.
St Wilfrids Court - Fire Alarm	25,000	0	0	0	25,000	0	In conjunction with the Laurie Backhouse Court works.
Laurie Backhouse Court - Refurbishment	200,000	10,000	7,106	-2,894	200,000	0	Work is being tendered straight after Christmas now all the plans have been drawn up, with work aiming to start this year but unlikely to be completed during 2015/16.
Environmental Improvement Plan	160,000	13,333	7,760	-5,573	80,000	-80,000	Scheme has been rolled out to Community Officers to develop CEF area based proposals. However, there is still likely to be a significant underspend at year end as schemes will not have been identified, this is a saving in year and won't be carried forward to 2016/17.
Housing Development Project	140,000	30,000	29,790	-210	140,000	0	Compensation payments to tenants of the Byram Park Road flats and corresponding costs of demolition.
	3,753,480	1,491,333	1,346,018	-145,315	3,213,004	-540,476	
Total Capital Programme	8,589,025	3,414,473	3,363,135	-51,339	7,633,321	-955,704	

Access Selby - General Fund Savings

Proposed Savings	Sponsor	Ref	Status	2015/16	2016/17	2017/18	2018/19	Members' Update
				£	£	£		
IT & Transformation Workstream								
CRM Replacement	J Lund	TR001	Red	8,980	66,252	66,252	66,252	Phase 1 saw CRM went live in July 2015. Phase 2 is currently being scoped. Saving in 15/16 come from reduced maintenance. In order for savings from 16/17 onwards to be realised capacity savings need to be utilised.
Mobile Working	J Lund	TR002	Red	-	41,728	41,728	41,728	Project currently under review by Access Selby Directors. Any changes will be reflected in the savings plan once the review is complete. It may be that these savings potential are reduced as a result of other projects such as customer & community.
Review of planning advice and consultants	E Scothern	TR005	Green	3,750	3,750	3,750	3,750	Savings achieved on experts but due to increased number of applications the overall spending might not be reduced.
Joint Business Support Manager Post	J Barlow	TR006	Green	3,632	-	-	-	Saving to be reviewed in conjunction with options for long term arrangements
Formal amalgamation of District newspaper and County Council publications	J Barlow	TR008	Amber	3,000	3,000	3,000	3,000	Collaboration working successfully in 2015/16 with 2 shared editions to date. No formal arrangement for anything going forward but it is expected a shared arrangement of some sort will continue.
Better Together	J Lund	TR010	Amber	22,000	150,000	150,000	150,000	Savings achieved in finance (£22k finance & £26k Core). Savings not achieved to date for assets as still occupying the vivars. Target for 15/16 was £75k this is unlikely to be achieved.
Electronic Payments	J Lund	TR011	Amber	0	25,000	25,000	25,000	Project linked to CRM and will follow in the later phases.
Improved Revs & Bens Value for Money	J Lund	TR012	Amber	21,440	25,000	50,000	50,000	Competitive Dialogue process to commenced in July 2015. - £21k saving will be achieved in 2015/16 due to frozen post. Next round of meetings to be held in January 15.
Further Internal Efficiencies (Outside of Better Together)	Various	TR013	Red	0	0	50,000	50,000	To date no further efficiencies have been highlighted for 16/17 there are projects that will commence to reviv planning and EH but and savings as a result are likely to fall into 16/17.
Access Selby Commercialisation	Mark Steward	TR014	Amber	5,000	10,000	50,000	50,000	Business development are conducting a wider assets review to enable them to take this project forward and highlight areas for improvement. It is also unlikely the £50k target will be achieved in 16/17 this is expected to be more in the region of £5-10k.
Total Transformation				67,802	324,730	439,730	439,730	
Commissioning Workstream								
Printers		CO001	Green	18,811	18,811	18,811	18,811	Completed
Lifeline pendants	S Parkinson	CO002	Green	-	67,576	69,000	69,000	Projected savings on track to be delivered
Postage and Mail	G Bruce	CO003	Amber	5,000	5,000	5,000	5,000	Further work required before savings can be confirmed
Supplier Engagement	K Cadman	CO005	Amber	-	20,000	20,000	20,000	£6k identified to date to be saved from 16/17 onwards Contracts team have a schedule of contracts to be re-procured and expect the target will be very close to being achieved.
Reduce Tail end spend	K Cadman	CO006	Amber	8,500	14,500	14,500	14,500	£8.5k realised already in relation to car park tickets & telephones - £6k additional savings still to be identified in 2016/17 onwards. 15/16 element is Green
IT Service Contracts	G Shelley	CO007	Amber	7,500	7,500	7,500	7,500	Options currently under review in conjunction with wider options around IT services.
External Audit - Grants Audit Fee	K Iveson	CO008	Green	8,130	8,130	8,130	8,130	Completed
Lexis Nexis Legal Library	J Barlow	CO010	Green	13,500	13,500	13,500	13,500	Completed
Community Support Vehicle lease	S Parkinson	CO011	Green	3,940	3,940	3,940	3,940	Completed
Improved Waste / Recycling Value for Money	K Iveson	CO012	Red	-	-	100,000	100,000	Service under pressure due to growth in property numbers.
Maximise use of Civic Centre Office Space	J Lund	CO013	Amber	10,500	45,000	45,000	45,000	Savings for 15/16 achieved longer term savings will be dependant on arrangements with partners such as the police. 15/16 savings are green

Proposed Savings	Sponsor	Ref	Status	2015/16	2016/17	2017/18	2018/19	Members' Update
				£	£	£		
Total Commissioning				75,881	203,957	305,381	305,381	
Income Generation Workstream								
Negotiation for share of out performance on Council Tax collection	G Marshall	IG001	Amber	3,961	3,961	3,961	3,961	Target under constant review and outcome is based on full year performance, final figure cannot be confirmed till year end and the estimate is in line with previous trends.
Land Charges Income - Search fees	G Marshall	IG007	Amber	48,000	21,000	21,000	21,000	In future years it is possible that some of this income may go direct to the Land registry - this will be kept under close review and updated once further information is received. Income has been achieved for 2015/16.
Legal Income	J Barlow	IG008	Green	32,750	8,750	8,750	8,750	On track to achieve savings from increase in fee-generating work.
Street Naming & Numbering	G Shelley	IG010	Green	30,000	30,000	30,000	18,000	Original target of £18k for 15/16 is expected to be exceeded with a revised estimate of £30k being set for the year.
Registrar Service	D Richardson	IG012	Green	10,994	10,994	10,994	10,994	Completed
Caravan inspection fee	S Parkinson	IG014	Green	2,000	2,000	2,000	2,000	On track to achieve savings
Policy changes to introduce new income streams	E Scothern	IG015	Red	0	78,783	80,823	80,823	Commercialisation project established to identify further opportunities but unlikely to result in any additional savings for 2015/16.
Community Support Lifeline Income	S Parkinson	IG016	Amber	20,000	20,000	20,000	20,000	Income growth has been achieved, however due to grant funding being reduced the additional income is only currently mitigating the loss.
Total Income Generation				147,705	175,488	177,528	165,528	
Other								
Agency Staff	J Barlow	OT001	Red	-	2,500	2,500	2,500	Savings opportunity identified for future years
NY regional strategy officer	S Parkinson	OT002	Green	2,520	2,520	2,520	2,500	Completed
Community Support Office telephone savings	S Parkinson	OT003	Green	9,600	9,600	9,600	9,600	Completed
Contracts General Office Expenses	E Scothern	OT004	Green	360	360	360	360	Completed
Contracts - Officer subsistence general saving	E Scothern	OT005	Green	200	200	200	200	Completed
Commercial Waste	E Scothern	OT006	Green	1,160	1,160	1,160	1,160	Completed
Environmental Health & Housing telephone savings	E Scothern	OT007	Green	430	430	430	430	Completed
Housing Benefits - Overpayments subsidy	G Shelley	OT008	Green	67,000	67,000	67,000	67,000	£32.5k target exceeded for 15/16 and current forecasts show £67k is expected for the year. It is expected that this figure will also be realised (and exceeded) going forward following a bid for additional resources. Figure will be confirmed at year end
Total Other				81,270	83,770	83,770	83,750	
Total General Fund Savings in Progress				372,658	787,945	1,006,409	994,389	
Savings Target				529,566	747,221	950,790	950,790	
Headroom/Deficit (+/-)				** - 156,909	40,724	55,619	43,599	
Green Savings				208,777	248,721	250,145	238,125	
Amber Savings				154,901	349,961	414,961	414,961	
Red Savings**				8,980	189,263	341,303	341,303	
Total				372,658	787,945	1,006,409	994,389	

Core Savings Plan

Key:

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

Proposed Savings	Status	2015/16 £	2016/17 £	2017/18 £	2018/19	Progress
Procurement Workstream						
Leisure Management Contract	Green	75,000	187,915	196,487	174,907	Completed
Community / Pooled Budgets	Red	-	10,000	10,000	10,000	No work has commenced on this project will be reviewed as part of the customer and community project.
Improved waste / recycling value for money	Red	-	-	100,000	100,000	Due to fall in the price received for the sale of recyclates this income is at risk.
Inflation Savings on Street Scene Contract	Green	-	99,110	99,110	99,110	Savings resulting from contract inflation
Banking tender	Green	10,000	10,000	8,400	8,400	Completed
Total Procurement		85,000	307,025	413,997	392,417	
Transformation Workstream						
Better Together - Finance	Green	26,000	43,800	44,240	44,240	Savings will be achieved in 2015/16 - Future years will be dependant on the success of the trial period to date £48k achieved
Total Transformation		26,000	43,800	44,240	44,240	
Value for Money Workstream						
Internal Drainage Boards	Green	20,000	-	-	-	levies lower than budgeted for 2015/16
Ward Boundary Review	Green	41,430	41,430	41,430	41,430	Completed
Total Value for Money		61,430	41,430	41,430	41,430	
Base Budget Review Workstream						
NDR Base Budget Review - Various small sites	Green	14,390	14,390	14,390	14,390	Completed
Total Base Budget Review		14,390	14,390	14,390	14,390	
Discretionary Service Review Workstream						
Total Discretionary Service Review		0	0	0	0	
Income Generation Workstream						
Use of assets for advertising space	Amber	25,000	25,000	25,000	25,000	Negotiations ongoing with NYCC about income split in 15/16
General Fund Housing Development	Amber	25,000	25,000	50,000	50,000	Interest from loans to SDHT - Final figures to be confirmed at year end following SJS completion (expected to be between £22-25k).
Green Energy	Red	-	-	150,000	150,000	The feasibility report confirms that a ground and roof mounted schemes are possible but pending changes to government subsidies means that detailed business case will be deferred and therefore a scheme will not be delivered to achieve a saving in 16/17.
Total Income Generation		50,000	50,000	225,000	225,000	
Total General Fund Savings		236,820	456,645	739,057	717,477	
Savings Target		369,068	210,430	552,224	530,644	
Headroom/Deficit (+/-)		** -132,248	246,215	186,833	186,833	
Green Savings		186,820	396,645	404,057	382,477	
Amber Savings		50,000	50,000	75,000	75,000	
Red Savings**		-	10,000	260,000	260,000	
Total		236,820	456,645	739,057	717,477	

Key: **HRA Savings Plan**

Green: Savings likely to be achieved/low risk

Amber: Tentative savings - further work required/medium risk

Red: Requires a change in Council policy or significant change in service delivery/high risk

Proposed Savings	Status	2015/16	2016/17	2017/18	2018/19	Progress
		£	£	£	£	
Review of Property Services unfilled posts	Green	50,000	50,000	50,000	50,000	Completed
Gas Servicing Contract	Green	20,000	20,000	20,000	20,000	Completed
Grassed Areas & Open Spaces base budget review	Green	29,000	29,000	29,000	29,000	Completed
Various Suppliers	Green	22,000	22,000	22,000	22,000	Completed
WTT - Savings	Green	129,591	129,591	129,591	129,591	Completed
2011/12 Pay Award	Green	27,000	27,000	27,000	27,000	Completed
Car Allowances	Green	5,600	5,600	5,600	5,600	Completed
Savings on Audit Fees and early Retirement Charges	Green	40,460	40,460	40,460	40,460	Completed
Ryecare Help-Line Telecom Saving	Green	700	700	700	700	Completed
Consolidation of IT Budgets	Green	23,685	23,685	23,685	23,685	Completed
Electrical Testing - R&M	Green	15,000	15,000	15,000	15,000	Completed
Vehicle Tracking System	Green	500	500	500	500	Completed
Direct Works - Phones	Green	2,000	2,000	2,000	2,000	Completed
Grants Audit Fees	Green	6,000	9,390	9,390	9,390	Completed
Clear Access Footways	Green	2,500	2,500	2,500	2,500	Completed
Footpaths	Green	10,000	10,000	10,000	10,000	Completed
Gutters & Fallpipes	Green	5,000	5,000	5,000	5,000	Completed
Tenants Participation - Housing Reports	Green	370	370	370	370	Completed
Energy Performance Certificates	Green	3,000	3,000	3,000	3,000	Completed
SDC Contract Hire Vehicles	Green	18,000	18,000	18,000	18,000	Completed
Asbestos Removal	Green	500	500	500	500	Completed
Solid Fuel Servicing	Green	12,470	12,470	12,470	12,470	Completed
Communal Lighting	Green	3,350	3,350	3,350	3,350	Completed
Pumping Stations	Green	3,210	3,210	3,210	3,210	Completed
Lift Maintenance	Green	1,300	1,300	1,300	1,300	Completed
Bank charges	Green	1,600	1,600	1,600	1,600	Completed
Debt collection costs	Green	1,300	1,300	1,300	1,300	Completed
Hostels	Green	5,230	5,230	5,230	5,230	Completed
HRA Investment Interest	Green	-	8,000	17,000	21,000	Completed
Van Fuel (oil price & fuel card savings)	Green	-	2,450	2,450	2,450	Completed
Resource Accounting	Green	-	4,000	4,000	4,000	Completed
Rent - Bank Charge Savings	Green	-	1,000	1,000	1,000	Completed
Use of Temporary Accommodation	Green	-	13,740	13,740	13,740	Completed
Community Centres	Green	-	9,600	9,600	9,600	Completed
Total Housing Revenue Account Savings		439,366	481,546	490,546	494,546	
Savings Target		360,000	360,000	360,000	360,000	
Headroom/Deficit (+/-)	**	79,366	121,546	130,546	134,546	
Green Savings		439,366	481,546	490,546	494,546	
Amber Savings		-	-	-	-	
Red Savings**		-	-	-	-	
Total		439,366	481,546	490,546	494,546	

