

# Selby District Council



## Agenda

Meeting: **Executive**  
Date: **Wednesday 1 February 2017**  
Time: **6.00pm**  
Venue: **Committee Room**  
To: **Councillors M Crane (Chair), J Mackman (Vice Chair),  
C Lunn, C Metcalfe and R Musgrave.**

### 1. Apologies for absence

### 2. Minutes

The Executive is asked to approve the minutes of the meeting held on 5 January 2017 (pages 1 to 5 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](http://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. Members IT Devices**

Report E/16/38 asks the Executive to consider a full proposal for the purchase and implementation of electronic devices for Members (pages 6 to 18 attached).

#### **5. Housing Development Programme – Landing Lane, Riccall**

Report E/16/39 outlines the request made by Selby and District Housing Trust (the Housing Trust) to amend the approved outline business case to the redevelopment of the Council's garage site at Landing Lane, Riccall (pages 19 to 28 attached).

Appendices A and B to the report are exempt from publication by virtue of paragraph 3 in Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). If councillors wish to discuss information contained within the appendix it will be necessary to pass the following resolution to exclude the press and public:

**In accordance with Section 100(A)(4) of the Local Government Act 1972, in view of the nature of the business to be transacted, the meeting be not open to the Press and public during discussion of the following item as there will be disclosure of exempt information as defined in Section 100(1) of the Act as described in paragraph 3 of Part 1 of Schedule 12(A) of the Act.**

#### **6. Treasury Management – Treasury Management Strategy Statement 2017/18, Minimum Revenue Provision Policy Statement 2017/18, Annual Investment Strategy 2017/18 and Prudential Indicators 2017/18.**

Report E/16/40 presents for approval the proposed Treasury Management Strategy together with the Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2017/18 and Prudential Indicators 2017/18 as required by the Department of Communities and Local Government and CIPFA. (pages 29 to 66 attached).

#### **7. Treasury Management – Monitoring Report to 31 December 2016**

Report E/16/41 reviews the Council's borrowing and investment activity (Treasury Management) for the 9 month period 1 April to 31 December 2016 and presents performance against the Prudential Indicators (pages 67 to 75 attached).

#### **8. Financial Results and Budget Exceptions Report to 31 December 2016**

Report E/16/42 presents the financial results and budget exceptions report to 31 December 2016 (pages 76 to 96 attached).

## **9. Draft Revenue Budget and Capital Programme 2017/18 and Medium Term Financial Plan**

Report E/16/43 presents the draft revenue budget, capital programmes and Programme for Growth for 2017/18 to 2019/20 (pages 97 to 121 attached).

**Janet Waggott**  
**Chief Executive**

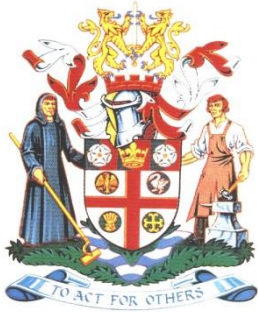
<b>Dates of next meetings</b>
<b>Thursday 16 February 2017– Executive Briefing, 2pm</b>
<b>Thursday 2 March 2017 – Executive, 4pm</b>

For enquiries relating to this agenda please contact Palbinder Mann, Democratic Services Manager on 01757 292207 or [pmann@selby.gov.uk](mailto: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 5 January 2017
Time:	4pm
Present:	Councillors M Crane (Chair), C Lunn, C Metcalfe and R Musgrave.
Officers present:	Janet Waggott - Chief Executive, Karen Iveson - Chief Finance Officer (s151), Dave Caulfield – Director of Economic Regeneration and Place, Gillian Marshall – Solicitor to the Council, June Rothwell – Head of Operational Services (for minute items 54 and 55), Mike James - Lead Officer, Communications, Chris Watson – Assistant Policy Officer (for minute item 56 and 57), Rebecca Ware – Legal Officer (for minute item 56) and Palbinder Mann - Democratic Services Manager.
Public:	0
Press:	1

NOTE: Only minute number 54 to 56 and 57 are subject to call-in arrangements. The deadline for call-in is 5pm on Tuesday 17 January 2017. Decisions not called in may be implemented from Wednesday 18 January 2017.

Before the commencement of the meeting, the Leader of the Council informed the Executive that Vernon Wells, who was a governor of Selby College, had been awarded an MBE as part of the Queen's New Year's honours list. The Leader stated that he and the Chief Executive had written to Mr Wells to congratulate him.

The Leader also announced that the Chief Constable of North Yorkshire, David Jones had received the Queen's Police Medal for distinguished service and that he and the Chief Executive would be writing to him in due course to congratulate him.

**51. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Mackman.

**52. MINUTES**

The Executive considered the minutes from the meeting held on 1 December 2016.

**RESOLVED:**

**To approve the minutes of the meeting held on 1 December 2016 for signature by the Chair.**

**53. DISCLOSURES OF INTEREST**

There were no disclosures of interest.

**54. GAS SERVICING AND MAINTENANCE CONTRACT PROCUREMENT**

Councillor Richard Musgrave, Lead Executive Member for Housing, Leisure, Health and Culture presented the report on the procurement process for Selby District Council's Gas Service Contract.

The Lead Executive Member for Housing, Leisure, Health and Culture explained that the current contract expired in March 2017 and following a procurement process, a successful bidder had been chosen. It was proposed to add the cover of new installations to the resolution to ensure this was covered.

**RESOLVED:**

**To award a contract to the most financially viable Gas Tender Bidder (A) to provide the full Safety Checks, annual Service's for CP12 safety compliance, for emergency call outs to broken down heating and hot water services, cover new**

**installations and replacement systems to tenants.**

## **REASON FOR THE DECISION**

*To ensure the Council has a replacement Contractor to ensure compliance with requirements for Gas Safety Inspections/Checks of all Heating and Hot Water systems, upon expiry of the existing Contract.*

### **55. THE DISCHARGE OF THE STATUTORY HOMELESS DUTIES POLICY**

Councillor Richard Musgrave, Lead Executive Member for Housing, Leisure, Health and Culture presented the report on the Discharge of Statutory Homeless Duties Policy.

In response to a query for the reasoning of the policy, the Head of Operational Services explained that if the policy were approved the Council would be able to discharge applicants into private sector accommodation as well as their own accommodation.

In response to a query concerning the payment to private sector landlords, the Solicitor to the Council clarified that if the applicant was granted a private sector tenancy, then housing benefit was eligible to be paid however the usual upper limits would still apply.

#### **RESOLVED:**

**To adopt the Discharging Statutory Homeless Duties policy.**

## **REASON FOR THE DECISION**

*To allow for the discharge of statutory homeless duties more effectively across the social and private rented sectors.*

### **56. CHARITABLE COLLECTIONS POLICY**

Councillor Richard Musgrave, Lead Executive Member for Housing, Leisure, Health and Culture presented the report on the proposed Charitable Collections Policy and the results of the consultation process.

The Lead Executive Member for Housing, Leisure, Health and Culture explained the proposed policy had departed from the Policy Review Committee's request for minimum/maximum charity proceeds in order to be compliant with national guidance.

Executive  
5 January 2017

It was explained that however a guideline only figure on net proceeds to a charity was included in the proposed policy to ensure compliance with national guidance and protect officer decisions from challenge.

Discussion took place on the proposed hours for collection and the proposal submitted by the Licensing Committee. The Executive were sympathetic to the proposal submitted by the Licensing Committee and acknowledged the concern of the effect of visitors late in the evening on elderly and vulnerable people. The Executive, however, also acknowledged that if a charity was given a national licence, then the Council's policy including the restrictions on hours would not apply and a charity would be able to collect until 9pm. Due to this, the Executive felt that restricting the hours as per the Licensing Committee recommendation could result in confusion on the appropriate hours allowed. It was also noted that there was a risk that on appeal the restriction proposed would be felt not to be proportionate as it was so far out of sync with the hours allowed for nationally exempt charities.

In light of the discussion and consideration of the information, it was proposed to revert the collection hours back to the original proposal of 8am to 8pm.

**RESOLVED:**

- i) **To approve that the hours of collection are 8am to 8pm.**
- ii) **To approve the draft Charitable Collections Policy.**

**REASON FOR THE DECISION**

*To bring consistency and accountability to the licensing of charitable collections in the district.*

**57. GAMBLING POLICY REFRESH**

Councillor Richard Musgrave, Lead Executive Member for Housing, Leisure, Health and Culture presented the report on the review of the Gambling Policy.

It was noted that the Licensing Committee and the Policy Review Committee would consider the policy as part of the consultation and that ultimately the policy would require approval by full Council under the Budget and Policy Framework Rules.

**RESOLVED:**

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**To approve the draft Gambling Policy (Statement of Principles) for public consultation.**

**REASON FOR THE DECISION**

*To obtain the views of key stakeholders and the public on the draft Policy.*

**58. HOUSING RENTS 2017/18**

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

**RESOLVED:**

**To approve the proposed 1.0% average rent decrease for 2017/18.**

**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.*

The meeting closed at 4.27pm



# Selby District Council

## REPORT

Reference: E/16/38

Item 4 - Public



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<b>To:</b>	<b>The Executive</b>
<b>Date:</b>	<b>1<sup>st</sup> February 2017</b>
<b>Status:</b>	<b>Non key decision</b>
<b>Report Published:</b>	<b>24 January 2017</b>
<b>Author:</b>	<b>Jennifer Clewley, Business Transformation Officer</b>
<b>Executive Member:</b>	<b>Councillor Mark Crane, Leader of the Council</b>
<b>Lead Officer:</b>	<b>Gillian Marshall, Solicitor to the Council</b>

**Title:** Members IT Devices

### **Summary:**

- 1.1 The Executive asked for a full proposal to be developed regards the purchase and implementation of electronic devices to Members.
- 1.2 The report in section 2 summarises the outcome and the full proposal is available in Appendix A
- 1.3 The proposal helps the Council meet the legal requirement to be PSN compliant and increase security when sending and receiving documents. It also contributes to savings and enables an efficient and environmentally friendly way of working with Members.
- 1.4 The costs of the proposal are within budget and no further financial issues are being raised.

### **Recommendations:**

- i. **The Executive are asked to approve the purchase and roll out of the HP Elite tablet and keyboard devices to Members as set out in the report.**

### **Reasons for recommendation**

- i. Approval of the proposal is required in order to progress with the project in a timely manner.

## 1. Introduction and background

- 1.1 Selby District Council (SDC) work hard to mitigate risk of data protection breaches for which the Information Commissioner’s Office (ICO) can issue fines of up to £500,000. Following an Audit report in 2014, it was found that current communication arrangements for Members needed to be reviewed and updated to meet modern standards with regard to Public Sector Network (PSN) compliance, a key component to data protection of the Councils information.
- 1.2 In addition, almost all our neighbouring authorities and the County Council have moved to a modern ‘paper light’ way of managing council and councillor business which have allowed Councillors to work effectively whilst also delivering significant efficiencies and savings.
- 1.3 In response, the Council have consulted with NYCC the ICT partner for a solution, which will; prevent data security issues and identify savings that could be made on the current printing costs. The changes can also be aligned to the review of Member allowances, allowing the Council to reduce the IT allowances currently paid.
- 1.4 Dual hatted members, already have tablet and keyboard devices, issued by NYCC and SDC is now in a position to provide a similar service to all Members.

## 2 The Report

### 2.1 Introduction

The proposal sets out the following:

Why electronic devices are needed for members	<ul style="list-style-type: none"> <li>- PSN Compliance IT Security</li> <li>- Efficient ways of working</li> <li>- Savings against printing and postage</li> <li>- Environmentally friendly ways of working through reduced use of paper documents</li> </ul>
Options appraisal to cover different types of devices	<ul style="list-style-type: none"> <li>- 4 options – Not provided with Devices/ Tablet/ Laptop/ Other</li> </ul>
The recommendation of which device to proceed	<ul style="list-style-type: none"> <li>- Tablet with Keyboard and Pen</li> </ul>
Top line timescales for implementation	<ul style="list-style-type: none"> <li>- By April 2017</li> </ul>
The financial impact	<ul style="list-style-type: none"> <li>- Costs within budget £27,707</li> <li>- Covers devices, security, support and training</li> </ul>

## 2.2 The preferred option

### Option 2 Windows tablet/ keyboard devices and support

- 24 x HP Elite X2 1012 G1 with tablet, keyboard and active pen
- Accessories: bag, mouse, cable to connect to a monitor and a USB hub to connect devices
- 31 x Network Connect Licences
- 20 x Remote access connections
- Remote access support for additional users
- Secure log in to the Council network
- Encrypted files for secure sharing
- Windows Microsoft 8.1 software
- Training
- IT service desk support (in line with the current SLA details are which are in Appendix B)



Cost of devices	£19,800
Cost of remote licences and connections	£7,907
<b>Total Cost</b>	<b>£27,707</b>
<b>Advantages</b>	<b>Disadvantages</b>
Members are PSN compliant mitigating the high risk of security breaches	Initial cost of devices seem expensive but this is offset by the security and support required
Breach of information and penalties of up to £500k from the ICO are mitigated	Members may have multiple devices (phone, tablet, laptop)
Efficient working practices - reduces costs of printing and postage	Initial training on using the devices will be required
Enables environmentally friendly ways of working	
Use Windows 8.1 software	
Members are supported within the current IT contract and partnership with NYCC	
Full suite of remote licences for secure access	
Purchasing benefits from economies of scale through NYCC	
Avoids procurement exercise	
Consistent working practices across Members	
Supports the Better Together Partnership through working with NYCC	
NYCC can provide full training	
Technology futureproofed for other advancements and efficiencies	

## 2.3 Delivery timescales

	Dec	Jan	Feb	Mar	April
Executive Briefing		19/1			
Proposal to be agreed by Executive			1/2		
All Members to be informed			21/2		
Purchase devices					
Purchase additional remote access licences					
NYCC to build devices with SDC specification					
NYCC to align Dual hat members devices with SDC security access and user accounts					
Implementation and training plan to be agreed					
ICT Acceptable Use Policy agreed by Members					
Devices to be distributed					
Training to be given to Members					
Capital Programme Funding End				31/3	

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

#### Legal Issues

- 3.1 The proposal does not raise any legal adverse issues. The project will mitigate the risk of security breaches, leading to legal challenge and penalties of up to £500,000.