Programme for Growth

Projects	Capital £	Revenue £	Annual Budget £	Year to date Actual	Year to date Variance	Forecast	Forecast Variance	Comments
Programme Management	-	-	-	3,308	- 3,308	3,308	- 3,308	Final pay - Programme manager
Healthy living - concepts fund	-	175,000	35,000	-	35,000	35,000	-	£29,400 in 2015/16 and £14,700 in 2016/17 committed to a Healthy Schools Programme. Unspent balances remain available for bids.
Leisure Village	6,000,000	-	6,000,000	1,832,448	4,167,552	6,000,000	-	The Leisure village is progressing well and on budget with the June 16 opening date on track. Over the Christmas period, the outer shell is expected to be completed to make it weather and water tight with work to commence on fitting out the interior in the new year.
Selby Skate Park	75,000	-	75,000	-	75,000	75,000	-	Agreement reached between SDC, Users and Operators on design of external park, planning issues now being resolved before a final scheme/costs comes forward for approval.
Ready 4 Work	-	16,556	16,556	16,556	-	-	-	The first graduate programme successfully completed the end of September 2015 and 2 new graduate trainees have been recruited.
Growing enterprise	-	175,000	69,000	4,703	64,297	69,000	-	Growing Enterprise start-up costs in Yr 1 were in relation to setting up incubation units and pop-up retail units. Some initial investigation work has been undertaken and, as a result, this part of the programme is currently being re-reviewed with a re-profiled budget being developed as part of this in the new year.
Market Selby's USP	-	62,664	22,664	-	22,664	22,664	-	To ensure this project supports the outcomes of the emerging Economic Development strategy for the district, the project will be held pending the approval of the ED strategy which is expected next year. Spend will then be re-profiled accordingly.
Community skills/capacity building	-	100,000	100,000	-	100,000	100,000	-	Following discussion of an initial options paper, it has been agreed that this programme will be co-ordinated with the delivery of the Economic Development Strategy. In the meantime, a number of partnership/funding opportunities have been identified in relation to basic skills; these are currently being explored with partners.
Retail experience: Tadcaster Linear Park		100,000	100,000		100,000	100,000	-	Planning permission will be sought in the coming weeks and, following this, a delivery plan for the project will be developed. The impact of the temporary foot bridge will need to be assessed in terms of timescales and delivery.
Retail experience: STEP		151,576	151,576	19,556	132,020	151,576	-	Following an away day on 24 Nov 2015, the STEP have agreed to focus on three key delivery priorities for 2016: 1. Street scene; 2. Retail mix and markets; and 3. Events and visitors
Retail experience: Sherburn		100,000	100,000		100,000	100,000	-	Following the signing of the grant agreement, Groundworks have been commissioned by Sherburn in Elmet Parish Council to manage the project delivery. It is expected that £40k will be drawn down at the start of 2016. The project is expected to be completed by the end of the 2016/17 financial year.

Construction skills hub	-	20,000	20,000	-	20,000	20,000	-	The group have produced a Selby Construction Skills Prospectus to help engage potential investors and developers. This has been shared with the developer for the Olympia Park site who has confirmed their initial support. The next step will be to meet with the developer to seek firm commitment for the proposals and to work up an implementation plan.
Empty homes	100,000	15,475	52,475	-	52,475	52,475	-	A review is being undertaken of the work completed so far, which will be presented to CMT in January, along with proposals for taking the agenda forward.
Housing Trust	-	133,750	51,250	7,000	44,250	51,250	-	Housing Development Management support provided through a shared role.
St Josephs St	-	31,000	31,000	-	31,000	31,000	-	Construction on track - funding drawdown awaiting final scheme costs from Selby and District Housing Trust
Green energy	-	30,000	30,000	8777	21,223	30,000	-	Exploration of a ground mounted solar farm has concluded that it will not be possible to deliver a scheme by the end of 2015/16 in order to take advantage of the current subsidy regime and therefore it is proposed that these plans are deferred until 'grid parity' is reached (anticipated within the next 2-3 years. Further work on the feasibility of a roof mounted scheme on the Council's housing stock will be undertaken over the next 3-6 months and revised timescales and savings will be assessed.
Strategic sites	-	285,000	185,000	369	184,631	185,000	-	Fund to bring forward larger sites in the district for development. Study being undertaken at various sites to establish future potential. Some work has commenced regarding the future of Eggborough Power Station and some feasibility work regarding Kellingley Colliery as an employment site. This work is in its early stages and as such don't anticipate committing more than £20k this year.
Town master planning	-	250,000	250,000	54,494	195,506	250,000	-	On-going piece of work undertaken by Spawforths to set a direction of growth for our market towns. It is likely this piece of work will cost £100k and anticipate completion by May 16. There will be other sub-projects to commence on the back of the Local Plan.
Green infrastructure	-	20,000	20,000	-	20,000	20,000	-	
Economic Development Projects arising from ERYC peer review	-	50,000	50,000	11,794	38,206	50,000	-	To produce an Economic Development Strategy to deliver an Economic Development function for the district. Evidence presented to the Executive on 27 November and the internal consultation period has just ended. In the new year the strategy will be produced for Selby District Council and anticipate the budget will be fully committed by year end.
Improvements to gateways	-	3,639	3,639	-	3,639	3,639	-	
Total	6,175,000	1,719,660	7,363,160	1,959,004	5,404,156	7,366,468	- 3,308	

Selby District Council

REPORT

Reference: E/15/49

Item 6 - Public



To: The Executive
Date: 4 February 2016
Status: Key Decision
Report Published: 27 January 2016
Author: John Raine – Head of Technical Finance, NYCC
Executive Member: Councillor C Lunn – Lead Member for Finance & Resources
Lead Director: Karen Iveson – Executive Director (s151)

Title: Treasury Management – Monitoring Report to 31 December 2015

Summary:

This report reviews the Council's borrowing and investment activity (Treasury Management) for the 9 month period 1 April to 31 December 2015 and presents performance against the Prudential Indicators.

Investments – Money market investment rates have remained low throughout 2015, with interest rates continuing at historically low levels and a rise in bank rate not now expected until late 2016 at the earliest. However, the Council's cash balances remain buoyant and as a result, an outturn of £230k is forecasted, which is slightly below the budget of £248k.

Borrowing – the Council has long term borrowing of £60.3m at 31 December 2015. Interest payments of £2.5m are forecast for 2015/16.

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 December 2015 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 2015/16 and covers the period 1 April to 31 December 2015. 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 and Prudential Indicators was approved by Council on 24 February 2015.
- 1.4 The two key budgets related to the Council’s treasury management activities are the amount of interest earned on investments £248k (£200k General Fund, £48k HRA) and the amount of interest paid on borrowing £2.525m (£112k General Fund, £2.413m HRA).

2. The Report

Interest Rates and Market Conditions

- 2.1 The Bank of England is continuing to maintain interest rates at 0.5% The Councils Treasury Management advisors are forecasting a rise in bank rate by December 2016 based on their interest rate forecast update from January 2016. Bank rate is projected to increase slowly and gradually thereafter, reaching 1.75% by March 2019.
- 2.2 Consumer Price Inflation (CPI) has been largely flat throughout the financial year starting out at -0.1% in April and ended December slightly higher at 0.1%. The Retail Price Index (RPI) also rose slightly in December 2015 to 1.1% from 0.9% in April 2015.
- 2.3 Table 1 shows recent average interest rates available up to a duration of 12 months and reflects the lack of movement in rates since the start of

the year. As bank rate remains low and with no expectation for any increases until December 2016 at the earliest, investment rates are not expected to improve significantly for the remainder of 2015.

Table 1: Average Interest Rates 1 April 2015 to 31 December 2015

	April 2015	June 2015	Sept 2015	Dec 2015
Base Rate (Bank Rate)	0.50	0.50	0.50	0.50
Over Night	0.30	0.30	0.40	0.40
7 Days	0.40	0.40	0.40	0.40
1 month	0.40	0.45	0.45	0.45
3 Months	0.50	0.50	0.55	0.55
6 Months	0.60	0.65	0.70	0.70
1 Year	0.90	0.90	1.00	1.00

- 2.4 The Council's Treasury Advisors, Capita provided a forecast for interest rates for both investments and PWLB borrowing as part of the Treasury Management Strategy. This forecast is regularly monitored and 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

	2015	2016				2017		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	%	%	%	%	%	%	%	%
Bank Rate	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.75
5 Yr PWLB	2.50	2.60	2.80	2.90	3.00	3.20	3.20	3.40
25 Yr PWLB	3.80	4.00	4.20	4.30	4.40	4.50	4.60	4.70
50 yr PWLB	3.80	4.00	4.20	4.30	4.40	4.50	4.60	4.70

- 2.5 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 both in this financial year and next financial year. However, bank rate is expected to rise slowly and gradually from late 2016 onwards.
- 2.6 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 continue to vote for no change to the levels of quantitative easing in recent meetings and any change in approach is unlikely in the short term.

Table 3: Forecast for Interest Rates December 2015

	2015	2016				2017		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	%	%	%	%	%	%	%	%
Bank Rate	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25
5 Yr PWLB	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70
25 Yr PWLB	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90
50 yr PWLB	3.20	3.20	3.30	3.40	3.50	3.60	3.70	3.80

Annual Investment Strategy

2.7 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.

2.8 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 1.00% whilst minimising the on-going risks within the banking sector.

2.9 The Council continues to invest in only highly credit rated institutions using the Capita 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 six months of the year for fixed term deposits (maximum £20m). Appendix A shows an analysis of Investments at 1 April - 31 December 2015.

2.10 While interest rates have remained low throughout 2015, cash balances have continued at relatively high levels, this is mainly due to a change in the timing of the payments made to central governments for their share of NNDR. The current forecast is that the Council will achieve interest income of £230k (£186k allocated to the General Fund; £44k to the Housing Revenue Account).

2.11 The investment of the cash balances of the Council are managed as part of the investment pool operated by North Yorkshire County Council (NYCC). As at 31 December 2016 £34.0m was held with NYCC at an average rate of 0.61%.

- 2.12 The Council has a benchmark of its budget target of 1% to reflect performance of investments. The overall average rate to September of 0.68% is below benchmark. However, the Council's cash balances remain high which will support the interest earned budget as investment income rates remain low. The forecast is kept under constant review.
- 2.13 The average level of funds available for investment during the nine months to 31 December was £33.1m. Over the course of 2015/16 these cash balances are expected to reduce to £30.0m, 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 which has increased cash available to invest in the short term. The Council holds approximately £14.0m 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).

Borrowing

- 2.14 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 three months of the year.
- 2.15 The TMSS indicated that there was a requirement to take long term borrowing during 2015/16 to support the budgeted capital programme. However, the 2015/16 forecast borrowing requirement is entirely dependent on the progress of the Selby Leisure Village within the Programme for Growth and the level of funding required for Housing Development loans to Selby and District Housing Trust. Any borrowing requirement will be confirmed as the project plans are finalised.
- 2.16 The Council approved an Authorised Borrowing Limit of £79.0m (£78m debt and £1m Leases) and an Operational Borrowing Limit of £71.0m (£70m debt and £1m Leases) for 2015/16. The highest total gross amount of debt in the year to 31 December has not been more than £60.3m on any occasion.
- 2.17 The Council overall was in an under borrowed position of £0.5m at 31 March 2015. This means that capital borrowing is currently slightly below the Council's underlying need to borrow. This position has resulted from a revision of the Council's Capital Financing Requirement. Over the next 3 years investment rates are expected to continue to be below long term borrowing rates. A value for money assessment would therefore indicate that value could be obtained by delaying new borrowing and continuing to use internal cash balances to finance capital expenditure.

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 advisors (Capita and North Yorkshire County Council) 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, continues to have an impact on the Council's investment returns and will continue to do so for some while.

5. Background Documents

Accountancy treasury management files

Appendices:

Appendix A – Analysis of Deposits at 1 April, 30 June, 30 September and 31 December 2015

Appendix B – Prudential Indicators as at 31 December 2015

APPENDIX A

Analysis of Deposits At 1 April 2015, 30 June 2015, 30 September 2015 and 31 December 2015

Institution	At 1 April 2015			At 30 June 2015			At 30 September 2015			At 31 December 2015		
	Amount £'000	Maturity	Rate %	Amount £'000	Maturity	Rate %	Amount £'000	Maturity	Rate %	Amount £'000	Maturity	Rate %
Lloyds	3,000	16-Oct-15	1.00	3,000	16-Oct-15	1.00	3,000	16-Oct-15	1.00			
Lloyds	2,000	04-Aug-15	0.95	2,000	04-Aug-15	0.95						
Newcastle City Council	1,000	28-Sep-15	1.00	1,000	28-Sep-15	1.00						
Newcastle City Council	3,000	07-May-15	1.00									
North Yorkshire County Council	15,315			22,886			28,529			33,979		
Total Deposits	24,315			28,886			31,529			33,979		

Prudential Indicators – As at 31 December 2015

Note	Prudential Indicator	2015/16 Indicator	Quarter 3 Actual
1.	Mid Year Capital Financing Requirement £'000	65,511	64,195
	Gross Borrowing £'000	61,070	61,070
	Investments £'000	17,975	33,979
2.	Net Borrowing £'000	42,358	27,090
3.	Authorised Limit for External Debt £'000	79,000	79,000
4.	Operational Boundary for External Debt £'000	71,000	71,000
5.	Limit of fixed interest rates based on net debt %	100%	100%
5.	Limit of variable interest rates based on net debt %	30%	30%
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%
	1 Year to 2 Years %	20%	0%
	2 Years to 5 Years %	50%	1.66%
	5 Years to 10 Years %	50%	10.77%
	10 Years to 15 Years %	50%	0%
	15 Years and above %	90%	87.57%

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.

APPENDIX B

2. Net Borrowing (Gross Borrowing less Investments) – this must not except in the short term exceed 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 Councillor’s 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. The debt in the 15 years and over category is spread over a range of maturities from 23 years to 50 years.

Selby District Council

REPORT

Reference: E/15/150

Item 7 - Public



To: The Executive
Date: 4 February 2016
Status: Key Decision
Briefing Published: 27 January 2016
Author: John Raine – Head of Technical Finance
Executive Member: Councillor C Lunn – Lead member for Finance & Resources
Lead Director: Karen Iveson – Executive Director (s151)

Title: Treasury Management – Treasury Management Strategy Statement 2016/17, Minimum Revenue Provision Policy Statement 2016/17, Annual Investment Strategy 2016/17 and Prudential Indicators 2016/17.

Summary:

This report presents for approval the proposed Treasury Management Strategy together with the Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2016/17 and Prudential Indicators 2016/17 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 2016/17 is set at £74m
- ii. The Authorised Borrowing Limit for 2016/17 is set at £79m
- iii. Councillors delegate authority to the Executive Director (s151) to effect movement within the agreed authorised boundary limits for long-term borrowing for 2016/17 onwards.
- iv. Councillors delegate authority to the Executive Director (s151) to

effect movement within the agreed operational boundary limits for long-term borrowing for 2016/17 onwards.

- v. **The treasury management strategy statement 2016/17 be approved.**
- vi. **The minimum revenue provision policy statement for 2016/17 be approved.**
- vii. **The treasury management investment strategy for 2016/17 be approved.**
- viii. **The prudential indicators for 2016/17 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.

2. The Report

Treasury Management Strategy

- 2.1
 - The Council's 'Authorised Limit for External Debt' is £79m for 2016/17, which is the maximum that can be borrowed in the year;

- The 'Operational Boundary' (the maximum amount that is expected to be borrowed) is £74m in 2016/17, which includes £5m 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 £5m respectively);
- Following the reform of the Housing Revenue Account (HRA) in 2011/12 the Council operates 2 borrowing pools – one for the General Fund and one for the HRA.
- The Council has a range of loans with differing maturity limits in order to smooth out the repayment profile – the value of loans at 31/12/15 is £60.333m at an average rate of 4.19%;
- Total investments are around £33.1m at an average rate of 0.66%.

Minimum Revenue Provision (MRP) Policy

- 2.2
- MRP for new borrowing will be based on the asset life;
 - The MRP policy has been reviewed for 2016/17 and no changes are considered necessary;
 - Total MRP for 2016/17 is £1,818k (£268k for loans, £1,175k HRA and £375k for leases)

Annual Investment Strategy

- 2.3
- The Council's day to day investments are now managed as part of an overall investment pool operated by North Yorkshire County Council (NYCC);
 - In order to facilitate the pooling of investments with NYCC, the Council's Annual Investment Strategy and Lending List has been aligned to that of NYCC;
 - While it is recognised that there is value in pooling investments, responsibility for risk management lies wholly with the Council and officers of the Council and NYCC are explicitly required to follow Treasury Management policies and procedures;
 - The priorities for investing the Council's cash reserves remain the security of capital and liquidity of funds;
 - Cash balances for investment are expected to range between £20m and £35m over the coming year dependent upon cashflows;
 - An average rate of return of 1.50% has been estimated for 2016/17.

Prudential Indicators

- 2.4
- The Council plans to spend £5.7m on capital projects in 2016/17
 - This expenditure will be funded from major repairs reserve, capital receipts, grants or revenue resources & borrowing;
 - Principle (Minimum Revenue Provision or MRP) and interest repayments on current and proposed borrowing, less interest on investments, equate to 3.53% of the General Fund Budget and 28.79% of the HRA net budget in 2016/17.
 - Taking into account all capital spending plans during 2016/17 there is a borrowing requirement of £1.25m for the General Fund and £1.25m for the HRA.

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 (Capita Asset 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 2016/17
Appendix B – Minimum Revenue Provision Policy 2016/17
Appendix C – Capital Prudential Indicators 2016/17
Appendix D – Borrowing Strategy 2016/17
Appendix E – Annual Investment Strategy 2016/17

TREASURY MANAGEMENT STRATEGY STATEMENT 2016/17

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.

1.3 **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

1.4 **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. In addition the Executive will receive quarterly update reports.

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 **Scrutiny** – The above reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Executive.

1.7 The suggested Treasury Management Strategy for 2016/17 covers the two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;

- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

- 1.8 The CIPFA Code requires the Executive Director (s151) to ensure that members with responsibility for treasury management, particularly those with responsibility for scrutiny, receive adequate training in treasury management. Training has been provided to members by Capita Asset Services and further training will be arranged as required.
- 1.9 The Council uses Capita Asset Services, Treasury Solutions as its external treasury management advisors.
- 1.10 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)

MINIMUM REVENUE PROVISION POLICY STATEMENT 2016/17

1. Introduction

- 1.1 The statutory requirement for local authorities to charge the revenue account each year with a specific sum for debt repayment is governed by statutory guidance issued under the Local Government and Public Involvement in Health Act 2007 and Statutory instrument 2008 no 414. The statutory duty requires that the Council shall determine for the financial year an amount of minimum revenue provision (MRP) that it considers prudent, with responsibility being placed upon the Council to approve an annual MRP policy statement.

2. Minimum Revenue Provision Policy

- 2.1 In May 2008 the Council set its MRP policy. It is therefore appropriate that the annual review of the MRP policy is undertaken as part of this Annual Treasury Management Strategy.
- 2.2 The Council's MRP policy is based on the Governments Statutory Guidance and following a review no further changes are considered necessary and the policy for 2016/17 is therefore as follows:

- (a) For all **Capital expenditure incurred before 1 April 2008** which formed the General Fund Capital Financing Requirement (CFR) that is capital expenditure funded through borrowing will be charged at 4% of the outstanding balance each year.

The exception to this is for the 2006/07 Public Conveniences Capital Project. The public conveniences scheme is charged over 15 years, which was agreed as part of the funding for the refurbishment programme, in line with the asset life method.

- (b) For **locally agreed Prudential Borrowing on capital expenditure incurred after 1 April 2008**, MRP will be calculated based either on equal annual instalments over the estimated useful life of the asset for which the borrowing is undertaken; or the annuity method where MRP is linked to the flow of benefits from an asset where the benefits are expected to increase in later years, Where additional voluntary provision is made in any year it may be matched by an appropriate reduction in a subsequent year's MRP.

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 organisation's 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.

However, in the case of long term debtors arising from loans or other types of capital expenditure incurred by the Council which will be repaid under separate arrangements, there will be no MRP made. The Council is satisfied that a prudent provision will be achieved after exclusion of these capital expenditure items.

The Council does not charge MRP on its non-operational 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.

- (c) Any **finance lease** that comes onto the balance sheet via the requirements of International Financial 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. Repayments included in finance leases are applied as MRP.

2.3 In 2016/17 MRP chargeable to the General Fund will relate to historic debt liability of £1.6m, public conveniences of £0.1m, the new civic centre of £2.1m and an estimated £2.1m for the Leisure Village Development. This gives rise to an MRP liability of £0.3m for 2016/17 (£0.2m for 2015/16).

2.4 No revenue charge is currently required for the HRA. However under HRA reform the HRA is required to charge depreciation on its assets, which will have a revenue effect. In order to address any possible adverse impact, regulations allow the Major Repairs Allowance to be used as a proxy for depreciation for the first five years.

THE CAPITAL PRUDENTIAL INDICATORS 2016/17 – 2018/19

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 is reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2. Capital Expenditure:

- 2.1 This prudential Indicator is a summary of the Council's capital expenditure plans. Members are asked to approve the capital expenditure forecasts summarised in Table 1.

Table 1: Capital Expenditure

Capital Expenditure	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
General Fund	6,593	10,900	2,173	1,777	1,809
HRA	2,967	5,163	3,510	3,320	3,320

- 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.
- 2.3 As part of our aspirations for Selby District the Council has approved a 'Programme for Growth' which includes a number of revenue and capital initiatives aimed at stimulating activity associated with jobs, housing,

infrastructure, retail and leisure. While these strategic initiatives have been included in the capital expenditure plans shown in Table 1, any changes may require the Council to reconsider its borrowing requirements, depending on the external resources it is able to lever towards the programme.

- 2.4 The Development Strategy for the Selby and District Housing Trust set out proposals on the funding of the Trust by the Council and HRA. The Housing Development scheme is also included in the capital expenditure programme shown in Table 1.

Table 2: Financing of Capital Expenditure

Capital Expenditure	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
General Fund	6,593	10,900	2,173	1,777	1,809
HRA	2,967	5,163	3,510	3,320	3,320
Total	9,560	16,063	5,683	5,097	5,129
Financed By:					
Revenue & Reserves	4,678	8,974	1,599	1,016	1,020
Capital Receipts	2,913	329	175	145	145
Grants	568	155	155	155	155
Major Repairs Allowance / Reserve	1,401	1,333	1,254	1,281	1,309
Borrowing - Debt	0	5,272	2,500	2,500	2,500
Borrowing - Leases	0	0	0	0	0
Total	9,560	16,063	5,683	5,097	5,129

- 2.5 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.
- 3.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

Table 3: Capital Financing Requirement

	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
CFR General Fund	4,150	7,685	8,664	9,646	10,630
CFR GF Leases	737	681	656	431	205
Total CFR General Fund	4,887	8,366	9,320	10,077	10,385
CFR HRA	53,379	53,754	53,829	53,904	53,979
TOTAL CFR	58,266	62,120	63,149	63,981	64,814
Movement in CFR	-1,527	3,854	1,029	832	833
Movement in CFR represented by					
Net Financing need for the year	0	5,622	2,850	2,650	2,650
Less MRP & Other financing movements	-1,527	-1,768	-1,821	-1,818	-1,816
Movement in CFR	-1,527	3,854	1,029	832	832

- 3.3 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.

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

	2014/15 Actual %	2015/16 Forecast %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
GF	3.32	6.01	3.53	4.72	4.14
HRA *	28.69	28.38	28.79	29.07	29.40

* This is the impact of the HRA settlement. The Council no longer pays into the housing subsidy system and keeps all of its income stream to service the debt.

- 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 2016/17 budget setting round are shown in table 6.

Table 6: Incremental Impact of Capital Investment Decisions

Capital Investment Impact Upon:	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Annual Band D Council Tax	0.00	2.88	2.85	2.82
Average Annual Housing Rent	0.00	2.14	4.36	2.28

- 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.

BORROWING STRATEGY 2016/17

- 1.1 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 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 31/12/15

		Principal		Ave. rate
		£m	£m	%
Fixed rate funding	PWLB	53.833		
	Market	<u>6.500</u>	60.333	4.19
Variable Rate Funding	PWLB	0		
	Market	0	0	0
Other long term liabilities	Leases	0.737	0.737	3.74
TOTAL DEBT			<u>61,070</u>	<u>4.18</u>
TOTAL INVESTMENTS			33,148	0.68

- 1.2 The Council's treasury portfolio position as at 31 December 2015 is shown in Table 1 and the forecasted position at 31 March 2016, with forward projections 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

	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
External borrowing					
Borrowing at 1 April	61,476	60,070	61,014	60,989	59,764
Expected Change in Borrowing	0	0	0	-1,000	0
Leases	-406	-56	-25	-225	-226
Actual borrowing at 31 March	61,070	61,104	60,989	59,764	59,538
CFR – the borrowing need *	58,266	62,210	63,149	63,981	64,814
Under / (over) borrowing	2,804	-1,106	-2,160	-4,217	-5,276
Investments					
Total Investments at 31 March	29,514	30,000	27,000	25,000	22,500
Investment Change	7,264	486	-3,000	-2,000	-2,500
Net Borrowing	31,556	31,104	33,989	34,764	37,038

2. **Treasury Limits for 2016/17 to 2018/19**

- 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 (General Fund) had no difficulty meeting this requirement in 2014/15, nor are any difficulties envisaged for the current (2015/16) or future years (2016/17 – 2018/19). 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 the 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”, it incorporates 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

Authorised Limit for External Debt	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Borrowing	70,000	76,000	78,000	81,000	82,000
Other Long Term Liabilities	2,000	1,000	1,000	1,000	1,000
Total	72,000	77,000	79,000	82,000	83,000

- 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	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Borrowing	65,000	71,000	73,000	76,000	77,000
Other Long Term Liabilities	2,000	1,000	1,000	1,000	1,000
Operational Boundary Total	67,000	72,000	74,000	77,000	78,000

- 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 2013/14 and 2014/15 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 Capita Asset 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 Capita central view.