#### Financial Issues

- 3.2 The cost of the devices is within budget and covered in the proposal above.
- 3.3 The proposal will deliver savings of up to £12700 pa (ongoing) broken down into £2000 paper and print costs, £3000 postage costs and up to £7770 on the Members IT allowances depending on whether a printings/ consumables allowance is retained.

#### Impact Assessment

- 3.3 Not required

### 4. Conclusion

- 4.1 The Council needs to have a solution for Members to work electronically which is legal, secure and PSN compliant and which can also deliver efficiencies and savings.

- 4.2 The proposal recommends the Council work with their ICT provider (NYCC) to deliver a lightweight portable tablet and keyboard device to members. This is the HP Elite device identified.
- 4.3 The Executive are asked to approve the purchase and roll out of the device, software and licences to Members as detailed in Appendix A.
- 4.4 The approval will enable Officers to progress with the project, purchase the devices and build them to SDC secure standards for rollout to Members. It will also enable ways of working to become more environmentally friendly and efficient with Members. As well as making savings made from the current printing and postage costs.
- 4.5 A full training plan will be developed to address Members ICT needs and Members will be supported within the current IT SLA with NYCC.

**5. Background Documents**

Not Applicable

*Contact Officer:  
Jennifer Clewley  
Business Transformation Officer  
Selby District Council  
Jclewley@Selby.gov.uk*

**6 Appendices:**

Appendix A: Members IT Devices Proposal

# Proposal



	<b>Author:</b>	<b>Date:</b>
<b>Document Author</b>	Jennifer Clewley	01/12/16
<b>Project Name</b>	Members IT Devices	
<b>Senior Responsible Owner</b>	Stuart Robinson (Operational) Gillian Marshall (Political)	
<b>Project Manager</b>	Jennifer Clewley	
<b>Approval Group</b>	Executive	01/02/2017
<b>Approved By</b>		

## Background

Selby District Council (SDC) work hard to mitigate risk of data protection breach's for which the Information Commissioner's Office (ICO) can issue fines of up to £500,000. Following an Audit report in 2014, it was found that current communication arrangements for Members needed to be reviewed and updated to meet standards with regard to Public Sector Network (PSN) compliance, a key component to data protection of the Councils information.

In response, the Council have consulted with NYCC the ICT partner for a solution, which will resolve security issues and identify savings that could be made on the current printing costs. The changes can also be aligned to the review of Member allowances, allowing the Council to reduce the IT allowances currently paid.

Dual hatted members, already have tablet and keyboard devices, issued by NYCC and SDC is now in a position to provide a similar service to all Members.

## Scope

SDC to purchase 24 devices which can be fully supported to enable Members (identified in Appendix A) to access Council emails, papers and documents in a secure, professional and business like way.

The device should be a lightweight tablet device with a keyboard, for Members to carry around and use in different Council meetings.

Devices should be built to SDC specifications, with a secure remote access log in, Selby District Council email accounts and the ability to save and share documents on a personal and group drives. This will mean the number of remote connections and licences will need to be reviewed and additional licences purchased for members to use.

The build of the devices must mitigate the risk of a data protection breach, through the build of a secure and PSN compliant device.

Dual hat members will need to be able to access SDC information, emails and files from their NYCC device.

Training must be provided for all Members with new devices, which must include how to work digitally as well as how to use the device.

Sufficient IT service desk support will need to be put in place aligned to the existing SLA with NYCC, to ensure Members are supported, when experiencing issues. Details of the support provided by NYCC are included in Appendix B.

It should be noted, that NYCC currently only support Windows 8 devices. Therefore, to fully benefit from the IT partnership, android and I pad (IOS) devices, or windows devices on Windows 10 cannot purchased at this point in time.

**Project Objectives**

- Members are provided with technology to enable them to receive; access and use Council documents and emails securely in line with requirements to support PSN compliance.
- Enable environmentally friendly ways of working.
- Risk of security breaches and financial penalties is mitigated. (The ICO can issue fines of up to £500,000 for breach's of the DPA).
- Members are trained in using the devices and digital ways of working.
- Members are supported by an IT service desk as part of the agreed SLA currently in place, which supports the Council during working hours via a IT Service Desk portal.
- Reduction in the costs of providing paper copies of agendas (printing costs and staff time)

**Options appraisal**

**Option 1 Members are not provided with IT devices**

The current ways of working with Members could pose a high security risk for breach of data and information and could also mean the Council are not PSN compliant. If data protection is breached, this would have a huge impact on the day to day operations at the Council as well as a high fine and reputational consequences.

If devices are not provided to Members, the Council will need to decide whether it can continue to support Councillors with a Selby.gov e email address and can send documents by e mail to Councillors. This would significantly impact on the efficiency of the business of the Council.

Advantages	Disadvantages
No additional outlay costs	Could jeopardise the Council's PSN compliance. Continuing to use electronic devices for Council business poses a security risk for data protection and could result in loss of PSN accreditation
Dual Hatters would keep their equipment through NYCC and are legally compliant	Inefficient and inconsistent working practices
	Technology not futureproofed for further efficiencies eg, use of Apps

	Increased costs to the Council of printing and postage
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**Option 2 Windows tablet/ keyboard devices and support**

NYCC are the Councils IT provider and are therefore best placed to provide our IT equipment and support members with IT requirements. NYCC recommend the device below which is a tablet, with detachable keyboard and active pen. The current NYCC Councillors have a slightly different device with a Windows Surface Pro, however, these are no longer available. The HP Elite is the device NYCC are rolling out to their Members and can be fully supported by the IT team.

Option includes:

- 24 x HP Elite X2 1012 G1 with tablet, keyboard and active pen
- Accessories: bag, mouse, cable to connect to a monitor and a USB hub to connect devices
- 31 x Network Connect Licences
- 20 x Remote access connections
- Remote access support for additional users
- Secure log in to the Council network
- Encrypted files for secure sharing
- Windows Microsoft 8.1 software
- Training
- IT service desk support (in line with the current SLA details are which are in Appendix B)



Cost of devices	£19,800
Cost of remote licences and connections	£7,907
<b>Total Cost</b>	<b>£27,707</b>
<b>Advantages</b>	<b>Disadvantages</b>
Supports the Council in remaining PSN compliant - mitigating the risk of security breaches	Initial cost of devices seem expensive but this is offset by the security and support required
Breach of information and penalties of up to £500k from the ICO are mitigated	Members may have multiple devices (phone, tablet, laptop)
Efficient working practices - reduces costs of printing and postage	Initial training on using the devices will be required
Enables environmentally friendly ways of working	
Use Windows 8.1 software	
Members are supported within the current IT contract and partnership with NYCC	
Full suite of remote licences for secure access	
Purchasing benefits from economies of scale through NYCC	
Avoids procurement exercise	
Consistent working practices across Members	
Supports the Better Together Partnership through working with NYCC	
NYCC can provide full training	



Technology futureproofed for other advancements and efficiencies	
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### **Option 3 Windows laptop devices and support**

NYCC are the Councils IT provider and are therefore best placed to provide the IT equipment and support members with IT requirements. An alternative to a tablet and keyboard device, NYCC can provide a windows laptop with accessories. Devices are slightly cheaper, but will be heavier and less professional.

Option includes:

- 24 x HP Probook 650 G2 Core i5
- Accessories: bag, mouse, cable to connect to a monitor and a USB hub to connect devices
- 31 x Network Connect Licences
- 20 x Remote access connections
- Remote access support for additional users
- Secure log in to the Council network
- Encrypted files for secure sharing
- Windows 7 Microsoft software
- Training
- IT service desk support (in line with the current SLA details are which are in Appendix B)



Cost of devices	£18,000
Cost of remote licences and connections	£7,907
<b>Total Cost</b>	<b>£25,907</b>
<b>Advantages</b>	<b>Disadvantages</b>
Supports the Council to remain PSN compliant - mitigating the risk of security breaches	High cost for an item that doesn't fully meet the needs of users
Breach of information and penalties of up to £500k from the ICO are mitigated	Uses older software Windows 7 – not futureproofed
Members are supported within the current IT contract and partnership with NYCC	NYCC IT support is during working hours
Supports the Better Together Partnership working with NYCC	Not as portable as a tablet for different types of meetings
NYCC can provide full training	Inconsistencies between NYCC and SDC Members
Members would have a portable device	Wouldn't benefit from economies of scale with NYCC as they no longer use laptops
Efficient working practices - reduces costs of printing and postage	Members may have multiple devices (phone, tablet, laptop)
Enables environmentally friendly ways of working	Initial training on using the devices will be required

### **Option 4 Alternative devices**

NYCC could provide an alternative device such as an android tablet or an iPad, however, there would also be additional support costs, extended timescales, minimal training and it isn't aligned to the Better Together Partnership and shared ICT infrastructure work. The device costs may be lower, however, this will be offset by other costs for security and support.

Option includes:

- 24 x devices tbc
- Accessories: as required tbc
- 31 x Network Connect Licences
- 20 x Remote access connections
- Remote access support for additional users
- Secure log in to the Council network
- Encrypted files for secure sharing
- Microsoft Software
- Training
- Additional IT service desk support
- Device Management Plan

Cost of devices estimate	£9,600
Bespoke Support Costs estimate	£5,142 p/a ongoing cost not currently in budget
MDM for Android devices estimate	£2,400 p/a ongoing cost not currently in budget
Cost of remote licences and connections	£7,907
<b>Total Cost</b>	<b>£25,049</b>
<b>Advantages</b>	
<b>Disadvantages</b>	
Supports the Council to remain PSN compliant - mitigating the risk of security breaches	Inconsistent between NYCC and SDC Members
Breach of information and penalties of up to £500k from the ICO are mitigated	Will use Windows 10, Android or IOS software which is not currently supported by NYCC
Cheaper device <u>but</u> these savings would be offset by increase support costs	Doesn't support the Better Together Partnership for shared ICT Infrastructures
Could open the option of Buy Your Own Device to Members <u>but</u> this would come at a further cost and with possible security risks	NYCC may not able to provide training
Enables environmentally friendly ways of working	May not be futureproofed for future technology developments
	Would require a procurement exercise – lengthening timescales and costs
	Additional support costs as support is not standard to the rest of the inventory and infrastructure
	Additional Device Management (MDM) plan required at additional annual costs
	Longer timeframe and additional costs for NYCC to review security for devices

### Preferred Option

The preferred option is number 2 – purchase equipment and support through the NYCC partnership.

Whilst this is the most expensive device option it provides efficiencies and savings, through joined up working with the Councils ICT partner and fully meets the Council's needs. The

difference in costs for the other options would easily be consumed through inefficient working (providing paper files) and the additional end to end support required from NYCC.

The option means the devices and Members, are all fully supported in line with the Councils IT agreement with NYCC. The devices will be futureproofed within the partnership for any training, updates, upgrades, developments, as we build the ICT strategy and move forward with improving electronic working.

## Benefits

- Providing all Members with IT equipment will ensure that Council papers and information can be shared securely in accordance with PSN requirements.
- Being PSN compliant mitigates the high risk of breach of information and penalties of up to £500k from the ICO.
- Enables environmentally friendly ways of working.
- Benefits from economies of scale using NYCC buying power with suppliers.
- Purchase devices that are fully supported by NYCC IT team.
- NYCC can provide full training as required.
- Futureproof technology aligned to the wider partnership and shared infrastructure programme.
- Savings against Members expenses c.£12,700 per annum are estimated as follows:
  - Paper and Printing c£2,000 per annum.
  - Postage c£3,000 per annum.
  - Members ICT allowance c.£7,700
 It is worth noting with regard to above savings forecast that an ICT allowance would still be needed for consumables and that in certain cases Members may request a paper copy of an agenda.

## Project Approach / Delivery Timescales

	Dec	Jan	Feb	Mar	April
Executive Briefing		19/1			
Proposal to be agreed by Executive			1/2		
All Members to be informed			21/2		
Purchase devices					
Purchase additional remote access licences					
NYCC to build devices with SDC specification					
NYCC to align Dual hat members devices with SDC security access and user accounts					
Implementation and training plan to be agreed					
ICT Acceptable Use Policy agreed by Members					
Devices to be distributed					
Training to be given to Members					
Capital Programme Funding End				31/3	

- Project led by the Business Development Team with support from Democratic Services
- NYCC time taken from the 20% project time agreement as part of the Shared Infrastructure Programme

## Funding

A capital budget has been set aside for Members IT of £18,340 and can be used to fund the Members devices.

The remote access licence, concurrency and support costs, plus the overspend on devices, can be funded from the IT Capital Programme.

Budget Description	Budget £	Item Description	Costs £
<b>CAPITAL</b>			
Members I.T	18,340	Devices and Accessories	19,800
IT Capital Budget	9,800	Remote Access User Licences	7,907
IT Better Together Partnership	NYCC Device build charge - Time taken from partnership		
<b>TOTAL</b>	<b>28,140</b>		<b>27,707</b>

## Risks / Issues to project

Risks	Mitigation
Timescales for equipment build and roll out delayed through decision making process	Project Manager to drive progress against a clear project implementation plan
Savings not achieved if devices are not used	Ensure Members are fully trained on how to use the devices and know how it benefits them.
Security remains at risk if devices are not used	Ensure Members are fully trained on how to use the devices and know the security risks to the council.
Issues	Mitigation
Out of hours IT Support not available	Full communication of support available and provide full training sessions for Members – rolling programme if required.
ICT Acceptable Use Policy needs reviewing to ensure it covers Members	Review policy and amend if required
Varying levels of Members IT skills	Members IT training programme as part of implementation

## Links and Dependencies

- Links to the Better Together Programme through working with NYCC
- Links to and is dependent on the ICT Partnership Project delivering the time to build and lock down the devices to SDC requirements
- Links to ICT Strategy as members need to be considered and supported, in the formation of the strategy
- DCN Staff Development Programme 2016 – Jennifer Clewley challenge

## Appendices

### Appendix A

## List of Members

<b>Members (A-Z)</b>		<b>Access to:</b>
<ul style="list-style-type: none"> <li>• Karl Arthur</li> <li>• David Buckle</li> <li>• John Cattanach</li> <li>• Ian Chilvers</li> <li>• Judith Chilvers</li> <li>• Mark Crane</li> <li>• James Deans</li> <li>• Stephanie Duckett</li> <li>• Keith Ellis</li> <li>• Mel Hobson</li> <li>• David Hutchinson</li> <li>• Mary McCartney</li> </ul>	<ul style="list-style-type: none"> <li>• Donald Mackay</li> <li>• John Mackman</li> <li>• Richard Musgrave</li> <li>• Wendy Nichols</li> <li>• Dave Peart</li> <li>• Ian Reynolds</li> <li>• Bryn Sage</li> <li>• Jennifer Shaw-Wright</li> <li>• Richard Sweeting</li> <li>• Anthony Thurlow</li> <li>• Paul Welch</li> <li>• Debby White</li> </ul>	Network Connect Email P: Drive IT Service Desk App SDC Website shortcut Microsoft Programs
<b>NYCC Dual Hatter Members (A-Z)</b>		<b>Access to:</b>
<ul style="list-style-type: none"> <li>• Elizabeth Casling</li> <li>• Mike Jordan</li> <li>• Clifford Lunn</li> <li>• Brian Marshall</li> </ul>	<ul style="list-style-type: none"> <li>• Christopher Metcalfe</li> <li>• Robert Packham</li> <li>• Christopher Pearson</li> </ul>	NYCC devices will need building with SDC security and user access as per the above.