Table 5: Capita View interest rate forecast – January 2015

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2016	0.50	2.00	3.40	3.20
Jun 2016	0.50	2.10	3.40	3.20
Sep 2016	0.50	2.20	3.50	3.30
Dec 2016	0.75	2.30	3.60	3.40
Mar 2017	0.75	2.40	3.70	3.50
Jun 2017	1.00	2.50	3.70	3.60
Sep 2017	1.00	2.60	3.80	3.70
Dec 2017	1.25	2.70	3.90	3.80
Mar 2018	1.25	2.80	4.00	3.90
Jun 2018	1.50	2.90	4.00	3.90
Sep 2018	1.50	3.00	4.10	4.00
Dec 2018	1.75	3.10	4.10	4.00
Mar 2019	1.75	3.20	4.10	4.00

4. Borrowing Requirement

- 4.1 The Council is currently maintaining a marginally over-borrowed position in 2015/16. This means that the Council's capital borrowing is slightly higher than the underlying need to borrow. As a result of the capital expenditure plans set out in **Appendix C, Table 1** the Council is expected to be in an under-borrowed position from 2016/17 onwards as shown in **Table 5** below. This is a prudent

strategy as investment returns are low and counterparty risk is relatively high – this approach will be carefully monitored during 2016/17.

Under/(Over) Borrowing Position	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
General Fund	1,550	5,085	6,064	7,046	8,030
HRA	-4,354	-3,979	-3,904	-3,829	-3,754
Overall Position	-2,804	1,106	2,160	3,217	4,276

- 4.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Executive Director (s151) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- 4.3 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.
- 4.4 If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years..
- 4.5 Any decisions will be reported to the Executive at the next available opportunity.
- 4.6 The current capital programme funding forecasts for 2016/17 to 2018/19 shows that there is a borrowing requirement for both the General Fund and HRA. However there may be a further requirement to fund part of the potential Leisure Village project from borrowing and this will be confirmed once and if the project is approved. The borrowing needs for future years will be reviewed as the capital programmes are confirmed.
- 4.7 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

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

Table 7 : Maturity Structure Fixed Rate Borrowing 2016/17

Maturity Structure New Borrowing 2016/17	Upper Limit	Lower Limit
Under 12 Months	20%	0%
12 Months and within 2 Years	20%	0%
2 Years and within 5 Years	50%	0%
5 Years and within 10 Years	50%	0%
10 Years and within 15 Years	50%	0%
15 Years and over	90%	20%

- 4.8 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.
- 4.9 The Council's current debt portfolio as shown in Table 1 is made up of £53.833m 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) and the HRA Self Financing Settlement (£50.233m) to enable opportunities to generate savings if appropriate. This element of the debt portfolio will be kept under review.
- 4.10 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).
- 4.11 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).

Consideration will also be given to identify if there is any potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt

Maturity Structure New Borrowing 2016/17	Upper Limit	Lower Limit
Under 12 Months	20%	0%
12 Months and within 2 Years	20%	0%
2 Years and within 5 Years	50%	0%
5 Years and within 10 Years	50%	0%
10 Years and within 15 Years	50%	0%
15 Years and over	90%	20%

- 4.12 Any rescheduling of debt will be reported to Executive at the meeting following its action.
- 4.13 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 4.14 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

ANNUAL INVESTMENT STRATEGY STATEMENT 2016/17

1. Introduction

- 1.1 Under the Local Government Act 2003 the Council is required to have regard to Government Guidance in respect of the investment of its cash funds. This Guidance was revised with effect from 1 April 2010. The Guidance leaves local authorities free to make their own investment decisions, subject to the fundamental requirement of an Annual Investment Strategy being approved by the Council before the start of the financial year.
- 1.2 This Annual Investment Strategy must define the investments the Council has approved for prudent management of its cash balances during the financial year under the headings of **specified investments** and **non-specified investments**.
- 1.3 The Council's day to day investments are managed as part of the overall investment pool operated by North Yorkshire County Council (NYCC). In order to enable investments to be managed through the investment pool the Council is required to adopt an Annual Investment Strategy and Approved Lending List in line with that of NYCC.

2. Revisions to the Annual Investment Strategy

- 2.1 In addition to this **Investment Strategy**, which requires approval before the start of the financial year, a revised Strategy will be submitted to Council for consideration and approval under the following circumstances:
- (a) significant changes in the risk assessment of a significant proportion of the Council's investments;
 - (b) any other significant development(s) that might impact on the Council's investments and existing strategy for managing those investments during 2016/17.

3. Investment Policy

- 3.1 The parameters of the Policy are as follows:
- (a) the Council will have regard to the Government's Guidance on Local Government Investments as revised with effect from 1 April 2010, and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes;
 - (b) the Council's investment policy has two fundamental objectives;
 - the security of capital (protecting the capital sum from loss); and then
 - the liquidity of its investments (keeping the money readily available for expenditure when needed)
 - (c) the Council will also aim to seek the highest return (yield) on its investments provided that proper levels of security and liquidity are achieved. The risk appetite of the Council is low in order to give priority to

the security of its investments;

- (d) the borrowing of monies purely to invest or lend and make a return is unlawful and the Council will not engage in such activity;
- (e) investment instruments for use in the financial year listed under **specified** and **non-specified investment** categories (see **paragraph 5.1**);

4. Policy regarding loans to organisations in which the Council has an interest

- 4.1 (a) the Council's general investment powers under this Annual Treasury Management and Investment Strategy come from the Local Government Act 2003 (Section 12). Under this Act a local authority has the power to invest for any purpose relevant to its functions or for the purpose of the prudent management of its financial affairs
- (b) in addition to investment, the Council has the power to provide loans and financial assistance to organisations under the Localisation Act 2011 (and also formally under the general power of wellbeing in the Local Government Act 2000) which introduced a general power of competence for authorities (to be exercised in accordance with their general public law duties)
- (c) any such loans by the Council, will therefore be made under these powers. They will not however be classed as investments made by the Council and will not impact on this Investment Strategy. Instead they will be classed as capital expenditure by the Council under the Local Authorities (Capital Finance and Accounting) Regulations 2003, and will be approved, financed and accounted for accordingly
- (d) at present the Council has not made any such loans to other organisations.

5. Specified and non-specified Investments

5.1 Based on Government Guidance as updated from 1 April 2010.

- (a) investment Instruments identified for use in the forthcoming financial year are listed in the Schedules attached to this Strategy under the **specified** and **non-specified** Investment categories;
- (b) all **specified** Investments (see **Schedule A**) are defined by the Government as options with "relatively high security and high liquidity" requiring minimal reference in investment strategies. In this context, the Council has defined Specified Investments as being sterling denominated, with maturities up to a maximum of 1 year meeting the minimum high credit quality;
- (c) **Non-specified** investments (see **Schedule B**) attract a greater potential of risk. As a result, a maximum local limit of 20% of "core cash" funds available for investment has been set which can be held in aggregate in such investments;

(d) for both specified and non-specified investments, the attached Schedules indicate for each type of investment:-

- the investment category
 - minimum credit criteria
 - circumstances of use
 - why use the investment and associated risks
 - maximum % age of total investments
 - maximum maturity period
- } Non-Specified Only

(e) there are other instruments available as Specified and Non-Specified investments which the Council will NOT currently use. Examples of such investments are:-

Specified Investments - Commercial Paper
 - Gilt funds and other Bond Funds
 - Treasury Bills

Non-Specified Investments - Sovereign Bond issues
 - Corporate Bonds
 - Floating Rate notes
 - Equities
 - Open Ended Investment Companies
 - Derivatives

A proposal to use any of these instruments would require detailed assessment and be subject to approval by Members as part of this Strategy.

6. Creditworthiness Policy – Security of Capital and the use of credit ratings

6.1 The financial markets have experienced a period of considerable turmoil since 2008 and as a result attention has been focused on credit standings of counterparties with whom the Council can invest funds. It is paramount that the Council's money is managed in a way that balances risk with return, but with the overriding consideration being given to the security of the invested capital sum followed by the liquidity of the investment. The Approved Lending List will therefore reflect a prudent attitude towards organisations with whom funds may be deposited.

6.2 The rationale and purpose of distinguishing specified and non-specified investments is detailed in **paragraph 5.1** above. Part of the definition for a Specified investment is that it is an investment made with a body which has been awarded a high credit rating with maturities of no longer than 364 days. It is, therefore, necessary to define what the Council considers to be a "high" credit rating in order to maintain the security of the invested capital sum.

6.3 The methodology and its application in practice will, therefore, be as follows:-

(a) the Council will rely on credit ratings published by the three credit rating agencies (Fitch, Moody's and Standard & Poor's) to establish the credit quality (ability to meet financial commitments) of counterparties (to whom the Council lends) and investment schemes. Each agency has its own

credit rating components to complete their rating assessments. These are as follows:

Fitch Ratings

- Long Term - generally cover maturities of over five years and acts as a measure of the capacity to service and repay debt obligations punctually. Ratings range from AAA (highest credit quality) to D (indicating an entity has defaulted on all of its financial obligations)
- Short Term - cover obligations which have an original maturity not exceeding one year and place greater emphasis on the liquidity necessary to meet financial commitments. The ratings range from F1+ (the highest credit quality) to D (indicating an entity has defaulted on all of its financial obligations)

Moody's Ratings

- Long Term - an opinion of the relative credit risk of obligations with an original maturity of one year or more. They reflect both the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default. Ratings range from Aaa (highest quality, with minimal credit risk) to C (typically in default, with little prospect for recovery of principal or interest)
- Short Term - an opinion of the likelihood of a default on contractually promised payments with an original maturity of 13 months or less. Ratings range from P-1 (a superior ability to repay short-term debt obligations) to P-3 (an acceptable ability to repay short-term obligations)

Standard & Poor's Ratings

- Long Term - considers the likelihood of payment. Ratings range from AAA (best quality borrowers, reliable and stable) to D (has defaulted on obligations)
- Short Term - generally assigned to those obligations considered short-term in the relevant market. Ratings range from A-1 (capacity to meet financial commitment is strong) to D (used upon the filing of a bankruptcy petition).

In addition, all three credit rating agencies produce a Sovereign Rating which assesses a country's ability to support a financial institution should it get into difficulty. The ratings are the same as those used to measure long term credit.

- (b) the Council will review the "ratings watch" and "outlook" notices issued by all three credit rating agencies referred to above. An agency will issue a

“watch”, (notification of likely change), or “outlook”, (notification of a possible longer term change), when it anticipates that a change to a credit rating may occur in the forthcoming 6 to 24 months. The “watch” or “outlook” could reflect either a positive (increase in credit rating), negative (decrease in credit rating) or developing (uncertain whether a rating may go up or down) outcome;

(c) no combination of ratings can be viewed as entirely fail safe and all credit ratings, watches and outlooks are monitored on a daily basis. This is achieved through the use of Capita Asset Services creditworthiness service. This employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies. The credit ratings of counterparties are then supplemented with the following overlays;

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

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 coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:-

Colour	Maximum Investment Duration
Yellow	5 Years
Purple	2 Years
Orange	1 Year
Blue	1 Year (UK nationalised / semi nationalised banks only)
Red	6 Months
Green	100 Days
No Colour	No investments to be made

(d) given that a number of central banks/government have supported or are still supporting their banking industries in some way, the importance of the credit strength of the sovereign has become more important. The Council will therefore also take into account the Sovereign Rating for the country in which an organisation is domiciled. As a result, only an institution which is domiciled in a country with a minimum Sovereign Rating of AA- from Fitch or equivalent would be considered for inclusion on the Council’s Approved Lending List (subject to them meeting the criteria above). Organisations which are domiciled in a Country whose Sovereign Rating has fallen below the minimum criteria will be suspended, regardless of their own individual score/colour. The list of countries that currently qualify using this credit criteria are shown in Schedule D. This list will be amended should ratings change, in accordance with this policy;

- (e) in order to reflect current market sentiment regarding the credit worthiness of an institution the Council will also take into account current trends within the Credit Default Swap (CDS) Market. Since they are a traded instrument they reflect the market's current perception of an institution's credit quality, unlike credit ratings, which often focus on a longer term view. These trends will be monitored through the use of Capita Asset Services creditworthiness service which compares the CDS Market position for each institution to the benchmark CDS Index. Should the deviation be great, then market sentiment suggests that there is a fear that an institution's credit quality will fall. Organisations with such deviations will be monitored and their standing reduced by one colour band (paragraph 12.8 (c)) as a precaution. Where the deviation is great, the organisation will be awarded 'no colour' until market sentiment improves. Where entities do not have an actively traded CDS spread, credit ratings are used in isolation;
- (f) fully and part nationalised banks within the UK currently have credit ratings which are not as high as other institutions. This is the result of the banks having to have to accept external support from the UK Government. However, due to this Central Government involvement, these institutions now effectively take on the credit worthiness of the Government itself (i.e. deposits made with them are effectively being made to the Government). This position is expected to take a number of years to unwind and would certainly not be done so without a considerable notice period. As a result, institutions which are significantly or fully owned by the UK Government will be assessed to have a high level of credit worthiness;
- (g) all of the above will be monitored on a weekly basis through Capita Asset Services creditworthiness service with additional information being received and monitored on a daily basis should credit ratings change and/or watch/outlook notices be issued. Sole reliance will not be placed on the information provided by Capita Asset Services however. In addition the Council will also use market data and information available from other sources such as the financial press and other agencies and organisations;
- (h) in addition, the Council will set maximum investment limits for each organisation which also reflect that institution's credit worthiness – the higher the credit quality, the greater the investment limit. These limits also reflect UK Government involvement (i.e. Government ownership or being part of the UK Government guarantee of liquidity). These limits are as follows:-

Maximum Investment Limit	Criteria
£85m	UK "nationalised / Part Nationalised" banks / UK banks with UK Central Government involvement
£20m to £75m	UK "Clearing Banks" and selected UK based Banks and Building Societies
£20m or £40m	High quality foreign banks

- (i) should a score/colour awarded to a counterparty or investment scheme

be amended during the year due to rating changes, market sentiment etc., the Council will take the following action:-

- reduce or increase the maximum investment term for an organisation dependent on the revised score / colour awarded (in line with the boundaries and colours set in paragraph 12.8(c))
 - temporarily suspend the organisation from the Approved Lending List should their score fall outside boundary limits and not be awarded a colour
 - seek to withdraw an investment as soon as possible, within the terms and conditions of the investment made, should an organisation be suspended from the Approved Lending List
 - ensure all investments remain as liquid as possible, i.e. on instant access until sentiment improves.
- (j) if a counterparty / investment scheme, not currently included on the Approved Lending List is subsequently upgraded, (resulting in a score which would fulfil the Council's minimum criteria), the Executive Director (s151) has the delegated authority to include it on the Council's Approved Lending List with immediate effect;
- (k) a copy of the current Approved Lending List, showing maximum investment and time limits is attached at Schedule C. The Approved Lending List will be monitored on an on-going daily basis and changes made as appropriate. Given current market conditions, there continues to be a very limited number of organisations which fulfil the criteria for non specified investments. This situation will be monitored on an on-going basis with additional organisations added as appropriate with the approval of the Executive Director (s151).