## **Appendix B**

### **Provision of ICT Support**

Support is provided via the NYCC Service Centre during the hours of

- Monday to Thursday: 8:30am – 5:00pm
- Friday: 8.30am – 4:30pm

Incidents will either be resolved at first contact or assigned to the appropriate support team for further investigation and resolution within the SLA.

The priority of an incident is determined by:

- Impact – how many users are affected
- Urgency – how critical is it that the service is restored

<b>Priority</b>	<b>Measurement</b>	<b>SLA Target Resolution Time</b>
1	One or more critical services cannot be delivered	4 hours
2	There is significant impact on the productivity or quality of a service	8 hours
3	The is an issue but it is not affecting services; or A work around is in place	20 hours

### **Note:**

- Individual user IT issues are likely to be priority 3.
- Instructions on how to contact IT for issues will be covered in the training.

# Selby District Council

## REPORT

Reference: E/16/39

Item 5 – Public

(Appendices B and C private)



**To:** The Executive  
**Date:** 1 February 2017  
**Status:** Key decision  
**Report Published:** 24 January 2017  
**Author:** Sally Rawlings, Housing Development Manager  
**Executive Member:** Councillor Richard Musgrave, Lead Executive Member for Housing, Leisure, Health and Culture.  
**Lead Officer:** Dave Caulfield - Director of Economic Regeneration and Place

**APPENDICES B and C ARE NOT FOR PUBLICATION. These Appendices contain exempt information under paragraph 3 of schedule 12A to the Local Government Act 1972 as amended \***

**Title:** Housing Development programme – Landing Lane, Riccall;

**Summary:**

This report outlines the request made by Selby and District Housing Trust (the Housing Trust) to amend the approved outline business case to the redevelopment of the Council's garage site at Landing Lane, Riccall.

The requested amendments are:

- a. An amendment to the land transfer – requested at nil cost
- b. An increase in the loan offered – to fund two additional properties for rent
- c. An increase in the grant offered – to fund two additional properties for rent

The original offer was made on the basis of the outline business case approved by Executive on 5 June 2014 and the subsequent update approved by Executive on 1 October 2015 which made the offer of a grant to support the scheme.

The original offer was also made on the basis of achieving a land value equivalent to £11,700/plot for any sale units and £7,200/plot for any affordable rented units – as detailed in a report about the site, by the District Valuer in 2014.

The report considers the Trust's requests and concludes that under the circumstances for this particular scheme, whilst the costings have changed, the request for public subsidy falls below the policy maximum of £50k/unit, and thus compares favourably to other developments which have already been approved in other parts of the District. Consequently it is recommended that the offer be amended to 5 affordable rented units with an associated increase in the loan offer. However it is beneficial for the Council to receive a capital receipt for the land and increase the s106 grant support accordingly.

### **Recommendations:**

- i. That the offer to Selby and District Housing Trust be amended to enable the development of 5 affordable rented units with the land transferred at a value of £36k (subject to valuation).**
- ii. That the offer be amended to provide a grant of up to £162.6k and a loan of £632.365k with the final value and terms of the loan delegated to the Chief Finance Officer and consultation with the Lead Councillor for Finance and Resources and the Solicitor to the Council.**
- iii. That Selby District Council underwrite the pre-development costs necessary to develop the detailed business case (up to a maximum of £15k to be funded from the Programme for Growth) should the land transfer not take place.**

### **Reasons for recommendations**

- To enable the development to proceed;
- To increase the provision of general needs affordable rented housing in Selby District Council area;
- To maximise the use of an under-utilised site.

## **1 Introduction and background**

- 1.1 Following approval by the Executive, this site was offered to Selby & District Housing Trust (the Housing Trust) at a value of £45k in June 2014, for the development of general needs family accommodation. The outline business case identified three affordable units for rent and two market units for sale with the sale units being used to subsidise the scheme.

- 1.2 Originally the funding for the scheme was expected to be supported by the Homes and Communities Agency with a grant requirement of £30.15k but following the changes in Government policy of July 2015 (-1% rents for registered providers and local authorities) the Trust decided not to proceed with HCA registration and a report detailing the impact of this policy change along with cost rises on this scheme was submitted to Executive on 1 October 2015. The Executive subsequently approved a grant of £72.5k (net cost to the Council of £27.5k after the sale of the land) in order to bring the scheme to fruition.
- 1.3 Since then the Trust has undertaken further feasibility work, scheme design, and developed a revised outline business case for the scheme. However in the period of time that has passed since the amended offer was made, costs have continued to increase and interest rates have risen causing further delay as the Trust has considered its options. In summary this has resulted in the following requests from the Trust Board:
- a. An amendment to the land transfer – requested at nil cost
  - b. An increase in the loan offered – to fund two additional properties for rent
  - c. An increase in the grant offered – to fund two additional properties for rent
- 1.4 Furthermore due to the delays in progressing the scheme and concluding the loan agreement the Trust has requested that the costs of the pre-development and feasibility work for this scheme be underwritten by the Council as the Trust has no working capital in advance of any scheme loan being drawn down. These costs are estimated up to a value of £15k and would be included as part of the funding package should the scheme proceed. If the scheme does not go ahead the Trust would not have a rental income stream to cover such costs and consequently have requested that the Council agree to meet these costs should the scheme not go ahead.

## **2 The Report**

- 2.1 Following the Housing Trust's review of this scheme they have requested that the scheme tenures be changed from 2 x houses for market sale and 3 x houses for affordable rent to 5 x 2b/4p houses for affordable rent. The rationale for the tenure change is based on the estimated low surplus on the market sale properties. The offer to the Trust in October 2015 assumed a net surplus from the market homes of circa £24k. The Trust's latest forecasts suggest that the surplus would be less than £1k based on a sale price of £170k, The reduction in the sale price is due to the reduction from 3 bed to 2 bed units as a result of



consideration of the size of the properties acceptable on a constrained and overlooked site.

- 2.2 Other cost pressures which are impacting on the proposed scheme include rising construction costs and increased interest rates. Following a request made in September by Councillors, construction costs have been benchmarked against similar sized schemes across the region and have been tested against an existing Efficiency North framework contract. This has resulted in an estimated cost increase of £99k. The original estimate assumed borrowing at 5.04% however over the last 2+ years interest rates have fluctuated – as of December 2016 30 year PWLB rates were 3.05% giving rise to a borrowing rate of 3.85% for financial modelling purposes (PWLB -0.2% certainty +1%). Until the scheme is tendered and the loan is agreed the risk/opportunity of further change (up or down) remains.
- 2.3 In order to minimise the level of grant subsidy the Trust also requests that the site be transferred at nil value, in line with the other new build housing sites it has been offered (St Joseph's Street and Phase 2 sites) and the Council's Asset Transfer policy.

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

#### **Legal issues**

- 3.1 The appendices B and C of this report are exempt from disclosure under the provisions of paragraph 3 of Schedule 12A to the Local Government Act 1972 as it contains information relating to the financial or business affairs of any person including the authority itself. In that respect this report sets the likely budget for a tender which, if made public will affect the ability of the Housing Trust to obtain value for money. There is significant public interest in the requirements to comply with the undertakings against disclosure given in any invitation to tender, the Contract Procedure Rules of the Council, with which the Housing Trust has agreed to comply and in procurement law to outweigh the public interest in disclosing the information.
- 3.2 If the site is to be disposed of at less than market value the consent of the Secretary of State is required. The Secretary of State has issued some general consents which are subject to certain terms and conditions. If the disposal is within those terms and conditions then no application for a specific consent is required. It is possible to dispose of the site at less than market value under General Consent AA.

#### **Financial issues**

- 3.3 The outline business case for this scheme was presented to Executive in June 2014 and revised in October 2015. Since these revisions were made estimated

construction cost inflation has increased and borrowing rates have reduced, whilst rent levels have remained static.

3.4 From the Council's perspective these changes increase the grant needed to achieve a viable scheme, from £72.5k to £126.6k – an increase of £54k. The request has been made on the basis that there is no cross-subsidy from the sale of the two market houses and so that a further two homes can be provided for affordable rent with full nomination rights for the Council. The loss of the sale value would take the net cost of the scheme to the Council from £27.5k to £126.6k – an increase of £99.1k.

3.5 These changes increase the loan requirement from £326k (as at October 2015) to £632k - generating additional interest of £134k for the Council over the life of the loan (equivalent to £119k at present value). The following shows the proposed movement in costs for the Council based on the Trust's request:

<b>Financial Summary – SDC</b>	<b>Oct 2015 Option B</b> 2 x 3 bed sale	<b>Dec 2016 Option B</b> 2 x 2 bed sale	<b>Dec 2016 Option A</b> No sale units
SDC Grant (s106)	72,500	76,250	126,600
Capital Receipt	(45,000)	(23,400)	
Present Value of Loan	(117,838)	(71,514)	(119,171)
<b>Present Value of 30 year position</b>	<b>(90,338)</b>	<b>(18,664)</b>	<b>7,429</b>

3.6 In summary, the proposed changes to this scheme take account of increased construction costs and provide two additional homes for sub-market rent in return for additional public sector subsidy of £99k. However, this cost will be offset to a large degree by the increased income from an increased loan to the Housing Trust. In addition, there will be an increase in affordable rented housing in the District and the Council will gain nomination rights to the two additional properties along with a better utilisation of the Council's assets

3.7 The Housing Trust is also asking for the pre-development scheme costs to be underwritten if the scheme does not proceed at any stage prior to start on site, through a non-refundable grant (up to £15k) should the scheme not proceed. Should the Executive wish to underwrite these costs it is proposed that they be allocated from the Programme for Growth.

3.8 The full financial breakdown can be found in appendices B.

- 3.9 In relation to rental units the request to transfer the land at nil value in order to minimise the grant requirement has no impact in overall cash terms for either the Trust or the Council but it does suppress the amount of s106 applied to the scheme and as such it would be beneficial for the Council to maintain the consideration for the land and increase the s106 grant applied to the scheme. Therefore it is proposed that the land be offered for transfer at a value of £36k (subject to valuation and to reflect the affordable housing) increasing the grant to £162.6k (£32.52k per unit which is still below the £50k policy maximum the Council has set).
- 3.10 It should be stressed that the revised outline business case assumes a loan value which will be subject to volatility and subsequent rises in interest rates would have a negative impact on scheme viability.

### **Value for money**

- 3.11 The financial review of this scheme was undertaken using the benchmarking and value for money research results with which we were assisted by Efficiency North.
- 3.12 The majority of the council-owned sites have constrained accesses, are potentially difficult to develop and comprise low numbers of units – all of which provide a challenging scenario when trying to keep costs down. All such redevelopments are tendered through regionally-based frameworks for new build developments to ensure the best price for the work is obtained.
- 3.13 In addition it is noted that part of the purpose for this programme is the social value gained along with the wider regeneration benefits for the District.

## **4 Impact Assessment**

- 4.1 In the longer term the impact of the development will be to increase the number of smaller family-sized houses available for rent at sub-market rents to families with a local connection (through the setting of a local lettings policy) to Riccall. In addition, the redevelopment of the site will regenerate the site and maximise the use of the land available.

## **5 Conclusion**

- 5.1 This scheme will help deliver the target (set out in the SDC Housing Development Strategy) of developing the affordable homes programme over five years. As this is for general family needs it will (in part) address the numbers registered for housing on the Home Choice system.
- 5.2 Whilst the costings have changed for this scheme, the request for public subsidy falls below the policy maximum of £50k/unit, and thus compares

favourably to other developments which have already been approved in other parts of the District.

## 6 Background Documents

The following documents provide background to this proposal:

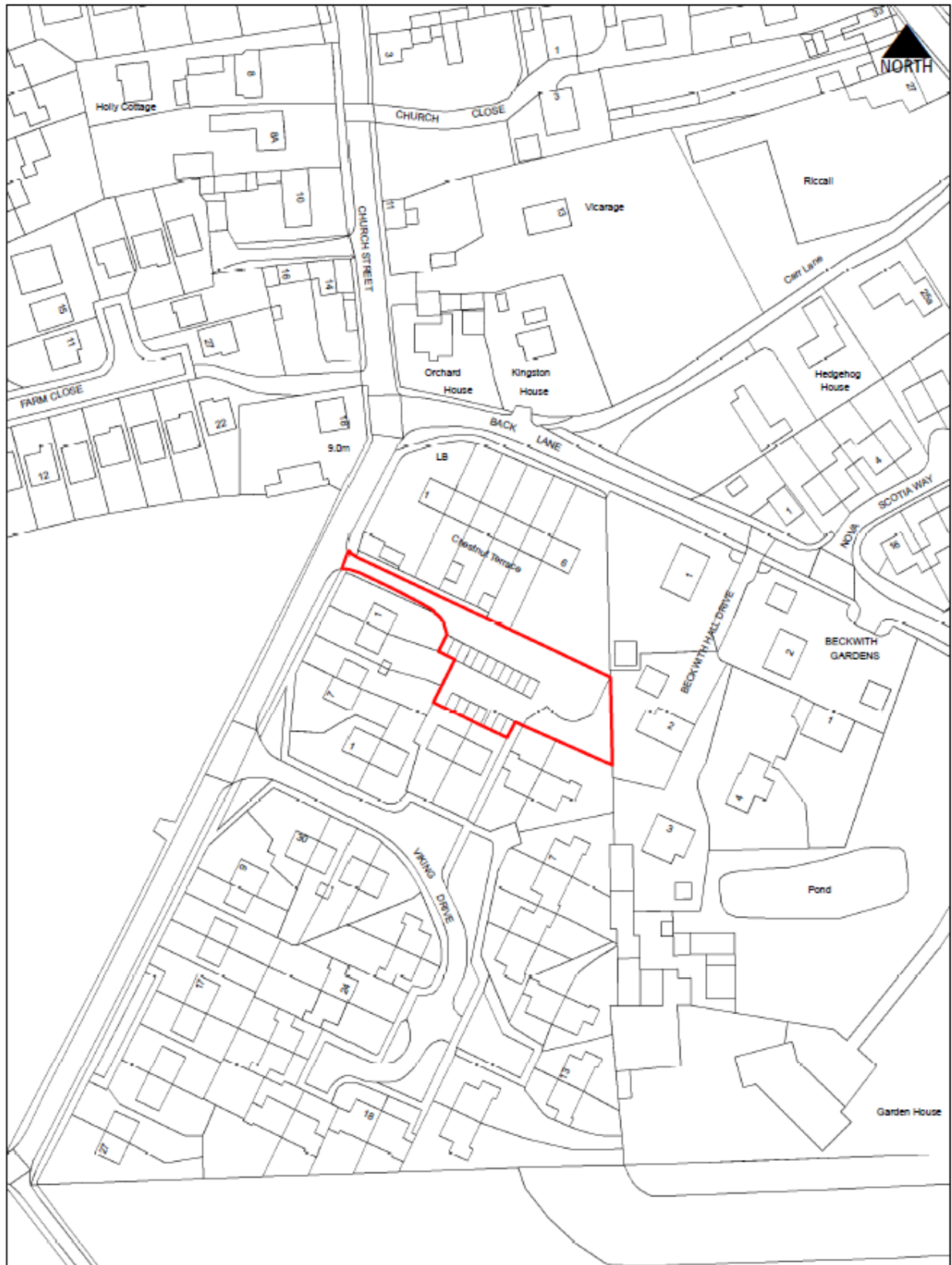
- Selby District Council Housing Development Strategy - report to Council – 10 September 2013 (pp 115 – 122)  
[http://www.selby.gov.uk/upload/Council\\_Agenda\\_10.9.13\\_PUBLIC.pdf](http://www.selby.gov.uk/upload/Council_Agenda_10.9.13_PUBLIC.pdf)
- Selby District Council Housing Development Sites - report to Council – 10 September 2013 (pp 84 – 114)  
[http://www.selby.gov.uk/upload/Council\\_Agenda\\_10.9.13\\_PUBLIC.pdf](http://www.selby.gov.uk/upload/Council_Agenda_10.9.13_PUBLIC.pdf)
- Housing Development Strategy Phase 1 progress report – report to Executive - 5 June 2014 (pp 6 – 10) [http://www.selby.gov.uk/upload/Exec\\_Agenda\\_5.6.14.pdf](http://www.selby.gov.uk/upload/Exec_Agenda_5.6.14.pdf)
- Outline business cases – Phase 1 Housing development programme – report to Executive 6 November 2014 (pp 566 – 595) <http://www.selby.gov.uk/all-committee-meetings/71?page=1>
- Request for a grant for the proposed development at Riccall - Report to Executive 1 October 2015 (pp 73 – 78) <http://www.selby.gov.uk/all-committee-meetings/71?page=1>
- S106 Affordable Housing Commuted Sum Allocation – report to Executive 5 November 2015 (pp 41 – 46) <http://www.selby.gov.uk/executive-05-november-2015>

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01757 292237

### Appendices:

- APPENDIX A - Site location plan**
- APPENDIX B – Financial summary – comparison table**
- APPENDIX C – 30 year payback profile – revised proposal**

# APPENDIX A – site location – Landing Lane, Riccall



Riccall Site

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1:1,250



# Selby District Council

## EXECUTIVE

Reference: E/16/40

Item 6 - Public



**To:** The Executive  
**Date:** 1 February 2017  
**Status:** Key Decision  
**Report Published:** 24 January 2017  
**Author:** John Raine – Head of Technical Finance  
**Executive Member:** Councillor Cliff Lunn – Lead Executive Member for Finance & Resources  
**Lead Director:** Karen Iveson – Chief Finance Officer

**Title:** Treasury Management – Treasury Management Strategy Statement 2017/18, Minimum Revenue Provision Policy Statement 2017/18, Annual Investment Strategy 2017/18 and Prudential Indicators 2017/18.

### Summary:

This report presents for approval the proposed Treasury Management Strategy together with the Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2017/18 and Prudential Indicators 2017/18 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 2017/18 is set at £76m
- ii. The Authorised Borrowing Limit for 2017/18 is set at £81m
- iii. Councillors delegate authority to the Chief Finance Officer/Chief Finance Officer to effect movement within the agreed authorised boundary limits for long-term borrowing for 2017/18 onwards.

- iv. **Councillors delegate authority to the Chief Finance Officer to effect movement within the agreed operational boundary limits for long-term borrowing for 2017/18 onwards.**
- v. **The treasury management strategy statement 2017/18 be approved.**
- vi. **The minimum revenue provision policy statement for 2017/18 be approved.**
- vii. **The treasury management investment strategy for 2017/18 be approved.**
- viii. **The prudential indicators for 2017/18 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 £81m for

- 2017/18, which is the maximum that can be borrowed in the year;
- The 'Operational Boundary' (the maximum amount that is expected to be borrowed) is £76m in 2017/18, 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 31/12/16 is £60.3m at an average rate of 4.19%;
- Total investments are around £50.1m at an average rate of 0.60%.
- Investment rates available continue to remain at relatively low levels as a result of the historically low Bank Rate. However, investment returns are comparable with other authorities. In order to ensure investment returns are maximised, while maintaining the appropriate level of security and liquidity of funds, alternative options are continually monitored and reviewed.

### **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 2017/18 and no changes are considered necessary, although the draft budget for 2017/18 includes proposals for some additional voluntary set-aside to provide long term revenue savings;
  - Total MRP for 2017/18 is £1.42m (£0.07m for loans, £1.26m HRA and £0.09m for leases) as a result of the proposed additional £3.3m MRP contribution in 2016/17 for General Fund loans

### **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 £35m and £50m over the coming year dependent upon cashflows;
- An average rate of return of 1.50% has been estimated for 2017/18. Money market returns are expected to be below 1%, however, loans to Selby District Housing Trust will help to increase overall returns.
- NYCC have included a range of alternative options, including Certificates of Deposit, Bonds and UK Government Gilts within its Investment Strategy in order to improve returns over the coming year.
- In addition to the types of investment set out in Schedule A and B, Treasury Management staff are currently investigating a number of alternative options, in order to assess whether they meet the Council's investment priorities and criteria list.

#### **Prudential Indicators**

- 2.4
- The Council plans to spend £7.4m on capital projects in 2017/18
  - 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 0.84% of the General Fund Budget and 33.90% of the HRA net budget in 2017/18.
  - Taking into account all capital spending plans during 2017/18 there is a borrowing requirement of £1.75m 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 Chief Finance Officer 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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Head of Technical Finance  
North Yorkshire County Council  
john.raine@northyorks.gov.uk

##### **Appendices:**

Appendix A – Treasury Management Strategy 2017/18  
Appendix B – Minimum Revenue Provision Policy 2017/18  
Appendix C – Capital Prudential Indicators 2017/18  
Appendix D – Borrowing Strategy 2017/18  
Appendix E – Annual Investment Strategy 2017/18

**TREASURY MANAGEMENT STRATEGY STATEMENT 2017/18****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 polices, 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 2017/18 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 Chief Finance Officer 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 2017/18****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 2017/18 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 2017/18 MRP chargeable to the General Fund will relate to the historic debt liability of £1.6m. This gives rise to an MRP liability of £0.1m for 2017/18 (£0.3m for 2016/17).

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 2017/18 – 2019/20****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	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
General Fund	8,009	2,884	3,803	2,810	767
HRA	1,899	6,793	3,594	3,463	2,450

- 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	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
General Fund	8,009	2,884	3,803	2,810	767
HRA	1,899	6,793	3,594	3,463	2,450
Total	9,908	9,677	7,397	6,273	3,217
Financed By:					
Revenue & Reserves	-6,039	-3,563	-2,579	-1,600	-1,543
Capital Receipts	81	-310	-175	-30	-30
Grants	-156	-506	-347	-347	-347
Major Repairs Allowance / Reserve	-1,761	-1,254	-1,297	-1,297	-1,297
Borrowing - Debt	-1,596	-4,043	-3,000	-3,000	0
Borrowing - Leases	-437	0	0	0	0
Total	-9,908	-9,677	-7,397	-5,773	-3,217

- 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**

	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
CFR General Fund	5,559	3,459	5,142	6,829	6,767
CFR GF Leases	692	319	228	154	78
<b>Total CFR General Fund</b>	<b>6,251</b>	<b>3,778</b>	<b>5,370</b>	<b>6,983</b>	<b>6,845</b>
CFR HRA	52,119	53,659	53,649	53,639	52,379
<b>TOTAL CFR</b>	<b>58,370</b>	<b>57,437</b>	<b>59,019</b>	<b>60,622</b>	<b>59,224</b>
<b>Movement in CFR</b>	<b>105</b>	<b>-933</b>	<b>1,582</b>	<b>1,603</b>	<b>-1,398</b>
<b>Movement in CFR represented by</b>					
Net Financing need for the year	2,034	4,043	3,000	3,000	0
Less MRP & Other financing movements	-1,929	-4,976	-1,418	-1,397	-1,398
<b>Movement in CFR</b>	<b>105</b>	<b>-933</b>	<b>1,582</b>	<b>1,603</b>	<b>-1,398</b>

- 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**

	<b>2015/16 Actual</b> %	<b>2016/17 Forecast</b> %	<b>2017/18 Estimate</b> %	<b>2018/19 Estimate</b> %	<b>2019/20 Estimate</b> %
GF	6.05	22.35*	0.84	0.50	0.34
HRA *	32.38	33.95	33.90	33.27	33.74

\* This is the impact of the additional £3.3m MRP contribution in 2016/17

\*\* 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 2017/18 budget setting round are shown in table 6.

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

Capital Investment Impact Upon:	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Annual Band D Council Tax	0.00	0.00	0.00	-0.00
Average Annual Housing Rent	2.87	13.63	21.00	27.12

- 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 2017/18**

- 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 31/12/16**

		<b>Principal</b>		<b>Ave. rate</b>
		£m	£m	%
Fixed rate funding	PWLB	53.8		
	Market	<u>6.5</u>	60.3	4.19
Variable Rate Funding	PWLB	0		
	Market	0	0	0
Other long term liabilities	Leases	0.7	0.7	4.51
<b>TOTAL DEBT</b>			<u><b>61.0</b></u>	<u><b>4.19</b></u>
<b>TOTAL INVESTMENTS</b>			<b>50.1</b>	<b>0.60</b>

- 1.2 The Council's treasury portfolio position as at 31 December 2016 is shown in Table 1 and the forecasted position at 31 March 2017, 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**

	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
<b>External borrowing</b>					
Borrowing at 1 April	60,333	60,333	60,333	59,333	59,333
Expected Change in Borrowing	0	0	-1,000	0	0
Leases	692	319	228	154	78
Actual borrowing at 31 March	61,025	60,652	59,561	59,487	59,411
CFR – the borrowing need *	58,370	57,437	59,019	60,622	59,224
Under / (over) borrowing	-2,655	-3,215	-542	1,135	-187
<b>Investments</b>					
Total Investments at 31 March	25,879	41,959	38,100	34,300	29,200
Investment Change	5,365	16,080	-3,859	-2,800	-5,100
Net Borrowing	35,146	18,693	21,461	25,187	30,211

## 2. **Treasury Limits for 2017/18 to 2019/20**

- 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 Chief Finance Officer reports that the authority (General Fund) had no difficulty meeting this requirement in 2015/16, nor are any difficulties envisaged for the current (2016/17) or future years (2017/18 – 2019/20). 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**

<b>Authorised Limit for External Debt</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Borrowing	70,000	75,000	80,000	82,000	80,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
<b>Total</b>	<b>71,000</b>	<b>76,000</b>	<b>81,000</b>	<b>83,000</b>	<b>81,000</b>

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

**Table 4: Operational Borrowing Limit**

<b>Operational Boundary</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Borrowing	65,000	70,000	75,000	77,000	75,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
<b>Operational Boundary Total</b>	<b>66,000</b>	<b>71,000</b>	<b>76,000</b>	<b>78,000</b>	<b>76,000</b>

- 2.9 In respect of its external debt, table 3 details the proposed authorised limits for the Council’s total external debt gross of investments for the next three financial years which councillors are recommended to approve. These limits separately

identify borrowing from other long-term liabilities such as finance leases. The 2015/16 and 2016/17 figures shown above are for comparative purposes. It is also recommended that members continue to delegate authority to the Chief Finance Officer, 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 Chief Finance Officer 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 Chief Finance Officer 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 2017**

	Bank Rate	PWLB Borrowing Rates (including 0.2% discount)			
		5 year	10 year	25 year	50 year
	%	%	%	%	%
Mar 2017	0.25	1.60	2.30	2.90	2.70
Sept 2017	0.25	1.60	2.30	2.90	2.70
Mar 2018	0.25	1.70	2.30	3.00	2.80
Sept 2018	0.25	1.70	2.40	3.10	2.90
Mar 2019	0.25	1.80	2.50	3.20	3.00
Sept 2019	0.75	2.00	2.60	3.30	3.10
Mar 2020	0.75	2.00	2.70	3.40	3.20

**4 Borrowing Requirement**

- 4.1 The Council is currently maintaining a marginally over-borrowed position in 2016/17. 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 2017/18.

<b>Under/(Over) Borrowing Position</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund	2,959	859	3,543	5,229	5,168
HRA	-5,614	-4,074	-4,084	-4,094	-5,354
<b>Overall Position</b>	<b>-2,655</b>	<b>3,215</b>	<b>-541</b>	<b>1,135</b>	<b>-186</b>

- 4.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Chief Finance Officer 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 2017/18 to 2019/20 shows that there is a borrowing requirement for both the General Fund and HRA. 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**

<b>Upper Limit for Fixed Interest Rate Exposure</b>	%	%	%	%	%
Net Interest re Fixed Rate Borrowing / Investments	100	100	100	100	100
<b>Upper Limit for Variable Rate Exposure</b>	%	%	%	%	%
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 2017/18**

<b>Maturity Structure New Borrowing 2017/18</b>	<b>Upper Limit</b>	<b>Lower Limit</b>
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 £53.8m 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 (£50.2m) 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

- 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 2017/18****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 2017/18.