7. Investment Strategy

7.1 Recognising the categories of investment available and the rating criteria detailed above

- (a) the Council's investments are managed as part of the overall investment pool operated by NYCC.;
- (b) on-going discussions are held with the Council's Treasury Management Advisor on whether to consider the appointment of an external fund manager(s) – any decision to appoint an external fund manager will be subject to Member approval;
- (c) the Council's cash balances consist of two basic elements. The first element is cash flow derived (debtors/creditors/timing of income compared to expenditure profile). The second, core element, relates to specific funds (reserves, provisions, balances, capital receipts etc.);
- (d) having given due consideration to the Council's estimated level of funds and balances over the next three financial years, the need for liquidity and day to day cash flow requirements it is forecast that a maximum of

£20m of the overall balances can be prudently committed to longer term investments (e.g. between 1 and 3 years);

- (e) investments will accordingly be made with reference to this core element and the Council's on-going cash flow requirements (which may change over time) and the outlook for short term interest rates (i.e. rates for investments up to 12 months);
- (f) the Council currently has four existing non-specified investments over 364 days at present; two separate deposits with Lloyds Bank (UK "Nationalised" Bank) and a further two separate deposits with other local authorities.
- (g) bank rate has been unchanged at 0.5% since March 2009 and underpins investment returns. It is not expected to start increasing until about late 2015;

The Council will, therefore, avoid locking into long term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within a 'low risk' parameter. Thus no trigger rates will be set for longer term deposits (two or three years) but this position will be kept under constant review and discussed with the Treasury Management Advisor on a regular basis.

Based on current bank rate forecasts, as outlined above, an overall investment return of about 1% is likely in 2015/16, 1.5% in 2016/17 and 2% in 2017/18.

- (h) for its cash flow generated balances the Council will seek to utilise 'business reserve accounts' (deposits with certain banks and building societies), 15 and 30 day accounts and short dated deposits (overnight to three months) in order to benefit from the compounding of interest.

8. Investment Report to Members

8.1 Reporting to Members on investment matters will be as follows:

- (a) in-year investment reports will be submitted to the Executive as part of the Quarterly Performance reports;
- (b) at the end of the financial year a comprehensive report on the Council's investment activity will be submitted to Executive;

9. Treasury Management Training

9.1 The training needs of the Council's staff and those of NYCC involved in investment management are monitored, reviewed and addressed on an on-going basis and are discussed as part of the staff appraisal process. In practice most training needs are addressed through attendance at courses and seminars provided by CIPFA, the LGA and others on a regular on-going basis.

9.2 The CIPFA Code also requires that Members with responsibility for treasury management receive adequate training in treasury management. This especially

applies to Members responsible for scrutiny (i.e. the Executive). An in-house training course for Members was previously provided by Capita Asset Services – Treasury Solutions. Further training will be arranged as required.

10. Policy on the Use of External Service Providers

- 10.1 The Council uses Capita Asset Services – Treasury Solutions as its external treasury management adviser. Capita provide a source of contemporary information, advice and assistance over a wide range of Treasury Management areas but particularly in relation to investments and debt administration.
- 10.2 Whilst the Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources, it fully accepts that responsibility for Treasury Management decisions remains with the authority at all times and will ensure that undue reliance is not placed upon the advice of external service providers.
- 10.3 Following a quotation exercise Capita Asset Services were appointed in September 2015 as a single provider of Treasury Management consultancy services for both the Selby District Council and North Yorkshire County Council. The appointment is for three years, with the option for a further two year extension. The value and quality of services being provided are monitored and reviewed on an ongoing basis.

11. The scheme of delegation and role of the Section 151 Officer in relation to Treasury Management

- 11.1 The Government's Investment Guidance (**paragraph 1.1**) requires that a local authority includes details of the Treasury Management schemes of delegation and the role of the Section 151 officer in the Annual Treasury Management/Investment Strategy.
- 11.2 The key elements of delegation in relation to Treasury Management are set out in the following Financial Procedure Rules (FPR):-
 - (a) This Council has adopted CIPFA's Treasury Management Code of Practice 2009 and will adopt any amendments/additions to that Code.
 - (b) A Treasury Management Policy Statement shall be adopted by the Council and thereafter its implementation and monitoring shall be delegated to the Executive Director with s.151 responsibilities.
 - (c)
 - (i) All money in the hands of the Council shall be under the control of the Executive Director with s.151 responsibilities – the officer designated for the purposes of Section 151 of the Local Government Act 1972, referred to in the Code as the Chief Finance Officer.
 - (ii) The Executive Director with s.151 responsibilities shall report to the Executive not less than twice in each financial year on the activities of the treasury management operation and on the exercise of delegated treasury management powers. One such report shall comprise an annual report on treasury management for presentation by 30 September of the succeeding financial

year.

- (d) At or before the start of the financial year the Executive Director with s.151 responsibilities shall report to the Executive on the strategy for treasury management it is proposed to adopt for the coming financial year.
- (e) All Executive decisions on borrowing, investment or financing shall be delegated to the Executive Director with s.151 responsibilities who shall be required to act in accordance with CIPFA's Treasury

11.3 The Treasury Management reporting arrangements in relation to the above are covered in more detail in **section 12**.

11.4 In terms of the Treasury Management role of the Section 151 officer (the Corporate Director – Strategic Resources), the key areas of delegated responsibility are as follows

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

12. Arrangements for Monitoring/Reporting to Members

12.1 Taking into account the matters referred to in this Strategy, the monitoring and reporting arrangements in place relating to Treasury Management activities are now as follows:

- (a) an annual report to Executive and Council as part of the Budget process that sets out the Council's Treasury Management Strategy and Policy for the forthcoming financial year;
- (b) an annual outturn report to the Executive for Treasury Management setting out full details of activities and performance during the preceding financial year.
- (c) a quarterly report on Treasury Matters to Executive as part of the Quarterly Performance and Budget Monitoring report;

Selby District Council

REPORT

Reference: E/15/51

Item 8 - Public



To: The Executive
Date: 4 February 2016
Status: Key Decision
Report Published: 27 January 2015
Author: Karen Iveson – Executive Director (s151)
Executive Member: Councillor C Lunn – Lead Member for Finance & Resources
Lead Officer: Karen Iveson – Executive Director (s151)

Title: Draft Revenue Budget and Capital Programme 2016/17 and Medium Term Financial Plan

Summary: This report presents the draft revenue budget and capital programme for 2016/17 to 2017/18 (General Fund and Housing Revenue Account). Subject to confirmation of the Formula Grant Settlement, the 2016/17 budgets show a forecasted surplus of £67k (after planned savings) on the General Fund and a £1.52m surplus on the HRA, which is required to fund the capital programme.

Recommendations:

It is recommended that:

- i. The draft budgets, bids and savings be submitted to Council for approval;
- ii. Council Tax is increased by 1.99% to £165.22

Reasons for recommendation: To ensure the Executives budget proposals are fully funded for 2016/17.

1. Introduction and background

1.1 The MTFS provides the strategic financial framework for medium term financial planning and annual budget setting. The Executive considered the draft Medium Term Financial Strategy (MTFS) on 4 September 2015 and submitted this to the Policy Review Committee for comments on 15 September 2015. However since then, a significant change to the Council's

Business Rates income for 2014/15 and 2015/16 has been identified (surpluses of £5m and £5.4m respectively) and consequently the Council's resource forecasts have had to be updated. A revised MTFs (covering General Fund activities) was submitted to Executive on 3 December 2015 and this draft strategy has been used to inform the proposed budget.

- 1.2 The Housing Revenue Account (HRA) and Housing Investment Programme (HIP) are covered by the Housing Business Plan (HBP). The HBP was approved by the Executive on 8 January 2015 and is scheduled for refresh over the coming year.
- 1.3 The MTFs assumes continuing cuts to central Government settlement funding although at the time of writing this report the extent and phasing of these cuts is not known. The MTFs recognises significant cash inflows from Business Rates anticipated in 2015/16 and 2016/17, set against continuing austerity and the need to deliver our savings plan 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 provision for the approved pay award of 1% from 2016/17 to 2018/19. The General Fund revenue budget includes contingencies totalling £300k and the HRA includes a contingency of £75k.

2. The Report

- 2.1 The draft revenue budgets for the 3 years from 2016/17 to 2018/19 are presented at **Appendix A** and the proposed capital programmes and Programme for Growth are shown at **Appendix B**.

General Fund Revenue Budget

- 2.2 The estimated position for 2016/17 including assumed savings and growth/commitments is as follows:

	2016/17 Budget £000's
Net Service Budget	10,545
Appropriations to Reserves (Net)	5,757
Net Budget	16,302
Council Tax	(4,982)
Revenue Support Grant	(1,121)
Business Rates (NNDR) baseline	(2,250)
Rural Services Delivery Grant	(33)
New Homes Bonus	(2,445)
Collection Fund Surplus – Council Tax	(129)
Collection Fund Deficit – Business Rates	(5,409)
Total Funding	(16,369)
Surplus transferred to General Fund balances	(67)

- 2.3 The draft budget includes committed growth where necessary along with proposals for discretionary growth. **Appendix D** identifies the proposals for approval (both revenue and capital).
- 2.4 The estimated surplus of £67k for 2016/17 is subject to planned savings of £752k, identified as amber and red savings at **Appendix C (i) & (ii)**.

Council Tax

- 2.5 The approved MTFS assumes a Council Tax increase of 2% for 2016/17 and a Council Tax Base of 30,154 (a rise of 3.5% on 2015/16 as a result of property growth and a reduction in Council Tax Support claims). However a 2% increase will require a referendum.
- 2.6 A 1.99% increase will take the Council average Band D charge from £162.00 to £165.22 – a rise of 6p per week.
- 2.7 Based on these assumptions, Council Tax income is estimated at £4.982m for 2016/17.

Settlement Funding and New Homes Bonus

- 2.8 A 10% cut in Settlement Funding has been assumed for 2016/17 in line with the draft MTFS. Allowing for an RPI increase in Business Rates Baseline Funding, the table below summarises the provisional settlement for Selby:

Local Government Finance Settlement February 2015	Actual 2015/16 £000's	Estimated 2016/17 £000's
Revenue Support Grant (RSG)	1,756	1,121
Business Rates Baseline Funding (BRBF)	2,232	2,250
Settlement Funding Assessment (SFA)	3,988	3,371

- 2.9 In addition the income from Business Rates highlighted in paragraph 1.1 above, will have a significant impact on the Council's financial outlook. A forecasted £5.4m surplus is assumed for 2016/17 although it is not known if similar levels of receipts can be expected going forward.
- 2.10 There is also uncertainty over New Homes Bonus – the budget assumes an award of £2.445m in 2016/17. Of this amount, £880k p.a. is funding the Programme for Growth with the remainder (£1.565m) supporting the Council's revenue budget. Improvements in Business Rates income provides the potential to replace these resources should the need arise but withdrawal of the scheme and loss of Business Rates income would require further savings.

Savings

- 2.11 A number of savings have already been identified as part of the budget process and the current savings action plans are attached at **Appendices C(i) and C(ii)**.

- 2.12 The Council had made good progress against its savings target to date, but it is becoming increasingly difficult to achieve further savings from a reducing cost base. However, the focus on delivering planned savings must be maintained, given the importance of savings in achieving the Council's financial (and wider) objectives and to avoid the use of balances to support on-going spending which is unsustainable in the medium to longer term.
- 2.13 The Council's approach to savings covers three key strands:
- **Transforming** our business through the use of technology and flexible working to meet citizen and customer needs;
 - **Growing** our resources through charging for services and trading externally;
 - **Commissioning** from and with partners to achieve shared efficiencies and reduce the demand for public sector services.
- 2.14 In order to help implement this strategy the Council is working with partners such as North Yorkshire County Council on a long term plan to share service delivery for the benefit of our customers and taxpayers generally.
- 2.15 However, such projects can take significant time and effort to bring to fruition so we will continue to work towards other savings in accordance with our strategy to ensure the Council's finances stay on a firm footing.