**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 made several loans to the Selby District Housing Trust. The loan position to the Housing Trust is monitored and reviewed regularly.

#### **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:-

<b>Colour</b>	<b>Maximum Investment Duration</b>
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 Chief Finance Officer 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 Chief Finance Officer.

## **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 County Council currently has one non-specified investment over 364 days.
- (g) bank rate was cut to 0.25% in August and underpins investment returns. It is not expected to start increasing until mid-2019.

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. 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.

- (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 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 ANNUAL INVESTMENT STRATEGY 2017/18 – SPECIFIED INVESTMENTS

Investment	Security / Minimum Credit Rating	Circumstances of Use
<b>Term Deposits</b> with the UK Government or with UK Local Authorities ( as per Local Government Act 2003) with maturities up to 1 year	High security as backed by UK Government	In-house
<b>Term Deposits</b> with credit rated deposit takers (Banks and Building Societies), including callable deposits with maturities less than 1 year	Organisations assessed as having “high credit quality” plus a minimum Sovereign rating of AA- for the country in which the organisation is domiciled	In-house
<b>Certificate of Deposits</b> issued by credit rated deposit takers (Banks and Building Societies) up to 1 year		Fund Manager or In-house “buy and hold” after consultation with Treasury Management Advisor
<b>Forward deals</b> with credit rated Banks and Building Societies less than 1 year (i.e. negotiated deal plus period of deposit)		In-house
<b>Money Market Funds</b> i.e. collective investment scheme as defined in SI2004 No 534 <i>(These funds have no maturity date)</i>	Funds must be AAA rated	In-house After consultation with Treasury Management Advisor Limited to £20m
<b>Gilts</b> (with maturities of up to 1 year)	Government Backed	Fund Manager or In-house buy and hold after consultation with Treasury Management Advisor
<b>Bonds</b> issued by a financial institution that is guaranteed by the UK Government (as defined in SI 2004 No 534) with maturities under 12 months <i>(Custodial arrangements required prior to purchase)</i>		After consultation with Treasury Management Advisor

**SCHEDULE B**

**SELBY DISTRICT COUNCIL ANNUAL INVESTMENT STRATEGY 2017/18 – NON-SPECIFIED INVESTMENTS**

investment	<p><b>A) Why use it?</b></p> <p><b>B) Associated Risks?</b></p>	<p><b>Security / Minimum Credit Rating</b></p>	<p><b>Circumstances of Use</b></p>	<p><b>Max % of overall investments or cash limits in cash category</b></p>	<p><b>Maximum investment with any one counterparty</b></p>	<p><b>Maximum Maturity Period</b></p>		
<p><b>Term Deposit</b> with credit rated deposit takers (Banks &amp; Building Societies), UK Government and other Local Authorities with maturities greater than 1 year</p>	<p>A) Certainty of return over period invested which could be useful for budget purposes</p> <p>B) Not Liquid, cannot be traded or repaid prior to maturity</p> <p>Return will be lower if interest rates rise after making deposit</p> <p>Credit risk as potential for greater deterioration of credit quality over a longer period</p>	<p>Organisations assessed as having “high credit quality”</p> <p>Plus</p> <p>A minimum Sovereign rating of AA- for the country in which an organisation is domiciled</p>	<p>In-house</p>	<p>100% of agreed maximum proportion (20%) of core cash funds that can be invested for more than 1 year (estimated £20m)</p>	<p>£5m</p>	<p>2 years subject to potential future review with a maximum of no longer than 5 years</p>		
<p><b>Certificate of Deposit</b> with credit rated deposit takers (Banks &amp; Building Societies) with maturities greater than 1 year</p> <p><i>Custodial arrangements prior to purchase</i></p>	<p>A) Attractive rates of return over period invested and in theory tradable</p> <p>B) Interest rate risk; the yield is subject to movement during life of CD which could negatively impact on its price</p>			<p>Fund Manager or In-house “buy &amp; hold” after consultation with Treasury Management Advisor</p>	<p>25% of agreed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)</p>		<p>£3m</p>	
<p><b>Callable Deposits</b> with credit rated deposit takers (Banks &amp; Building Societies) with maturities greater than 1 year</p>	<p>A) Enhanced Income – potentially higher return than using a term deposit with a similar maturity</p> <p>B) Not liquid – only borrower has the right to pay back the deposit; the lender does not have a similar call</p>			<p>To be used in-house after consultation with Treasury Management Advisor</p>	<p>50% of agreed proportion (20%) of core cash balance that can be invested for more than 1 year</p>		<p>£5m</p>	<p>61</p>

investment	A) Why use it? B) Associated Risks?	Security / Minimum Credit Rating	Circumstances of Use	Max % of overall investments or cash limits in cash category	Maximum investment with any one counterparty	Maximum Maturity Period
	<p>Period over which the investment will actually be held is not known at outset</p> <p>Interest rate risk; borrower will not pay back deposit if interest rates rise after the deposit is made</p>			(£12.5m)		
<p><b>Forward Deposits</b> with a credit rated Bank or Building Society &gt; 1 year (i.e. negotiated deal period plus period of deposit)</p>	<p>A) Known rate of return over the period the monies are invested – aids forward planning</p> <p>B) Credit risk is over the whole period, not just when monies are invested</p> <p>Cannot renege on making the investment if credit quality falls or interest rates rise in the interim period</p>	<p>Organisations assessed as having “high credit quality” Plus A minimum Sovereign rating of AA- for the country in which an organisation is domiciled</p>	<p>To be used in-house after consultation with the Treasury Management Advisor</p>	<p>25% of greed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)</p>	<p>£3m</p>	<p>2 years subject to potential future review with a maximum of no longer than 5 years</p>
<p><b>Bonds issued by a financial institution that is guaranteed by the UK Government</b> (as defined in SI2004 No534) with maturities in excess of 1 year <small>Custodial arrangements required prior to purchase</small></p>	<p>A) Excellent credit quality</p> <p>Relatively Liquid</p> <p>If held to maturity, yield is known in advance</p> <p>Enhanced rate in comparisons to gilts</p> <p>B) Interest rate risk; yield subject to movement during life off bond which could impact on price</p>	<p>AA or Government backed</p>	<p>In-house on a “buy and hold” basis after consultation with Treasury Management Advisor or use by Fund Managers</p>		<p>n/a</p>	<p>62</p>

investment	A) Why use it? B) Associated Risks?	Security / Minimum Credit Rating	Circumstances of Use	Max % of overall investments or cash limits in cash category	Maximum investment with any one counterparty	Maximum Maturity Period
<b>Bonds issued by Multilateral development banks</b> (as defined in SI2004 No534) with maturities in excess of 1 year  Custodial arrangements required prior to purchase	A) Excellent credit quality  Relatively Liquid  If held to maturity, yield is known in advance  Enhanced rate in comparison to gilts  B) Interest rate risk; yield subject to movement during life off bond which could negatively impact on price				£3m	
<b>UK Government Gilts with maturities in excess of 1 year</b>  Custodial arrangements required prior to purchase	A) Excellent credit quality  Liquid  If held to maturity, yield is known in advance  If traded, potential for capital appreciation  B) Interest rate risk; yield subject to movement during life if the bond which could impact on price	Government backed	Fund Manager	25% of greed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)	n/a	2 years subject to potential future review with a maximum of no longer than 5 years
<b>Collateralised Deposit</b>	A) Excellent credit quality	Backed by collateral of AAA rated	In-house via money market broker or direct	100% of agreed proportion (20%) of core	£5m	63



investment	<p>A) Why use it?</p> <p>B) Associated Risks?</p>	<p>Security / Minimum Credit Rating</p>	<p>Circumstances of Use</p>	<p>Max % of overall investments or cash limits in cash category</p>	<p>Maximum investment with any one counterparty</p>	<p>Maximum Maturity Period</p>
	<p>B) Not liquid, cannot be traded or repaid prior to maturity</p> <p>Credit risk as potential for greater deterioration of credit quality over a longer period</p>	<p>Local Authority LOBO's</p>		<p>cash funds that can be invested for more than 1 year (£20m)</p>		

APPROVED LENDING LIST 2017/18

Maximum sum invested at any time

	Country	Specified Investments (up to 1 year)		Non-Specified Investments (> 1 year £20m limit)	
		Total Exposure £m	Time Limit *	Total Exposure £m	Time Limit *
<b>UK "Nationalised" banks / UK banks with UK Central Government involvement</b>					
Royal Bank of Scotland	GBR	85.0	364 days	-	-
Natwest Bank	GBR				
Bank of Scotland	GBR	85.0	6 months	-	-
Lloyds	GBR				
<b>UK "Clearing Banks", other UK based banks and Building Societies</b>					
Santander UK plc (includes Cater Allen)	GBR	40.0	6 months	-	-
Barclays Bank	GBR	75.0	6 months	-	-
HSBC	GBR	30.0	364 days		
Clydesdale Bank (trading as Yorkshire Bank)	GBR	30.0 (Shared with NAB)	Temporarily suspended	-	-
Goldman Sachs International Bank	GBR	40.0	6 months		
Nationwide Building Society	GBR	40.0	6 months	-	-
Leeds Building Society	GBR	20.0	6 months	-	-
Standard Chartered Bank	GBR	40.0	3 months	-	-
<b>High quality Foreign Banks</b>					
National Australia Bank	AUS	30.0 (Shared with Clydesdale)	364 days	-	-
Commonwealth Bank of Australia	AUS	20.0	364 days		
Canadian Imperial Bank of Commerce	CAN	20.0	364 days	-	-
Deutsche Bank	DEU	20.0	Temporarily suspended	-	-
Nordea Bank Finland	FIN	20.0	364 days	-	-
Credit Industriel et Commercial	FRA	20.0	364 days	-	-
BNP Paribas Fortis	FRA	20.0	6 months	-	-
Nordea Bank AB	SWE	20.0	364 days	-	-
Svenska Handelsbanken	SWE	40.0	364 days	-	-
<b>Local Authorities</b>					
County / Unitary / Metropolitan / District Councils		20.0	364 days	5.0	2 years
Police / Fire Authorities		20.0	364 days	5.0	2 years
National Park Authorities		20.0	364 days	5.0	2 years
<b>Other Deposit Takers</b>					
Money Market Funds		20.0	364 days	5.0	2 years
UK Debt Management Account		100.0	364 days	5.0	2 years

\* Based on data as 18 January 2017

## APPROVED COUNTRIES FOR INVESTMENTS

Based on the lowest available rating

Sovereign Rating	Country
AAA	Australia Canada Denmark Germany Luxemburg Netherlands Norway Singapore Sweden Switzerland
AA+	Finland Hong Kong USA
AA	Abu Dhabi (UAE) France UK Qatar
AA-	Belgium

# Selby District Council

## REPORT

Reference: E/16/41

Item 7 - Public



**To:** The Executive  
**Date:** 1 February 2017  
**Status:** Key Decision  
**Report Published:** 24 January 2017  
**Author:** John Raine – Head of Technical Finance  
**Executive Member:** Councillor Cliff Lunn – Lead Executive Member for Finance & Resources  
**Lead Director:** Karen Iveson – Chief Finance Officer

**Title:** Treasury Management – Monitoring Report to 31 December 2016

### Summary:

This report reviews the Council's borrowing and investment activity (Treasury Management) for the 9 month period 1 April to 31 December 2016 and presents performance against the Prudential Indicators.

Investments – The Bank of England cut Bank Rate from 0.50% to 0.25% in August 2016. A further rate reduction was previously forecast for November 2016, however, this did not materialise and Bank Rate is expected to remain at its current level for the remainder of 2016/17. As a result, investment returns are anticipated to be £42k higher than forecast earlier in the year (£190k at Q2). The latest forecast is that the Council will achieve £232k (£184k allocated to the General Fund; £48k to the Housing Revenue Account), which is £56k below budget and will reduce the General Fund surplus originally forecast for the year.

Borrowing – the Council has long term borrowing of £60.3m at 30 December 2016. Interest payments of £2.5m are forecast for 2016/17 (£0.1m allocated to the General Fund; £2.4m to the Housing Revenue Account).

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 2016 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 2016/17 and covers the period 1 April to 31 December 2016. 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 25 February 2016.
- 1.4 The two key budgets related to the Council's treasury management activities are the amount of interest earned on investments £288k (£230k General Fund, £58k HRA) and the amount of interest paid on borrowing £2,525k (£112k General Fund, £2,413k HRA).

### **2. The Report**

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

- 2.1 Following the Monetary Policy Committee of 4 August 2016, the Bank of England cut interest rates from 0.50% to 0.25%. As a result of the forward guidance provided by the Monetary Policy Committee as part of their November meeting, the Councils Treasury Management advisors are no longer forecasting a further cut in bank rate. However, Bank Rate is projected to remain low in the short to medium term, with a first rate rise back to 0.50% not expected until June 2019.

2.2 In addition, the Council's treasury advisors Capita summarised the key points associated with economic activity in Q3 2016/17 up to 31 December 2016:

- A sharp recovery in confidence indicators since UK vote to leave the EU;
- The fall in the value of Sterling has had a positive effect in boosting manufacturing in the UK;
- There has been robust UK GDP growth in Q3 (0.6%);
- Government is no longer seeking a budget surplus by 2019-20;
- But Government does remain committed to returning public finances to balance "as soon as practicable";

2.3 Table 1 shows recent average interest rates available up to a duration of 12 months and reflects the initial lack of movement in rates at the start of the year followed by a reduction in rates following the cut in bank rate.

Table 1: Average Interest Rates 1 April 2016 to 31 December 2016

	<b>April 2016</b>	<b>June 2016</b>	<b>Sept 2016</b>	<b>Dec 2016</b>
<b>Base Rate (Bank Rate)</b>	0.50	0.50	0.50	0.25
<b>Over Night</b>	0.40	0.45	0.45	0.10
<b>7 Days</b>	0.40	0.45	0.45	0.12
<b>1 month</b>	0.45	0.45	0.45	0.14
<b>3 Months</b>	0.55	0.50	0.50	0.26
<b>6 Months</b>	0.70	0.60	0.60	0.43
<b>1 Year</b>	0.80	0.70	0.70	0.67

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

	Bank Rate	PWLB Borrowing Rates (including 0.2% discount)			
		5 year	10 year	25 year	50 year
	%	%	%	%	%
Mar 2016	0.50	2.00	2.60	3.40	3.30
Sept 2016	0.50	2.20	2.80	3.50	3.30
Mar 2017	0.75	2.40	3.00	3.70	3.50
Sept 2017	1.00	2.60	3.20	3.80	3.70
Mar 2018	1.25	2.80	3.40	4.00	3.90
Sept 2018	1.50	3.00	3.60	4.10	4.00
Mar 2019	1.75	3.20	3.70	4.10	4.00

- 2.5 As can be seen from Tables 2 and 3, the reduction in bank has had a significant impact on the forecast for rates both in this financial year and next financial year.
- 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.

Table 3: Forecast for Interest Rates December 2016

	Bank Rate	PWLB Borrowing Rates (including 0.2% discount)			
		5 year	10 year	25 year	50 year
	%	%	%	%	%
Current	0.25	1.60	2.30	2.90	2.70
Mar 2017	0.25	1.60	2.30	2.90	2.70
Sept 2017	0.25	1.60	2.30	2.90	2.70
Mar 2018	0.25	1.70	2.30	3.00	2.80
Sept 2018	0.25	1.70	2.40	3.10	2.90
Mar 2019	0.25	1.80	2.50	3.20	3.00
Sept 2019	0.75	2.00	2.60	3.30	3.10
Mar 2020	0.75	2.00	2.70	3.40	3.20

## **Annual Investment Strategy**

- 2.7 The Annual Investment Strategy outlines the Council's investment priorities which are consistent with those recommended by DCLG and CIPFA:
- ✦ Security of Capital and
  - ✦ Liquidity of its investments
- 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 provide the best possible return 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.
- 2.10 While interest rates have remained low throughout 2016, cash balances have continued at relatively high levels. The current forecast is that the Council will achieve interest income of £232k (£184k allocated to the General Fund; £48k to the Housing Revenue Account).
- 2.11 The investment of the cash balances of the Council are now managed as part of the investment pool operated by North Yorkshire County Council (NYCC). As at 31 December 2016 £50.1m was held within the NYCC investment pool at an average rate of 0.60%.
- 2.12 The average level of funds available for investment during the nine months to December was £40.2m. 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).
- 2.13 The Council has a benchmark of its budget target of 1.50% to reflect performance of investments. However, as interest rates have remained low throughout 2016 the overall average rate of 0.60% is below benchmark. The forecast is kept under constant review. While the Council's cash balances remain high, which will support the interest earned budget, investment income rates are expected to reduce further in line with bank rate.



## **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 A. 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 2016/17 to support the budgeted capital programme. However, the 2016/17 forecast borrowing requirement is dependent on the level of funding required for the Housing Development. 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 £74.0m (£73m debt and £1m Leases) for 2016/17. 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 was in an over-borrowed position of £2.7m as at 31 March 2016. This means that capital borrowing is currently in excess of the Council’s underlying need to borrow. The over borrowed position is a direct result of the setting aside of sums to repay debt in the future. However, the over-borrowed position will begin to reverse in 2017/18 and 2018/19 as loans are made to support the Housing Trust, with no further plans to undertake any additional long term borrowing in the short/medium term. This stance will however be kept under review as borrowing rates are yet again at an all-time low.

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

### **3.1 Legal Issues**

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

### **3.2 Financial Issues**

The £56k reduction in investment returns is now at a level which will inevitably flow through to the Council’s net budget – the budget exceptions report elsewhere on this agenda highlights the issue. However, the Executive Director (s151) and – Head of Technical Finance will continue to, 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. In addition officers will consider alternative forms of investment/cost reduction to mitigate the impact of low bank returns and report back to the Executive in due course.

**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

**Contact Details**

John Raine  
Head of Technical Finance  
North Yorkshire County Council

**Appendices:**

Appendix A – Prudential Indicators as at 31 December 2016

**Prudential Indicators – As at 31 December 2016**

Note	Prudential Indicator	2016/17 Indicator	Quarter 3 Actual
1.	Mid Year Capital Financing Requirement £'000	63,149	62,489
	Gross Borrowing £'000	61,025	61,025
	Investments £'000	27,000	50,059
2.	Net Borrowing £'000	34,025	10,966
3.	Authorised Limit for External Debt £'000	79,000	79,000
4.	Operational Boundary for External Debt £'000	74,000	74,000
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/16/42

Item 8 - Public



**To:** The Executive  
**Date:** 1 February 2017  
**Status:** Key Decision  
**Report Published:** 24 January 2017  
**Author:** John Raine – Head of Technical Finance & Selby  
**Executive Member:** Councillor Cliff Lunn – Lead Member for Finance & Resources  
**Lead Officer:** Karen Iveson - Chief Finance Officer

**Title:** Financial Results and Budget Exceptions Report to 31 December 2016

### Summary:

At the end of quarter 3, the full year forecast for the General Fund shows an estimated deficit of £29k – a shortfall of £146k compared to £119k at quarter 2. There are a number of variances (positive and negative) which make up this shortfall, including increased planning fees, staff recharges to the HRA offset by underachievement of General Fund Savings, investment interest shortfall, staffing costs (particularly supporting Planning) and lifeline income. Whilst the current savings plan is behind target, approval of additional savings as part of the forthcoming budget could help to mitigate the shortfall in 2016/17 and ultimately deliver an overall surplus of £216k for the year. The HRA is anticipated to make a surplus of £1,825k, a variance of £305k, (£297k variance at Quarter 2). The main reason being shorter term savings on external interest payments arising from the need to borrow additional funds to finance housing development and Housing Rents which still are anticipated to exceed target. The Capital Programme is making progress within the General Fund and progressing well in the HRA with some programmes completing this quarter - savings are anticipated across the overall programme. In addition savings on the Programme for Growth have been identified, that along with unspent contingency can be reallocated to other P4G projects.

## Recommendations:

It is recommended that:

- i) the Executive endorse the actions of officers and note the contents of the report.

### Reasons for recommendations

To ensure that budget exceptions are brought to the attention of the Executive in order to approve remedial action where necessary.

## 1. The Report

- 1.1 **Appendix A** presents the forecasted variances identified for the 2016/17 year to date against approved budgets.

### General Fund Revenue

- 1.2 The full year forecast outturn position (a deficit of £29k against a budgeted surplus of £117k) for the General Fund is analysed in the table below.

	Budget £000's	Forecast £000's	Forecast variance £000's
Net Revenue Budget	16,367	16,538	171
Grant RSG	(1,121)	(1,121)	0
NNDR	(2,250)	(2,250)	0
New Homes Bonus	(2,447)	(2,447)	0
Special & Specific Grants	(146)	(171)	(25)
<b>Amount to be met from Council Tax</b>	<b>10,403</b>	<b>10,549</b>	<b>146</b>
Council Tax	(4,982)	(4,982)	0
Council Tax Coll'n Fund	(129)	(129)	0
Business Rates Coll'n Fund	(5,409)	(5,409)	0
<b>Shortfall/(Surplus)</b>	<b>(117)</b>	<b>29</b>	<b>146</b>

- 1.3 Although there is a shortfall against budget forecast for the year, officers are continually working to identify saving opportunities to improve this position and there is the potential for additional savings to cover the shortfall subject to approval of the 2017/18 budget. The contributing factors to the forecast shortfall (positive and negative) are:
  - Planning Fee income is still on track to exceed budget by £227k due to the volume of applications being submitted, although this income is partially being utilised to support agency and interim staff to meet service demands – overall salary costs are forecast to be

£51k over budget;

- Increased recharge of staff costs to the HRA (£80k) as a result of undertaking work by our in-house team rather than using external contractors (corresponding savings identified within the HRA);
- a shortfall in investment income (£56k) due to the current low interest rates;
- a shortfall in Lifeline income - a continued reduction in the Supporting People Grant (£37k) resulting from a reducing grant funded client base (due to assessment criteria changes) and a lower than expected take up in private payers (£48k) – although efforts are being made to grow the service
- back dated partner contributions from industrial unit income has added £44k to our costs this year;
- Planned savings are currently £358k short of target – but there is the potential for additional savings to help mitigate this - further details are set out in the savings section below.

## Housing Revenue Account

- 1.4 The full year forecast outturn position of the Housing Revenue Account is analysed in the table below:

	Budget £000's	Forecast £000's	Forecast variance £000's
Net Revenue Budget	10,679	10,445	(234)
Dwelling Rents	(12,199)	(12,270)	(71)
<b>Shortfall / (Surplus)</b>	<b>(1,520)</b>	<b>(1,825)</b>	<b>(305)</b>
Contribution to MRR	1,520	1,825	305
<b>Shortfall / (Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 1.5 The (£305k) variance relates to the impact of not taking out additional borrowing (£226k) to fund housing development schemes by using internal borrowing (using cash reserves) and higher than anticipated housing rent (£71k) through lower than estimated sales during 15/16 when the budget was set, void turnaround time and new tenancies at target rent, this is an area of high sensitivity and rents will be continually monitored for the last quarter. In addition, as mentioned in paragraph 1.3 previously there is an increased recharge of £80k to the HRA, this is compensated by savings from the reduction in the use of sub-contractors.

## Capital Programmes

- 1.6 To date there has been some progress with the General Fund capital programme, the majority of which is made up of IT projects and Portholme Road Culvert of which phase 1 is now complete. The largest part of the IT budget is for the mobile working solution which has been delayed pending consideration of requirements linked to the new housing management system of which a procurement exercise is about to commence.
- 1.7 Good progress is being made on the HRA capital programme with some elements including kitchens and bathrooms completing this quarter. The exception being pointing and roofing works at Tadcaster that were delayed due to the requirement of the extended consultation; surveys have now been received but limited progress is likely to be made this financial year. Phase 1 of the housing development scheme at Byram & Eggborough is commencing with the first contractor valuation due for payment. Details of all budget exceptions can be found in **Appendix B**.

### **Savings**

- 1.8 **Appendix C** presents an update on progress against the Council's savings action plan for the General Fund and HRA.
- 1.9 For 2016/17 the General Fund is still required to make savings of circa £648k. Officers are looking at maximising permanent savings and reviews of the base budgets have been carried out during the budget setting process to meet the increasingly demanding savings targets. To date there is a £358k shortfall in the savings target for the year - slippage and re-profiling of schemes identified such as mobile working, digital transformation, Supplier Engagement, Policy Changes and Civic Centre Office space have led to this deficit. However, work carried out as part of the budget preparation for 2017/18 has identified additional saving items which can be taken as savings during 2016/17 specifically the potential to make lump sum contributions for debt repayment (Minimum Revenue Provision or MRP) and the Private Finance Initiative – subject to approval of the budget in February these would save £245k in 2016/17.
- 1.10 These savings would increase the General Fund surplus to £216k for the year. The Council is facing considerable financial pressures in the coming years and therefore the use of any General Fund Surplus will be considered as part of the closedown of the 2016/17 accounts and the next refresh of the MTFS.
- 1.11 HRA savings for the year have been achieved.

### **Programme for Growth**

- 1.12 Progress against the projects within the programme is summarised at **Appendix D**. A saving of £400k against the £6m originally allocated to the Summit has been achieved with the construction being delivered on budget; £115k on Growing Enterprise, £20k for the on hold Construction Skills Hub, £15k on Green Energy as funds are included as a proposal for



P4G3 and repayment of £14k grant to Selby and District Housing Trust is expected following the sale of the market home at St Josephs Street Tadcaster before the end of the financial year. These savings are available for reallocation to alternative projects. In addition, up to £120k has been allocated from the programme contingency to support the Tour de Yorkshire event hosting and festival in 2017 and there is the potential for a further £200k to be allocated to an all-weather pitch project in Sherburn (subject to appropriate due diligence). Progress on the other schemes is mixed with some projects on hold pending the outcome of the work on the Council's new Economic Development Strategy. A full review of the Programme is in progress as proposals to increase capacity to deliver are planned as part of the implementation of the organisational review.

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

### **2.1 Legal Issues**

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

### **2.2 Financial Issues**

As set out in the report.

## **3. Conclusions**

- 3.1 A number of key variances, including a shortfall against savings targets, have been highlighted within the General Fund revenue budget. The position will be monitored closely and opportunities for in-year and on-going savings will be sought over the remainder of the year. Subject to approval of the 2017/18 budget additional savings are available to cover the current shortfall in 2016/17.
- 3.2 These savings would increase the General Fund surplus to £216k for the year. The Council is facing considerable financial pressures in the coming years and therefore the use of any General Fund Surplus will be considered as part of the closedown of the 2016/17 accounts and the next refresh of the MTFS.
- 3.3 The HRA is on-track to make a surplus but further variances are likely over the year.
- 3.4 Progress against the capital programmes is mixed with limited spend on the General Fund but generally good progress on the HRA. Savings have been identified which will be recycled in to future programmes.
- 3.5 Savings against the current Programme for Growth are forecast and resources are available for re-allocation. The programme is under review as part of the annual budget process.