Housing Revenue Account

- 2.16 The HRA budgets have been prepared using assumptions on rent reductions based on the Government's formula. From 2016/17 to 2019/20 a 1% year on year reduction is to be imposed, which along with increasing right to buy sales, will put pressure on our ability to sustain the HRA in the long term unless sufficient replacement homes can be delivered. Over the next 4 years the loss of rent income is estimated at approximately £4m, although our forecasts for major capital works have been revised downwards following a stock condition survey in 2015/16.
- 2.17 The estimated position HRA for 2016/17 is shown below. Progress against the HRA savings action plan is ahead of target and therefore no further direct savings are planned for 2016/17, although opportunities for efficiencies will continue to be sought wherever possible and the HRA will benefit from savings to the Council's corporate overheads. Going forward we will continue to monitor the long term outlook for the HRA and carefully balance investment in enhancements to our existing stock and new build against the need for operational savings.

	2016/17 Budget £000's
Net Budget	10,679
Less Dwelling Rents	(12,199)
Surplus transferred to Major Repairs Reserve	(1,520)

- 2.18 A surplus position is anticipated for 2016/17 which will be required to meet the capital programme. Future surpluses will be transferred to the Major Repairs Reserve to either repay debt or spend on the future HRA capital programme, including new build projects.

General Fund Capital Programme

- 2.19 The General Fund capital programme includes previously approved projects as well as new growth – a summary of the growth proposals are shown at **Appendix D(i)** and the capital programme is attached at **Appendix B(i)**.
- 2.20 There is limited room for additional revenue contributions to support the capital programme and therefore it is largely supported by capital receipts, external grants and earmarked reserves. The following table presents a summary of the proposed programme:

Programme	2016/17 £000's	2017/18 £000's	2018/19 £000's
Asset Management Works	40	3	20
Replace Car Park Ticket Machines	52		
Collapsed Culvert	207		
Housing Development	1,250	,1,250	1,250
Grants	330	300	300
ICT Projects	263	192	239
Total Programme	2,142	1,745	1,809
Funding			
Capital Receipts	175	145	145
Grants	155	155	155
Reserves	562	195	259
Borrowing	1,250	1,250	1,250
Total Funding	2,142	1,745	1,809

- 2.21 Projects include Selby and District Housing Trust developments, Disabled Facilities Grants and ICT projects. The latter cover a range of replacement and new systems, hardware and infrastructure (including a Mobile Working solution) – funding for ICT replacement projects is covered by the ICT Replacement Reserve.

Housing Investment Programme

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

Programme	2016/17 £000's	2017/18 £000's	2018/19 £000's
Electrical	240	240	240
Central Heating	578	545	545
Roof Replacements			220
Damp Survey & Works	230	220	220
Doors & Windows	140	130	120

Kitchens	237	140	130
Pre-Paint & Cyclical	150	150	150
Pointing	300	300	300
Environmental Improvements	160	160	
New Build	1,250	1,250	1,250
Other	225	185	145
Total Programme	3,510	3,320	3,320
Funding			
Revenue Contributions	846	629	761
Major Repairs Reserve	1,254	1,281	1,309
Access Selby Reserve	160	160	
Borrowing	1,250	1,250	1,250
Total Funding	3,510	3,320	3,320

The MTF5 highlights expected s106 affordable housing committed sums and increased capital receipts from right to buy sales over the medium term and our spending plans will be revised once an assessment of an extended affordable housing programme has been done.

Programme for Growth

- 2.23 The 'Programme for Growth' is the Council's strategic programme to support delivery of its Corporate Plan. The programme comprises a range of cross cutting projects designed to 'make Selby a great place' by investing in economic development; housing; infrastructure; retail; and the leisure economy.
- 2.24 To date the programme has been funded largely by New Homes Bonus (up to £880k p.a.) and unallocated capital receipts. The significant Business Rates surplus for 2015/16 anticipated in 2016/17 will provide additional capacity within the programme to take forward the Council's emerging Economic Development strategy. At this stage more work on the potential proposals is needed and plans will be brought forward for consideration in due course. Details of the current programme are set out at **Appendix B(iii)**, a summary of the programme shows:

Programme	Capital £000	Revenue £000
Leisure	6,075	175
Jobs/skills	0	726
Housing*	100	180
Infrastructure/economic development	1,790	639
Contingency	0	513
Total	7,965	2,233
Funding		
Special Projects Reserves	5,793	2,231
Borrowing	2,172	0
Total Funding	7,965	2,233

*Note: The capital cost of the affordable homes is contained within the capital programme

Reserves

- 2.25 The Council has a robust reserves strategy which is reviewed annually as part of the refresh of the MTFS. A forecast of reserve balances based on the MTFS assumptions and draft budget, is set out at **Appendix E**. Budgeted appropriations to and from General Fund reserves for 2016/17 (including capital/programme for growth financing) are:

General Fund Reserves	£000's
Transfers to:	
Building Repairs	149
ICT Replacement - GF	150
- HRA	50
PFI	387
Pension Equalisation	183
District Election	34
Special Projects - Revenue	6,289
Local Plan	145
General Fund balance	67
Transfers from:	
NYCC Collaboration	(100)
ICT Replacement	(262)
PFI	(402)
Special Projects – Programme for Growth	(413)
Building Repairs	(92)
Discretionary Rate Relief Fund	(100)
Contingency	(211)
Net Appropriations from Reserves	5,874

- 2.26 Overall the Council's General Fund reserves are expected to increase by £5.87m in 2016/17 although plans to invest the Programme for Growth resources are expected over the coming months.
- 2.27 The HRA reserves are General Balances and the Major Repairs Reserve (MRR). The overall estimated surplus of £1.52m on the HRA for 2016/17 will be transferred to the MRR. The HRA capital programme will require £1.254m from the MRR in 2016/17.

Budget Risk Assessment

- 2.28 A risk assessment of the Council's major budgets has been carried out. The continuing turmoil in the wider economy, cuts to public sector funding and the volatility within the funding regime, mean greater financial risk for the Council. Areas that are particularly high risk are central government funding, income generation (for example planning fees and recycling income) and savings.
- 2.29 Demand led pressures are also increasing financial risk - for example property growth and increasing waste volumes are putting pressure on the street scene contract, although to date costs have been contained through round rebalancing.

- 2.30 The Council's contingency budgets and general balances provide a buffer for these risks and are crucial to ensure sustained financial resilience and viability.

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.

3.3 Consultation

- 3.3.1 Public consultation on the draft budget proposals is due to close on 31 January 2016. At the time of writing this report no responses have been received. Policy Review Committee considered the report on 19 January - the Committee resolved to endorse the report and made no formal comments for consideration by the Executive. Briefings have also been held for all councillors.

4. Conclusions

- 4.1 The draft General Fund revenue budget for 2016/17 assumes a Council Tax rise of 1.99% and subject to the Local Government Finance Settlement and planned savings, a surplus of £67k is estimated for the year transferrable to General Fund balances. The draft Housing Revenue Account budget assumes a 1% reduction in rent, with a surplus of £1.52m being transferred to the Major Repairs Reserve to support the capital programme.
- 4.2 The budget provides for a capital programme to meet General Fund and HRA needs and also includes a Programme of Growth to support the Council's Corporate Plan. The anticipated Business Rates surplus for 2016/17 is to be allocated to the Programme for Growth with spending plans to follow in the coming months
- 4.3 The continuing risk to Local Government funding and future rising demand for services, mean that additional savings will be sought wherever possible. This will be vital to ensure that the Council maintains its financial resilience and continues to deliver or enable the essential services that people need.

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Appendices:

- A – Revenue estimates
- B – Capital programmes and Programme for Growth
- C – Savings
- D – Growth bids
- E – Reserves

GENERAL FUND SUMMARY 2016/17 - 2018/19

	2016/17	2017/18	2018/19
	Original	Original	Original
	£	£	£
Access Selby	8,553,775	8,134,350	8,183,420
Core	3,310,760	3,330,950	3,336,910
Communities Selby	200,910	201,040	201,070
Capital Charges	732,160	727,840	706,260
Service Budgets	12,797,605	12,394,180	12,427,660
CEC Charged to HRA	(2,374,440)	(2,394,990)	(2,413,840)
Service Budget	10,423,165	9,999,190	10,013,820
Further savings in progress	(611,760)	(988,803)	(988,803)
Net Service Budget	9,811,405	9,010,387	9,025,017
Investment Income	(240,000)	(280,000)	(300,000)
External Interest	112,100	129,260	109,910
Parish CTS Grant	86,000	77,000	70,000
Capital A/c Adjustment MRP Charge	383,162	384,287	385,609
Capital A/c Adjustment DFG & Conservation Grants	(155,000)	(155,000)	(155,000)
Capital A/c Adjustment Capital Chgs	(732,160)	(727,840)	(706,260)
Growth bids/Projects:			
Programme for Growth Projects	205,500	201,500	89,500
Building Repairs Projects	92,000	2,940	19,700
ICT Projects	262,500	192,500	32,500
Other Growth Projects	207,000	0	0
Impact of change to NI rates	112,910	114,700	116,280
Discretionary Rate Relief	100,000	100,000	0
Contingencies	300,000	300,000	300,000
Net Budget before contribution to/(from) Reserves*	10,545,417	9,349,734	8,987,256
Contribution To Reserves			
Building Repairs	148,560	152,270	152,570
ICT	150,000	150,000	150,000
PFI	387,400	394,410	401,330
Pension Equalisation Reserve	182,820	182,820	182,820
District Election	34,000	34,000	34,000
Special Projects (Programme for Growth)	6,289,264	1,630,000	1,130,000
Local Plan	145,000	50,000	50,000
Contribution From Reserves			
NYCC Collaboration Reserve	(100,000)	(50,000)	0
Building Repairs	(92,000)	(2,940)	(19,700)
ICT	(262,500)	(192,500)	(32,500)
PFI	(402,190)	(410,230)	(418,430)
Discretionary Rate Relief Fund	(100,000)	(100,000)	0
Special Projects / Programme for Growth	(412,500)	(201,500)	(89,500)
Contingency	(210,500)	0	0
NET REVENUE BUDGET	16,302,771	10,986,064	10,527,846
Grant RSG	(1,121,298)	(592,672)	(265,213)
NNDR	(2,250,194)	(2,294,452)	(2,362,140)
New Homes Bonus	(2,445,000)	(1,999,000)	(1,564,000)
Special and Specific Grants*	(33,000)	(58,000)	(83,000)
Amount to be met from Council Tax	10,453,279	6,041,940	6,253,493
Council Tax Requirement			
Council Tax to be Levied	(4,982,040)	(5,132,502)	(5,287,500)
Council Tax Collection Fund Deficit/(Surplus)	(129,000)	(62,000)	-
Business Rates Collection Fund Deficit/(Surplus)	(5,409,264)	(750,000)	(950,000)
Shortfall / (surplus)	(67,025)	97,438	15,992
C Tax Base	30,154	30,456	30,760
Council Tax Rate	165.22	168.52	171.89

HOUSING REVENUE ACCOUNT SUMMARY 2016/17 to 2018/19

Appendix A

	2016/17	2017/18	2018/19
	Original	Original	Original
	£	£	£
Net Service Budget	5,604,900	5,652,150	5,698,370
Investment Income	(48,000)	(57,000)	(61,000)
HRA Debt - Payment of Interest	2,637,930	2,637,930	2,637,930
Provision for Bad & Doubtful Debts	124,480	122,940	121,410
Pension - Past Service Costs	204,130	216,810	225,720
Net Budget before contribution to/(from) Reserves	8,523,440	8,572,830	8,622,430
Contribution To Reserves			
Comp Development Cont	50,000	50,000	50,000
Major Repairs Reserve			
Reversal of Depreciation Charges	(1,254,100)	(1,280,970)	(1,308,550)
Revenue Contribution - MRA re dwellings dep'n equivalent	1,254,100	1,280,970	1,308,550
Revenue Contribution to Capital Programme	845,400	629,030	761,450
HRA Debt - MRR Principal	1,260,000	1,260,000	1,260,000
NET REVENUE BUDGET	10,678,840	10,511,860	10,693,880
Dwelling Rents	(12,199,000)	(12,048,000)	(11,898,000)
Shortfall / (surplus)	(1,520,160)	(1,536,140)	(1,204,120)
Contribution To/ (From) HRA Reserves (MRR)	1,520,160	1,536,140	1,204,120

2015/16 – 2018/19 GENERAL FUND CAPITAL PROGRAMME

	Current Programme 2015/16 £	Estimated Programme 2016/17 £	Estimated Programme 2017/18 £	Estimated Programme 2018/19 £
<u>PROJECTS</u>				
Asset Management Plan Leisure Centres & Park	3,350	40,000	2,940	19,700
Tadcaster Central Area	2,000			
Road Adoption - Industrial Units Sherburn	23,785			
Mast Relocation	139,060			
Tadcaster Bus Station refurbishment	25,000			
Replacement Car Park Ticket Machines		52,000		
Collapsed Culvert - Portholme Road	150,000	207,000		
Housing Development	1,550,000	1,250,000	1,250,000	1,250,000
Burn Airfield	1,700,000			
<u>Grants</u>				
Disabled Facilities Grants	447,230	300,000	300,000	300,000
Repair Assistance Loans	37,200	30,000		
<u>ICT Hardware & Systems Within ICT Strategy</u>				
Implementation & Infrastructure Costs	240,120	245,000	175,000	222,000
Desktop Replacement Programme	35,840	17,500	17,500	17,500
CRM & Website	93,970			
Mobile Working Solution	249,800			
TOTAL	4,697,355	2,141,500	1,745,440	1,809,200
<u>SUMMARY OF FUNDING</u>				
Capital Receipts	329,430	175,000	145,000	145,000
Grants & Contributions	155,000	155,000	155,000	155,000
Reserves	2,662,925	561,500	195,440	259,200
Borrowing	1,550,000	1,250,000	1,250,000	1,250,000
TOTAL	4,697,355	2,141,500	1,745,440	1,809,200

2015/16 – 2018/19 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

PROJECTS	Current Programme 2015/16 £	Estimated Programme 2016/17 £	Estimated Programme 2017/18 £	Estimated Programme 2018/19 £
PROJECTS				
<u>Current Projects</u>				
Electrical Rewires	260,000	240,000	240,000	240,000
Central Heating - Gas	890,480	502,500	470,000	470,000
Central Heating - Solid Fuel		75,000	75,000	75,000
Roof Replacements	555,600			220,000
Damp Surveys & Works	250,000	230,000	220,000	220,000
Door & Window Replacements	134,000	140,000	130,000	120,000
Kitchen Replacements	421,900	237,000	140,000	130,000
Pre Paint & Cyclical Repairs	113,000	150,000	150,000	150,000
Void Property Repairs	53,500	60,000	65,000	65,000
Asbestos Condition Survey	30,000	30,000	30,000	
Fencing & Gates	40,000	40,000	40,000	40,000
Bathroom Replacements	180,000	30,000	30,000	30,000
Pointing Works	300,000	300,000	300,000	300,000
<u>New Projects</u>				
Fire Alarm System at St Wilfrids Court	25,000			
Laurie Backhouse Court Refurbishment	200,000			
Environmental Improvement Plan	160,000	160,000	160,000	
Garage Sites		50,000	20,000	10,000
Ousegate Fire Alarm System		15,000		
New Build Projects	1,550,000	1,250,000	1,250,000	1,250,000
TOTAL	5,163,480	3,509,500	3,320,000	3,320,000

SUMMARY OF FUNDING

Revenue Contributions	2,120,580	845,400	629,030	761,450
Major Repairs Reserve	1,332,900	1,254,100	1,280,970	1,308,550
Access Selby HRA Reserve	160,000	160,000	160,000	
Borrowing	1,550,000	1,250,000	1,250,000	1,250,000
TOTAL	5,163,480	3,509,500	3,320,000	3,320,000

Programme for Growth 15/16 to 19/20

Projects	Capital £	Revenue £	Estimate 15/16 £	Estimate 16/17 £	Estimate 17/18 £	Estimate 18/19 £	Estimate 19/20 £
Healthy living - concepts fund	-	175,000	35,000	35,000	35,000	35,000	35,000
Leisure Village	6,000,000	-	6,000,000	-	-	-	-
Selby Skate Park	75,000	-	75,000	-	-	-	-
Ready 4 Work	-	16,556	16,556	-	-	-	-
Growing enterprise	-	175,000	69,000	39,000	35,000	32,000	-
Market Selby's USP	-	62,664	22,664	20,000	20,000	-	-
Community skills/capacity building	-	100,000	100,000	-	-	-	-
Retail experience	-	351,576	351,576	-	-	-	-
Construction skills hub	-	20,000	20,000	-	-	-	-
Empty homes	100,000	15,475	52,475	31,500	31,500	-	-
Housing Trust	-	133,750	51,250	30,000	30,000	22,500	-
St Josephs St	-	31,000	31,000	-	-	-	-
Green energy	-	30,000	30,000	-	-	-	-
Strategic sites	-	285,000	185,000	50,000	50,000	-	-
Town masterplanning	-	250,000	250,000	-	-	-	-
Green infrastructure	-	20,000	20,000	-	-	-	-
Economic Development Projects arising from ERYC peer review	-	50,000	50,000	-	-	-	-
Improvements to gateways	-	3,639	3,639	-	-	-	-
Burn Airfield	1,790,400	-	1,790,400	-	-	-	-
Contingency	-	512,803	-	-	-	-	-
Total	7,965,400	2,232,463	9,153,560	205,500	201,500	89,500	35,000
Total Allocated to Projects		10,197,863					

Funding Sources	£	Estimate 15/16 £	Estimate 16/17 £	Estimate 17/18 £	Estimate 18/19 £	Estimate 19/20 £
Balance Brought Fwd	2,864,457	2,864,457	1,044,303	1,838,803	1,637,303	1,547,803
Special projects reserve *	6,161,406	5,161,406	1,000,000	-	-	-
Prudential Borrowing	2,172,000	2,172,000	-	-	-	-
Project Spend	- 10,197,863	- 9,153,560	- 205,500	- 201,500	- 89,500	- 35,000
Balance	1,000,000	1,044,303	1,838,803	1,637,303	1,547,803	1,512,803

*£1m resources in 2016/17 relates to capital receipts from land sales

Access Selby - General Fund Savings

Proposed Savings	Status	2015/16	2016/17	2017/18	2018/19	Members' Update
		£	£	£		
IT & Transformation Workstream						
CRM Replacement	Red	8,980	66,252	66,252	66,252	Phase 1 saw CRM go live in July 2015. Phase 2 is currently being scoped.
Mobile Working	Red	-	41,728	41,728	41,728	Project currently under review by Access Selby Directors. Any changes will be reflected in the savings plan once the review is complete.
Review of planning advice and consultants	Amber	3,750	3,750	3,750	3,750	Savings achieved on experts but due to increased number of applications the overall spending might not be reduced.
Joint Business Support Manager Post	Green	3,632	-	-	-	Saving to be reviewed in conjunction with options for long term arrangements
Formal amalgamation of District newspaper and County Council publications	Red	3,000	3,000	3,000	3,000	Awaiting long term decision from NYCC
Opening of Civic Centre Better Together	Green	6,083	6,083	6,083	6,083	Completed
	Amber	75,000	150,000	150,000	150,000	Various projects including Finance, Business Support, Assets & Customer Services. First meeting held on 6th July to exchange information on land holdings.
Electronic Payments	Amber	0	25,000	25,000	25,000	Project linked to CRM and will follow in the later phases.
Improved Revs & Bens Value for Money	Amber	21,440	50,000	50,000	50,000	Competitive Dialogue process to commenced in July 2015. - £21k saving will be achieved in 2015/16 due to frozen post.
Further Internal Efficiencies (Outside of Better Together)	Red	21,350	50,000	50,000	50,000	Officers exploring internal efficiencies through improved processes and IT.
Access Selby Commercialisation	Amber	5,000	50,000	50,000	50,000	Officers working on commercialisation of repairs & maintenance.
Total Transformation		148,235	445,813	445,813	445,813	
Commissioning Workstream						
Printers	Green	18,811	18,811	18,811	18,811	Completed
Lifeline pendants	Green	-	67,576	69,000	69,000	Projected savings on track to be delivered
Postage and Mail	Amber	5,000	5,000	5,000	5,000	Further work required before savings can be confirmed
Supplier Engagement	Red	-	20,000	20,000	20,000	Options are limited in this area, officers will be seeking alternative savings.
Reduce Tail end spend	Amber	8,500	14,500	14,500	14,500	£8.5k realised already in relation to car park tickets & telephones - £6k additional savings still to be identified in 2016/17 onwards.
IT Service Contracts	Amber	7,500	7,500	7,500	7,500	Options currently under review in conjunction with wider options around IT services.
External Audit - Grants Audit Fee	Green	8,130	8,130	8,130	8,130	Completed
Lexis Nexis Legal Library	Green	13,500	13,500	13,500	13,500	Completed
Community Support Vehicle lease	Green	3,940	3,940	3,940	3,940	Completed
Improved Waste / Recycling Value for Money	Red	-	-	100,000	100,000	Service under pressure due to growth in property numbers.
Maximise use of Civic Centre Office Space	Amber	22,500	45,000	45,000	45,000	Based on an additional 30 desks occupied by partners.
Total Commissioning		87,881	203,957	305,381	305,381	

Proposed Savings	Status	2015/16 £	2016/17 £	2017/18 £	2018/19	Members' Update
Income Generation Workstream						
Negotiation for share of out performance on Council Tax collection	Amber	3,961	3,961	3,961	3,961	Target under constant review and outcome is based on full year performance.
Land Charges Income - Search fees	Amber	48,000	21,000	21,000	21,000	In future years it is possible that some of this income may go direct to the Land registry - this will be kept under close review and updated once further information is received.
Legal Income	Green	32,750	8,750	8,750	8,750	On track to achieve savings from increase in fee-generating work.
Street Naming & Numbering	Green	30,000	18,000	18,000	18,000	Original target of £18k for 15/16 is expected to be exceeded with a revised estimate of £30k being set for the year.
Registrar Service	Green	10,994	10,994	10,994	10,994	Completed
Caravan inspection fee	Green	2,000	2,000	2,000	2,000	On track to achieve savings
Policy changes to introduce new income streams	Red	0	78,783	80,823	80,823	Commercialisation project established to identify further opportunities
Community Support Lifeline Income	Amber	20,000	20,000	20,000	20,000	Income growth has been achieved, however due to grant funding being reduced the additional income is only currently mitigating the loss.
Total Income Generation		147,705	163,488	165,528	165,528	
Other						
Agency Staff	Red	-	2,500	2,500	2,500	Savings opportunity identified for future years
NY regional strategy officer	Green	2,520	2,520	2,520	2,500	Completed
Community Support Office telephone savings	Green	9,600	9,600	9,600	9,600	Completed
Contracts General Office Expenses	Green	360	360	360	360	Completed
Contracts - Officer subsistence general saving	Green	200	200	200	200	Completed
Commercial Waste	Green	1,160	1,160	1,160	1,160	Completed
Environmental Health & Housing telephone savings	Green	430	430	430	430	Completed
Housing Benefits - Overpayments subsidy	Amber	32,520	33,980	35,480	35,480	Being monitored throughout the year
Total Other		46,790	50,750	52,250	52,230	
Total General Fund Savings in Progress		430,611	864,008	968,972	968,952	
Savings Target		549,920	747,221	950,790	950,790	
Headroom/Deficit (+/-)	** -	119,309	116,787	18,182	18,162	
Green Savings		144,110	172,054	173,478	173,458	
Amber Savings		253,171	429,691	431,191	431,191	
Red Savings**		33,330	262,263	364,303	364,303	
Total		430,611	864,008	968,972	968,952	

Core Savings Plan

Key:

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

Proposed Savings	Status	2015/16 £	2016/17 £	2017/18 £	2018/19	Progress
Procurement Workstream						
Leisure Management Contract	Green	75,000	187,915	196,487	174,907	Completed
Community / Pooled Budgets	Red	5,000	10,000	10,000	10,000	-
Improved waste / recycling value for money	Red	-	-	100,000	100,000	Due to fall in the price received for the sale of recyclates this income is at risk.
Inflation Savings on Street Scene Contract	Green		99,110	99,110	99,110	Savings resulting from contract inflation
Banking tender	Green	10,000	10,000	8,400	8,400	Completed
Total Procurement		90,000	307,025	413,997	392,417	
Transformation Workstream						
Better Together - Finance	Green	44,000	43,800	44,240	44,240	Savings will be achieved in 2015/16 - Future years will be dependant on the success of the trial period.
Total Transformation		44,000	43,800	44,240	44,240	
Value for Money Workstream						
Internal Drainage Boards	Green	20,000	-	-	-	levies lower than budgeted for 2015/16
Ward Boundary Review	Green	41,430	41,430	41,430	41,430	Completed
Total Value for Money		61,430	41,430	41,430	41,430	
Base Budget Review Workstream						
NDR Base Budget Review - Various small sites	Green	14,390	14,390	14,390	14,390	Completed
Total Base Budget Review		14,390	14,390	14,390	14,390	
Discretionary Service Review Workstream						
Total Discretionary Service Review		0	0	0	0	
Income Generation Workstream						
Use of assets for advertising space	Amber	25,000	25,000	25,000	25,000	Negotiations ongoing with NYCC about income split in 15/16
General Fund Housing Development	Amber	25,000	25,000	50,000	50,000	Interest from loans to SDHT
Green Energy	Red	-	-	150,000	150,000	The feasibility report confirms that a ground and roof mounted schemes are possible but pending changes to government subsidies means that detailed business case will be defered and therefore a scheme will not be delivered to achieve a saving in 16/17.
Total Income Generation		50,000	50,000	225,000	225,000	
Total General Fund Savings		259,820	456,645	739,057	717,477	
Savings Target		369,068	210,430	552,224	530,644	
Headroom/Deficit (+/-)	** -	109,248	246,215	186,833	186,833	
Green Savings		204,820	396,645	404,057	382,477	
Amber Savings		50,000	50,000	75,000	75,000	
Red Savings**		5,000	10,000	260,000	260,000	
Total		259,820	456,645	739,057	717,477	

Key: **HRA Savings Plan**

Green: Savings likely to be achieved/low risk

Amber: Tentative savings - further work required/medium risk

Red: Requires a change in Council policy or significant change in service delivery/high risk