**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.

**Contact Details**

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## BUDGET EXCEPTIONS REPORT

April - December 2016

## General Fund Income

Budget Description	Annual Budget £000's	Forecast Variance £000's	One-Off/ On-going	Comments
Recharge to HRA	(10,689)	(80)	One-Off	Recharge to HRA for additional Assets Team Trades Staff, including out of hours working and overtime. This is the result of doing more work in-house reducing the need for sub-contractors, reflected in the HRA.
Other Government Grants	(2,592)	(25)	One-Off	Receipt of un-budgeted grant including DWP Duty Implementation Fund (£10k), Self-build & Custom Housebuilding Registrars (£6k), Neighbourhood Planning (£5k) and Smoke and Carbon Alarm New Burdens (£1k).
Government Grants	(453)	13	One-Off	Bellwin Claim settled for Storm Eva costs (£14k), Welfare Support Grant received from DWP (£13k), offset by the continued fall of Supporting People Grant £37k, this continued reduction from on-going assessment is not currently being met by private payers.
Housing Benefits (Net Position)	(82)	(13)	On-going	The number of claimants has not risen in line with the assumptions made when the budget was set and follows the regional trend of a reducing caseload due to restrictions on benefit entitlement. Reduced claims (£227k) are offset by reduced subsidy income £200k and overpayment adjustments £13k based on latest subsidy return, trends and performance.
Customer & Client Receipts	(4,143)	(226)	One-Off	Planning Fee income (£227k) is expected to exceed estimate and some larger applications have been received in the quarter with further expected later in the year, this is continually monitored, higher than anticipated income is expected from Industrial Units (23k) based on current occupancy levels offset by increased partner payments and premises costs; recycling income is forecast to be (£14k) above target; increases in the sale of domestic bins to new properties (£10k); Taxi licence income will exceed budget by (£9k) but is slightly offset by increased costs. However, while Lifeline income from private payers is growing gradually is anticipated to have a £48k shortfall in meeting the deficit from continued falling grants from assessment of customer needs. Income targets for occupancy of the Civic Centre will fall short by £26k, this position will be remedied when the PCC relocate.
Investment Income	(240)	56	One-Off	The shortfall in investment income is due to low returns from low interest rates. Buoyant balances are helping to mitigate this and shows an improved position compared to Q2 but a shortfall against budget is still anticipated.
<b>Total Variance - General Fund Income</b>		<b>(275)</b>		

## General Fund Expenditure

Budget Description	Annual Budget £000's	Forecast Variance £000's	One-Off/ On-going	Comments
Employees	7,430	51	On-going	An overspend on salaries are anticipated this year. There are vacancies generating savings across the authority offset by costs including agency staff in the interim, particularly within Development Management to meet the service demands, increased planning fee income is mitigating this impact. If the Planning Team workload and income continues rise it is likely additional resource will be required to meet the business demands, the planning review will help to achieve additional capacity but any further resource will require approval from the Executive to vire funds from the additional income.
Premises	658	(20)	On-going	A saving is anticipated for the year on the annual rent for the Contact Centre. Five quarters charges were paid in 2015/16 (including q1 of 2016/17), therefore there will only be 3 quarters to pay in 2016/17.
Supplies & Services	8,642	75	One-Off	The current forecasted position is made up of a numerous small items the most significant being, £10k in contract costs associated with an increase in Trade Waste business from active marketing of the services, Council Tax Court Costs £10k and partner shares for the Industrial Units £44k due to historical issues surrounding partner share allocations between SDC and NYCC which has yet to be resolved.
Transport	180	(17)	On-going	Some savings are currently anticipated this year for car allowances partially offset by increased taxi inspections.
Savings Target	-337	358	On-going	Shortfall against savings target, savings identified during the year are reflected on the savings schedule. Officers continue to work to identify further savings to reduce this shortfall.
<b>Total Variance - General Fund Expenditure</b>		<b>447</b>		
<b>Total Variances - General Fund</b>		<b>172</b>		

## Housing Revenue Account Income

Budget Description	Annual Budget £000's	Forecast Variance £000's	One-Off/ On-going	Comments
Housing Rents	(12,199)	(71)	On-going	The current forecast shows an improved position over budget. The variance is influenced by the number of sales (lower than expected in 2015/16 when the budget was set) and turnaround of void properties.
Garage Rents	(95)	(12)	On-going	The budget was reduced for 2015/16 to reflect sites identified for development and sites are now being vacated which impacts on income which will be partially mitigated by work to clear and repair garages in order to bring them back in to management.
<b>Total Variance - HRA Income</b>		<b>(83)</b>		

## Housing Revenue Account Expenditure

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Employees	92	15	One-Off	Small shortfall anticipated on salaries due to costs to support housing development including a short term graduate placement and cleaners costs for the community centres.
Premises	755	(20)	One-Off	Due to the good order of boilers gas servicing is estimated to save (£15k) and (£5k) on solid fuel servicing.
Supplies & Services	1,166	(66)	On-going	There are Edgerton Lodge Council Tax charges on empty units £9k from the closure at the end of 2015/16 and skip use £3k offset by Sub-contractor use (£75k) to temper increased staffing costs recharged to the HRA (see below) although it is anticipated further savings will occur.
Support Service Recharges	2,413	80	On-going	This increase is as a result of increases in the trades team structure reducing the reliance on sub-contractors. The increase reflects additional salary, NI, pension and overtime costs. Savings are being generated in the HRA to compensate for this particularly within the sub-contractors budget.
External Interest Payable	2,638	(226)	On-going	This saving is based on the assumption that no borrowing will be taken out for new developments within the HRA this financial year, the use of internal borrowing (using cash reserves) is anticipated rather than PWLB borrowing.
<b>Total Variance - HRA Expenditure</b>		<b>(217)</b>		
<b>Total Variances - HRA</b>		<b>(300)</b>		

General Fund	Annual Budget	Year to date Budget	Year to date Actual	Year to date Variance	Forecast	Forecast Variance	Comments
Industrial Units - Road Adoption	13,660	0	1,200	1,200	1,200	-12,460	Scheme currently on hold, no further costs until decisions are made on the way forward, a bid of £325k has been submitted for 2017/18 to resurface the road for adoption.
Portholme Road Culvert	356,670	0	45	45	356,670	0	Phase 1 complete and invoice received for payment. Phase 2 is to commence in the new year with trial bore holes and depending on the results will influence further actions and costs with the aim to complete the work around Spring 2017.
FMS Project	90,000	30,000	20,884	-9,116	30,000	-60,000	Upgrade now complete. Further consultancy days are anticipated which may require some budget being carried forward.
Northgate Revs & Bens	24,510	0	0	0	14,510	-10,000	Following Revs and Bens upgrades it is anticipated that a saving will be made on the capital spend of £10k. It is anticipated that there will be upgrade costs required for the annual billing process between January and March.
Electronic Payments Project	61,665	20,000	14,981	-5,019	61,665	0	Electronic Payments Project - Money to be secured for Enabling Online Direct Debits to be set up. Electronic payments currently LIVE. Work on projects connected to Direct Debits/BACs taking place. Further development on PARIS software will be required depending on when the Green Waste project is due to commence. An underspend is expected on this budget but amount is yet to be quantified
Servers - ICT Infrastructure Replacement	120,000	20,000	19,349	-651	120,000	0	Several licences to be funded, any remaining funds maybe needed for Members IT and MDM devices. Upgrade of current servers to meet developing systems requirements and enhance performance. It is anticipated that all this budget will be fully committed this year.
IDOX Upgrade	5,690	5,690	14,203	8,513	14,203	8,513	Although this budget confirms an overspend, the intention will be to fund from underspend within the Revs & Bens scheme. A BID has been made to secure future Capital spend on IDOX software to maintain our current suite of software applications.
Environmental Health System	12,940	6,500	5,375	-1,125	12,940	0	Consultancy costs paid, the licencing element will go live in the early part of 2017.
Councillor Tablets	18,340	0	0	0	19,800	1,460	Project underway for delivery - Business case to be taken to ELT January, with a view to taking to Executive for consideration afterwards anticipated costs anticipated to be slightly higher than current budget.
Contaminated Land Software	10,000	0	0	0	11,000	1,000	Extra time has been taken by STM to configure the Selby contaminated data into the new software. The software has been applied to a Selby server and are awaiting an invoice. Training on the new software has been scheduled for 2 days on the 18th & 19th January 2017.

## 2016/17 Selby District Council Capital Programme - To 30 December 2016

## Appendix B

General Fund	Annual Budget	Year to date Budget	Year to date Actual	Year to date Variance	Forecast	Forecast Variance	
Mobile Working Solution	249,800	0	0	0	249,800	0	The Mobile Working Solution will be influenced by the capabilities of the replacement housing system. The functionality within the preferred Housing system solution will help to determine what is required from a remote or mobile working solution. The project is likely to begin before the end of the financial year and be delivered during 2017/18.
Genero Housing System	175,610	0	0	0	175,610	0	The procurement process to commence shortly and approval to award a contract will go to Executive in March. A bid for funding has been submitted as part of the 2017/18 budget process.
ICT - Desktop Replacement Programme	17,500	1,000	756	-244	17,500	0	Continued cycle of replacement of IT equipment, although a bid has been submitted for 2017/18 for larger scale work including Leadership Team devices and Remote Access costs.
Asset Management Plan - Leisure & Parks	43,000	0	0	0	10,000	-33,000	Savings anticipated, scale of works required at Tadcaster Leisure Centre are not as high as expected.
Car Park Ticket Machines	52,000	40,000	40,524	524	42,000	-10,000	All new machines are installed, commissioned and working. Savings are anticipated.
Private Sector - Home Improvement Loans	30,000	20,000	-2,104	-22,104	30,000	0	There is continued Interest in Repair assistance loans. 2 Schemes have been delivered with further commitments made with applications currently with the Home Improvement Agency. 2 Loan repayments have been received.
Disabled Facilities Grants	358,870	200,000	182,010	-17,990	358,870	0	To date 35 grants have been paid, with further grants committed. The 2016/17 Allocation of £346,958 has been invoiced to NYCC through the Better Care Fund, other districts are currently negotiating giving a percentage back to the fund on the basis it can support other initiatives.
New Build Projects	2,243,360	0	0	0	2,243,360	0	Update to be presented to Executive during February 2017 for the Riccall site.
	<b>3,883,615</b>	<b>343,190</b>	<b>297,222</b>	<b>-45,968</b>	<b>3,769,128</b>	<b>-114,487</b>	

Housing Revenue Account	Annual Budget	Year to date Budget	Year to date Actual	Year to date Variance	Forecast	Forecast Variance	
Kitchen Replacements	237,000	200,000	181,244	-18,756	238,724	1,724	2016/17 Programme complete, waiting for final account
Pointing Works	566,840	15,000	12,089	-2,911	300,000	-266,840	Main project still to be procured. Issues with structural surveys in Tadcaster have been sorted so project can start when work procured
Electrical Rewires	240,000	130,000	110,226	-19,774	220,000	-20,000	Rolling programme of works, some of the budget has been allocated to support the refurbishment of Laurie Backhouse Court. Anticipates a saving in year for work outside those programmed. Work ongoing
Bathroom Replacements	205,530	180,000	153,200	-26,800	205,530	0	2016/17 Programme completed - final account to follow
Asbestos Surveys	30,000	0	0	0	30,000	0	Two batches of surveys ordered. Awaiting accounts.
Central Heating System Replacements	577,500	360,000	375,353	15,353	470,000	-107,500	On-going rolling programme of works - good progress is being made on the main programme but now beginning to slow due to refusals resulting in the forecasted saving - systems will be updated in the future when the properties become void. Spending is likely to reduce over winter as most of the planned systems have been done over summer
Roof Replacements	532,650	0	0	0	32,650	-500,000	The Structural Engineers report has now been received, awaiting leaseholder consultation to start in Tadcaster, likely to begin when new structure is established. It is unlikely that work will commence on site this financial year and therefore it is proposed that this budget be rolled forward to 2017/18.
Damp Works	230,000	115,000	101,733	-13,267	200,000	-30,000	Work progressing with a mix of programmed and responsive works including some prevention measures (improving ventilation), a saving is currently anticipated on responsive works but is subject to winter weather conditions. Expecting a slight up turn in the winter months but will be within the budget
External Cyclical Repairs (Painting & Windows)	150,000	125,000	118,769	-6,231	150,000	0	Scheme complete, final invoices required
External Door Replacements	140,000	65,000	57,255	-7,745	140,000	0	Progressing well, awaiting account from contractor.
Void Property Repairs	60,000	40,000	44,391	4,391	60,000	0	Expenditure is dependent upon the condition of the property when it becomes void, further spend is anticipated in conjunction with the revenue budget. Some of these costs are subject to an insurance claim and should be reimbursed, reducing the spend. Costs associated with a fire damage property (£15K) are included in here but are expected to be claimed from insurance
Fencing Programme	40,000	30,000	26,258	-3,742	40,000	0	Programme on target to complete soon.
St Wilfrid's Court - Fire Alarm	25,000	25,000	27,969	2,969	27,620	2,620	Scheme completed.
Laurie Backhouse Court - Refurbishment	192,890	192,890	183,413	-9,477	192,890	0	Scheme completed, retention costs left to pay.



2016/17 Selby District Council Capital Programme - To 30 December 2016

Appendix B

Housing Revenue Account	Annual Budget	Year to date Budget	Year to date Actual	Year to date Variance	Forecast	Forecast Variance	
Environmental Improvement Plan	185,000	120,000	86,810	-33,190	120,000	-65,000	Improvement schemes continue to come forward, the current committed spend is £110, and expect further schemes to be approved in Q4.
Housing Development Project	88,490	15,000	14,309	-691	88,490	0	Termination of services will be complete on 27 January and the outcome of a bat survey due early January will allow for the commencement of demolition.
Marsh Croft Flooding	0	0	-66,447	-66,447	-43,000	-43,000	Expecting further costs of approx. £20k, the level of work is yet to be finalised.
Garage Sites	50,000	25,000	16,855	-8,145	50,000	0	On-going work to clear, remove and refurbish garage sites to maximise rental potential outside of the housing development programme, a significant number of garages have been targeted to bring back in to management which will have a positive impact on revenue income.
Ousegate Hostel Fire Alarm System	15,000	0	0	0	15,000	0	Quotes have been received with work expected to be completed before the year end.
Phase 1 Housing Development	1,938,000	100,000	62,326	-37,674	1,938,000	0	The Phase 1 scheme for Byram St Edwards Close / East Acres started on site 5 September of the £1.938m scheme of which £76k retained capital receipts and S106 subsidy of £351k are required, the first contractor payment is due for payment. The 2 Eggborough schemes have been held up by planning issues but are anticipated to be completed by May 17 for the 15 properties.
Phase 1 Housing Development	1,290,000	0	0	0	1,290,000	0	This is the remaining profiled budget for Housing Development which will be required to commence the development of the Byram Park Road site which is anticipated to go out to tender later this financial year. This budget will need to be carried forward to 2017/18 to progress the scheme.
	<b>6,793,900</b>	<b>1,737,890</b>	<b>1,505,752</b>	<b>-232,138</b>	<b>5,765,904</b>	<b>-1,027,996</b>	
<b>Total Capital Programme</b>	<b>10,677,515</b>	<b>2,081,080</b>	<b>1,802,974</b>	<b>-278,106</b>	<b>9,535,032</b>	<b>-1,142,483</b>	