Proposed Savings	Status	2015/16	2016/17	2017/18	2018/19	Progress
		£	£	£	£	
Review of Property Services unfilled posts	Green	50,000	50,000	50,000	50,000	Completed
Gas Servicing Contract	Green	20,000	20,000	20,000	20,000	Completed
Grassed Areas & Open Spaces base budget review	Green	29,000	29,000	29,000	29,000	Completed
Various Suppliers	Green	22,000	22,000	22,000	22,000	Completed
WTT - Savings	Green	129,591	129,591	129,591	129,591	Completed
2011/12 Pay Award	Green	27,000	27,000	27,000	27,000	Completed
Car Allowances	Green	5,600	5,600	5,600	5,600	Completed
Savings on Audit Fees and early Retirement Charges	Green	40,460	40,460	40,460	40,460	Completed
Ryecare Help-Line Telecom Saving	Green	700	700	700	700	Completed
Consolidation of IT Budgets	Green	23,685	23,685	23,685	23,685	Completed
Electrical Testing - R&M	Green	15,000	15,000	15,000	15,000	Completed
Vehicle Tracking System	Green	500	500	500	500	Completed
Direct Works - Phones	Green	2,000	2,000	2,000	2,000	Completed
Grants Audit Fees	Green	6,000	9,390	9,390	9,390	Completed
Clear Access Footways	Green	2,500	2,500	2,500	2,500	Completed
Footpaths	Green	10,000	10,000	10,000	10,000	Completed
Gutters & Fallpipes	Green	5,000	5,000	5,000	5,000	Completed
Tenants Participation - Housing Reports	Green	370	370	370	370	Completed
Energy Performance Certificates	Green	3,000	3,000	3,000	3,000	Completed
SDC Contract Hire Vehicles	Green	18,000	18,000	18,000	18,000	Completed
Asbestos Removal	Green	500	500	500	500	Completed
Solid Fuel Servicing	Green	12,470	12,470	12,470	12,470	Completed
Communal Lighting	Green	3,350	3,350	3,350	3,350	Completed
Pumping Stations	Green	3,210	3,210	3,210	3,210	Completed
Lift Maintenance	Green	1,300	1,300	1,300	1,300	Completed
Bank charges	Green	1,600	1,600	1,600	1,600	Completed
Debt collection costs	Green	1,300	1,300	1,300	1,300	Completed
Hostels	Green	5,230	5,230	5,230	5,230	Completed
HRA Investment Interest	Green	-	8,000	17,000	21,000	Completed
Van Fuel (oil price & fuel card savings)	Green	-	2,450	2,450	2,450	Completed
Resource Accountring	Green	-	4,000	4,000	4,000	Completed
Rent - Bank Charge Savings	Green	-	1,000	1,000	1,000	Completed
Use of Temporary Accommodation	Green	-	13,740	13,740	13,740	Completed
Community Centres	Green	-	9,600	9,600	9,600	Completed
Total Housing Revenue Account Savings		439,366	481,546	490,546	494,546	
Savings Target		360,000	360,000	360,000	360,000	
Headroom/Deficit (+/-)		79,366	121,546	130,546	134,546	
Green Savings		439,366	481,546	490,546	494,546	
Amber Savings		-	-	-	-	
Red Savings**		-	-	-	-	
Total		439,366	481,546	490,546	494,546	

GENERAL FUND NEW BIDS 2016/17 - 2018/19

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term
		16/17	17/18	18/19	16/17	17/18	18/19		
Repointing and plastering the gable end wall at Tadcaster Leisure Centre.	Maintaining the leisure offer supports the living well priority				30,000			An intrusive survey is to be complete and should it identify the need for major work the responsibility for the funding will fall to the SDC per the landlord and tenant split of maintenance responsibilities. Should any structural repairs identified not be actioned, the sports hall will require closure with associated publicity and loss of income	One-Off
Net Cost of Bid		0	0	0	30,000	0	0	Funded from Building Repairs Reserve	
To effect repairs to collapsed culvert located at Portholme Road	Tackling the tough stuff				207,000			Capital allocation of £150k was approved as part of 14/15 capital program. Final bid price plus utility diversions etc. was £327k. It was agreed by AS Directors & CMT to engage consultant to investigate, report source of collapse to pursue insurance claim, design a repair and manage associated works (£30k).	One-Off
Net Cost of Bid		0	0	0	207,000	0	0	Funded from Special Projects Reserve	
Specialist advice including valuation services, arboricultural services, contaminated land advice etc. Increased pressure has been placed on this budget due to the number of complex applications received	Changing Places Tackling Tough Stuff	16,000	16,000	16,000				Shortage of in-house expertise on specialised matters could result in a delay in processing more complex planning applications coupled with the increase in applications and demand.	Permanent
Net Cost of Bid		-16,000	-16,000	-16,000	0	0	0	Fund from increased planning income	
Advertising planning applications in local press		19,000	19,000	19,000				Increased advertising rates and increases in number of major applications that have to be advertised	Permanent
Net Cost of Bid		-19,000	-19,000	-19,000	0	0	0	Fund from increased planning income	
Recovery of Housing Benefit Overpayments	Being switched on & business like Delivering great value	26,790						Full time post for 1 year to improve the Council's recovery of HBO which has seen an increase in part due to the introduction of RTI from DWP (total value of debt is now at £712k).	One-Off
Net Cost of Bid		26,790	0	0	0	0	0	Fund from Invest to Save	
Total Value of New General Fund Bids		26,790	0	0	237,000	0	0		

Funding	16/17	17/18	18/19	16/17	17/18	18/19
Invest to Save Fund	26,790					
Special Projects Reserve				207,000		
Building Repairs Reserve				30,000		
	26,790	0	0	237,000	0	0

HOUSING REVENUE ACCOUNT NEW BIDS 2016/17 - 2018/19

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term
		16/17	17/18	18/19	16/17	17/18	18/19		
Tidying up garage sites.	Effectively maintain the condition of the SDC housing stock Environmental improvements				50,000	20,000	10,000	To bring out of management garages back into use and tidy up or demolish unrequired/unused garages. To include repair or replacement of roofs & doors.	Fixed
Net Cost of Bid		0	0	0	50,000	20,000	10,000		
Aids & adaption funding	Support Independent Living	30,000	30,000	30,000				Increased level of aids & adaption referrals for ramps / lifts / wetrooms / handrails to provide assistance to enable tenants to remain in their own homes.	Permanent
Net Cost of Bid		30,000	30,000	30,000	0	0	0	Funded from Revenue	
Roof replacements	Effectively maintain the condition of the SDC housing stock						220,000	45 roofs identified in stock survey as requiring replacement	One-Off
Net Cost of Bid		0	0	0	0	0	220,000		
Replacement fencing & gates	Effectively maintain the condition of the SDC housing stock					40,000	40,000	Addition to budget provision due to high demand & work identified in stock condition surveys.	Permanent
Net Cost of Bid		0	0	0	0	40,000	40,000		
Gas central heating and replace old systems.	Effectively maintain the condition of the SDC housing stock				-72,980	-105,480	-105,480	Original budget £575,480 16/17 to 18/19 revised to £503k 16/17, £470k 17/18 onwards Reduction of existing approved bid following stock conditioning survey and assessment of need and demand.	Permanent
Net Cost of Bid		0	0	0	-72,980	-105,480	-105,480		
Bathroom replacements	Effectively maintain the condition of the SDC housing stock				-150,000	-150,000	-150,000	Reduction of existing approved bid to £30k per year following stock conditioning survey. Original budget £180,000 for 16/17 to 18/19 reduced to £30k per year	Permanent
Net Cost of Bid		0	0	0	-150,000	-150,000	-150,000		
Electrical rewires of SDC housing stock	Effectively maintain the condition of the SDC housing stock				-20,000	-20,000	-20,000	Original budget £260k per year reduced to £240k per year. Reduction in existing bid for electrical rewires as work done on partial rewires has reduced demand, caused less disruption to tenants while keeping properties safe & compliant	Permanent
Net Cost of Bid		0	0	0	-20,000	-20,000	-20,000		

HOUSING REVENUE ACCOUNT NEW BIDS 2016/17 - 2018/19

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term
		16/17	17/18	18/19	16/17	17/18	18/19		
Void property repairs	Effectively maintain the condition of the SDC housing stock				6,500	11,500	11,500	Increase of existing approved bid. Total £60k 16/17, £65k 17/18 onwards	Permanent
Net Cost of Bid		0	0	0	6,500	11,500	11,500	Increase to keep up with cost of void works & to maintain performance of turnaround time to maintain rental income.	
Pre paint & cyclical repairs	Effectively maintain the condition of the SDC housing stock				37,000	37,000	37,000	Increase of existing approved bid to £150k per year. Increase in repairs identified for next 3 years, work will include replacing wood for UPVC which will reduce future painting demand.	Permanent
Net Cost of Bid		0	0	0	37,000	37,000	37,000		
Replacement kitchens	Effectively maintain the condition of the SDC housing stock					-97,000	-107,000	Reduction of existing approved bid from from £237k in 17/18 and 18/19 to £140k and £130k Reduction in bid after completion of this years programme. Demand identified in stock condition surveys.	Permanent
Net Cost of Bid		0	0	0	0	-97,000	-107,000		
Damp Proofing	Effectively maintain the condition of the SDC housing stock				-20,000	-30,000	-30,000	Reduction in budget due to reduce in demand and need. Original budget £250k per year reduced to £230k 16/17 ans £220k 17/18 onwards.	Permanent
Net Cost of Bid		0	0	0	-20,000	-30,000	-30,000		
Door & Window replacement programme	Effectively maintain the condition of the SDC housing stock				90,000	80,000	70,000	Increase following stock condition survey, will result in reduced maintenance costs. Original budget £50k per year increased to £140k 16/17, £130k 17/18 and £120k 18/19.	Permanent
Net Cost of Bid		0	0	0	90,000	80,000	70,000		
Ousegate - Replace existing fire alarm system	Tackling the Tough Stuff				15,000			Existing system needs replacing due to age.	One-Off
Net Cost of Bid		0	0	0	15,000	0	0		
Net Cost of Core HRA Bids		30,000	30,000	30,000	-64,480	-213,980	-23,980		

Funding	16/17	17/18	18/19	16/17	17/18	18/19
HRA Major Repairs Reserve				-64,480	-213,980	-23,980
Revenue	30,000	30,000	30,000			
	30,000	30,000	30,000	-64,480	-213,980	-23,980

Reserves										
Description	Estimated Balance 31 March 16	Use	Contribs	Estimated Balance 31 March 17	Use	Contribs	Estimated Balance 31 March 18	Use	Contribs	Estimated Balance 31 March 19
	£	£	£	£	£	£	£	£	£	£
Revenue Reserves										
General Fund										
Reserves to fund future commitments:										
PFI Scheme	2,364,764	- 402,190	387,400	2,349,974	- 410,230	394,410	2,334,154	- 418,430	401,330	2,317,054
ICT	646,740	- 262,500	200,000	584,240	- 192,500	200,000	591,740	- 32,500	200,000	759,240
Building Repairs & Projects	358,978	- 92,000	148,560	415,538	- 2,940	152,270	564,868	- 19,700	152,570	697,738
Election	76,954		34,000	110,954		34,000	144,954		34,000	178,954
Industrial Units	50,275			50,275			50,275			50,275
Open Space Maintenance	58,535			58,535			58,535			58,535
Affordable Housing **	120,568			120,568			120,568			120,568
	3,676,814	- 756,690	769,960	3,690,084	- 605,670	780,680	3,865,094	- 470,630	787,900	4,182,364
Reserves to fund growth and improvement:										
Special Projects / Programme for Growth **	2,121,718	- 412,500	6,289,264	7,998,482	- 201,500	1,630,000	9,426,982	- 89,500	1,130,000	10,467,482
Discretionary Rate Relief Fund	200,000	- 100,000		100,000	- 100,000		-			-
NYCC Collaboration	150,000	- 100,000		50,000	- 50,000		-			-
Spend To Save (Business Development)	492,543			492,543			492,543			492,543
	2,964,262	- 612,500	6,289,264	8,641,026	- 351,500	1,630,000	9,919,526	- 89,500	1,130,000	10,960,026
Reserves to mitigate financial risk:										
Pensions Equalisation Reserve	367,230		182,820	550,050		182,820	732,870		182,820	915,690
NDR Equalisation	1,257,318			1,257,318			1,257,318			1,257,318
Local Plan	355,231		145,000	500,231		50,000	550,231		50,000	600,231
Contingency	644,323	- 210,500		433,823			433,823			433,823
General Fund	1,499,872		67,025	1,566,897	- 97,438		1,469,459	- 15,992		1,453,467
	4,123,973	- 210,500	394,845	4,308,318	- 97,438	232,820	4,443,700	- 15,992	232,820	4,660,528
Total GF Revenue reserves	10,765,049	- 1,579,690	7,454,069	16,639,428	- 1,054,608	2,643,500	18,228,320	- 576,122	2,150,720	19,802,918
Capital Reserves										
General Capital Receipts*	2,372,335	- 175,000	1,065,020	3,262,355	- 145,000	1,096,060	4,213,415	- 145,000	1,096,060	5,164,475
Capital Receipts (Programme for Growth)	-		1,000,000	1,000,000			1,000,000			1,000,000
Capital Receipts (HRA Reserved)	152,850	- 152,850	197,780	197,780	- 197,780	225,870	225,870	- 197,780	225,870	253,960
Total GF Capital Receipts	2,525,185	- 327,850	2,262,800	4,460,135	- 342,780	1,321,930	5,439,285	- 342,780	1,321,930	6,418,435
* Capital receipts include assumptions on right to buy sales										
** Spending plan to be developed during 2016/17										
Note: Capital receipts subject to a review of requirements of council house 'one for one replacement'										