## General Fund Savings

Proposed Savings	Lead	Status	2016/17 £	2017/18 £	2018/19	2019/20	Benefits	Comments
<b>IT &amp; Transformation Workstream</b>								
CRM Replacement - Phase 1	JR / SR	Green	36,160	36,160	36,160	36,160	A shared customer relationship management system with NYCC to enable seamless delivery of services across the two tiers of local government and deliver cost efficiency	Phase 1 completed
Digital Transformation - Phase 2	JR / SR	Red		30,000	30,000	30,000	A shared web portal will enable on-line transactional services and a common customer experience whilst deliver cost efficiency	Rolled into transformation programme - see new savings plan from 2017 onwards
Mobile Working	SR / JR	Red		41,728	41,728	41,728	Mobile technology will enable services to be delivered more effectively in the field - delivering a more responsive and efficient service	Rolled into transformation programme - see new savings plan from 2017 onwards
Formal amalgamation of District newspaper and County Council publications	SR / MJ	Green	3,000	3,000	3,000	3,000	A shared publication brings together news across the two tiers of local government	Completed
Improved Revs & Bens Value for Money	JR	Green	22,000	22,000	22,000	22,000	Improved team productivity leading to more timely and accurate processing of benefit claims	Completed
Improved Revs & Bens Value for Money	JR	Red	3,000	28,000	28,000	28,000	Improved team productivity leading to more timely and accurate processing of benefit claims	Saving of £25,000 delivered
Further Internal Efficiencies (Outside of Better Together)	SR	Red	6,500	9,500	9,500	9,500	General efficiency target to deliver improved outcomes for a reduced cost	Rolled into transformation programme - see new savings plan from 2017 onwards
Access Selby Commercialisation	JR / SR	Red	0	32,000	32,000	32,000	Income generation against discretionary services enables resources to be prioritised on statutory requirements	Target included in draft budget
Access Selby Commercialisation	JR / SR	Green	18,000	18,000	18,000	18,000	Income generation against discretionary services enables resources to be prioritised on statutory requirements	There has been an increase in chargeable work on the housing repairs and lifeline services. Current forecasts suggest £7k is achievable in 16/17.
<b>Total Transformation</b>			<b>79,160</b>	<b>111,160</b>	<b>111,160</b>	<b>111,160</b>		
<b>Commissioning Workstream</b>								
Postage and Mail	KC	Green	8,000	11,000	11,000	11,000	Improved cost efficiency through smarter procurement	Completed
Supplier Engagement	KC	Amber	20,000	20,000	20,000	20,000	Improved cost efficiency through smarter procurement	Rolled into commissioning programme
Reduce Tail end spend	KC	Amber	14,500	14,500	14,500	14,500	Improved cost efficiency through smarter procurement	Rolled into commissioning programme
Improved Waste / Recycling Value for Money	KC	Red		100,000	200,000	200,000	Operational efficiencies to contain property growth within the base contract price	Service under pressure due to growth in property numbers and contract variation under negotiation assume savings not achievable although negotiations are on-going.
Maximise use of Civic Centre Office Space	JR	Green	25,000	45,000	45,000	45,000	Partnership working to share office space allows sharing of fixed overheads	£25k achieved and deducted from base budgets - Partnership with the Police is progressing. The ePolice co-location is planned to commence in July 2017.
Maximise use of Civic Centre Office Space	JR	Amber		26,000	26,000	26,000	Partnership working to share office space allows sharing of fixed overheads	Projected income for Police co-location is £59,557 for 2017/18
<b>Total Commissioning</b>			<b>33,000</b>	<b>56,000</b>	<b>56,000</b>	<b>56,000</b>		
<b>Income Generation Workstream</b>								
General Fund Housing Development	KI	Amber	18,000	50,000	50,000	50,000	Interest on loans to build new affordable homes with Selby and District Housing trust - the loans facilitate the new homes and the interest brings a revenue stream to the Council	Rolled into new savings list
Bulky Waste Collections	KC	Green	5,000	5,000	5,000	5,000	Income generation against discretionary services enables resources to be prioritised on statutory requirements	Completed
Recycling Income	KC	Green	63,450	63,450	63,450	63,450	Forecast increase in income based on collection rate trend and price forecast	Completed
Commercial Waste Income	KC	Green	20,000	20,000	20,000	20,000	Forecast increase as a result of targetted business growth	Completed

Proposed Savings	Lead	Status	2016/17	2017/18	2018/19	2019/20	Benefits	Comments
			£	£				
Planning Income	JC	Green	24,000	24,000	24,000	24,000	Forecast increase in Planning income built into base budget £251k. £227k is being used to contribute towards restructure costs. £24k allocated to savings	Completed
Policy changes to introduce new income streams	JR / KC	Red	78,783	80,823	80,823	80,823	Income generation against discretionary services enables resources to be prioritised on statutory requirements	Rolled into new savings list
<b>Total Income Generation</b>			<b>112,450</b>	<b>112,450</b>	<b>112,450</b>	<b>112,450</b>		
<b>Other</b>								
Costs raised - Council tax and NNDR accounts	KC	GREEN	5,000	5,000	5,000	5,000	Base budget reviews identified budgets that were not required	Completed
Homelessness contribution	KI	GREEN	53,000	53,000	53,000	53,000	Base budget reviews identified budgets that were not required	Completed
SDC Property - NNDR		GREEN	6,926	6,926	6,926	6,926	Base budget reviews identified budgets that were not required	Completed
<b>Total Other</b>			<b>64,926</b>	<b>64,926</b>	<b>64,926</b>	<b>64,926</b>		
<b>Total General Fund Savings in Progress</b>			<b>289,536</b>	<b>344,536</b>	<b>344,536</b>	<b>344,536</b>		
<b>Savings Target - Value required to balance budget</b>			<b>647,760</b>	<b>1,056,339</b>	<b>1,056,339</b>	<b>1,056,339</b>		
<b>Headroom/Deficit (+/-)</b>			<b>** - 358,224 -</b>	<b>711,803 -</b>	<b>711,803 -</b>	<b>711,803</b>		
<b>Green Savings</b>			289,536	312,536	312,536	312,536		
<b>Amber Savings</b>			-	-	-	-		
<b>Red Savings**</b>			-	32,000	32,000	32,000		
<b>Total</b>			<b>289,536</b>	<b>344,536</b>	<b>344,536</b>	<b>344,536</b>		

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	2016/17 £	2017/18 £	2018/19 £	Progress
Review of Property Services unfilled posts	Green	50,000	50,000	50,000	Completed
Gas Servicing Contract	Green	20,000	20,000	20,000	Completed
Grassed Areas & Open Spaces base budget review	Green	29,000	29,000	29,000	Completed
Various Suppliers	Green	22,000	22,000	22,000	Completed
WTT - Savings	Green	129,591	129,591	129,591	Completed
2011/12 Pay Award	Green	27,000	27,000	27,000	Completed
Car Allowances	Green	5,600	5,600	5,600	Completed
Savings on Audit Fees and early Retirement Charges	Green	40,460	40,460	40,460	Completed
Ryecare Help-Line Telecom Saving	Green	700	700	700	Completed
Consolidation of IT Budgets	Green	23,685	23,685	23,685	Completed
Electrical Testing - R&M	Green	15,000	15,000	15,000	Completed
Vehicle Tracking System	Green	500	500	500	Completed
Direct Works - Phones	Green	2,000	2,000	2,000	Completed
Grants Audit Fees	Green	9,390	9,390	9,390	Completed
Clear Access Footways	Green	2,500	2,500	2,500	Completed
Footpaths	Green	10,000	10,000	10,000	Completed
Gutters & Fallpipes	Green	5,000	5,000	5,000	Completed
Tenants Participation - Housing Reports	Green	370	370	370	Completed
Energy Performance Certificates	Green	3,000	3,000	3,000	Completed
SDC Contract Hire Vehicles	Green	18,000	18,000	18,000	Completed
Asbestos Removal	Green	500	500	500	Completed
Solid Fuel Servicing	Green	12,470	12,470	12,470	Completed
Communal Lighting	Green	3,350	3,350	3,350	Completed
Pumping Stations	Green	3,210	3,210	3,210	Completed
Lift Maintenance	Green	1,300	1,300	1,300	Completed
Bank charges	Green	1,600	1,600	1,600	Completed
Debt collection costs	Green	1,300	1,300	1,300	Completed
Hostels	Green	5,230	5,230	5,230	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
<b>Total Housing Revenue Account Savings</b>		<b>473,546</b>	<b>473,546</b>	<b>473,546</b>	
<b>Savings Target</b>		360,000	360,000	360,000	
<b>Headroom/Deficit (+/-)</b>	**	<b>113,546</b>	<b>113,546</b>	<b>113,546</b>	
<b>Green Savings</b>		473,546	473,546	473,546	
<b>Amber Savings</b>		-	-	-	
<b>Red Savings**</b>		-	-	-	
<b>Total</b>		<b>473,546</b>	<b>473,546</b>	<b>473,546</b>	

## Programme for Growth

Projects	Exec Lead	Project Budget		Project Spend		Outturn		Updated Comments
		Capital £	Revenue £	Total Spend at Q3 2016/17	Remaining Budget	Forecast	Variance	
Programme Management Healthy living - concepts fund	Richard Musgrave	-	-	29,400	-	175,000	-	<b>In progress</b> - There are currently two projects in development under this fund. The first relates to a schools and dietary management project with IHL to focus on activity and healthy eating in the Selby North area - target area for health inequality, circa £25k. This is hopefully to be match funded to enhance the model and consider longer term through a DCLG Communities Fund bid awaiting decision mid Feb 2017. However, project delivery is not dependent on that award and will continue as planned. A further project is in development to commission a local mental health arts group to link their activities to open access health walkways in the district, circa £5k. Further development of the Health Strategy is required for the next 3 years requiring the remainder of this funding.
Leisure Village (Summit Indoor Adventure)	Richard Musgrave	5,579,000	-	5,496,405	82,595	5,579,000	-	<b>Completed</b> - Construction was completed and the building was handed over on 6th May 2016 - Public opening was on 28th May 2016. All outstanding to pay is the retention fee and any remaining balance can be returned to the unallocated pot.
Selby Skate Park	Richard Musgrave	100,000	-	79,101	20,899	100,000	-	<b>In progress</b> - The skating surface is complete but an additional grind rail is being added and works to the perimeter fencing is being done week commencing 24 January – the park is scheduled for opening early February
Ready 4 Work	Chris Metcalfe	-	16,556	16,556	-	16,556	-	<b>Completed</b> - The first graduate programme successfully completed the end of September 2015 and 2 new graduate trainees have been recruited.

Projects	Exec Lead	Project Budget		Project Spend		Outturn		Updated Comments
		Capital £	Revenue £	Total Spend at Q3 2016/17	Remaining Budget	Forecast	Variance	
Growing enterprise	Chris Metcalfe	-	175,000	47,451	127,549	60,000	115,000	<p><b>In progress</b> - Support continuing for local business networking groups including Selby Enterprise Café and Sheburn &amp; Tadcaster Business Networking Group.</p> <p>Difficulties in recruiting a short-term Business Advisor/SME Growth Manager in partnership with the Leeds City Region Local Enterprise Partnership.</p> <p>A fixed term post is therefore planned for the new structure from April 2017.</p> <p>A match funding contribution of £9,250 has been made to Leeds City Region's 'Digital Enterprise' programme. This EU funded scheme will support businesses to invest in their digital infrastructure and capabilities to achieve business growth through business support and connection grants/vouchers.</p>
Market Selby's USP	Chris Metcalfe	-	62,664	-	62,664	62,664	-	<p><b>In Progress</b> - Will be committed, plans in place for Communication and engagement campaigns created for 4 areas – to be agreed by the end of February 2017 which will determine the actions for each priority; 1. Overall 'Place Branding'; 2. Communications &amp; Marketing to support the visitor strategy; 3. Planning Service narrative and 4. Business Investment communications.</p>
Community skills/capacity building	Chris Metcalfe	-	100,000	-	100,000	100,000	-	<p><b>In Progress</b> - This fund is potentially critical to the delivery of the Economic Development Strategy. Funding is required whilst an action plan for this is developed.</p>
Retail experience: Tadcaster Linear Park	Chris Metcalfe		180,000	376	179,624	180,000	-	<p><b>In Progress</b> - Project goes to planning application stage by 31st January 2017 for the Tadcaster Riverside Project development. A schedule of works is being completed and the delivery of the project will go out to tender by the end of this financial year. The fund is expected to be spent. The works are anticipated to start (subject to contract award/executive decision) in Summer 2017. The fund will be spent as well as a match fund from Tadcaster Town Council of £80,000 and in kind contributions from NYCC and contractors.</p>

Projects	Exec Lead	Project Budget		Project Spend		Outturn		Updated Comments
		Capital £	Revenue £	Total Spend at Q3 2016/17	Remaining Budget	Forecast	Variance	
Retail experience: STEP	Chris Metcalfe		151,576	56,011	95,565	151,576	-	<b>In progress</b> - Outstanding works to be delivered on improvements to the town street scene. These are being costed and will be delivered in 2017-18 and should complete this project. Further engagement with the STEP on street scene and masterplanning likely to ensue over 2017 which will further inform spend on this fund. Two events identified for the town in 2017 that may require investment at this stage, circa £5-6k. All in line with STEP strategy for 2014-17.
Retail experience: Sherburn	Chris Metcalfe		110,000	110,000	-	110,000	-	<b>Completed.</b> The funds for this project have been spent. The street scene work has been completed with one final art installation to occur within the next few weeks.
Construction skills hub	Chris Metcalfe	-	20,000	-	20,000	-	20,000	<b>In progress</b> - Project on hold pending further productive discussion with Selby College and the ongoing feasibility work on Olympia Park. Roll into Project Delivery Fund for P4G 3 and can then bid for it depending on progress with OP.
Empty homes	Richard Musgrave	100,000	15,475	525	114,950	115,475	-	<b>In progress</b> -At Q3 of 2016/17 up to £30k of loans are expected but no funding has been committed to date, but discussions are taking place to progress this. The intention is to continue the project and would need the funding for future years. This will be supported by the Empty Homes Officer and Private Sector Housing Enforcement and Tenancy Fraud Officers which are included in the organisational review and to be funded through P4G 3.
Housing Trust	Richard Musgrave	-	133,750	27,750	106,000	133,750	-	<b>In progress</b> - Work is continuing on a number of SDHT schemes.
St Josephs St	Richard Musgrave		31,000	23,250	7,750	17,000	14,000	<b>Completed</b> - Selby and District Housing Trust have built 2 homes for affordable rent and 1 market house for sale. £14k refund due at end of void period and will be paid before year end.

Projects	Exec Lead	Project Budget		Project Spend		Outturn		Updated Comments
		Capital £	Revenue £	Total Spend at Q3 2016/17	Remaining Budget	Forecast	Variance	
Green energy	Cliff Lunn	-	30,000	14,193	15,807	14,193	15,807	<b>On hold</b> - Exploration of a ground mounted solar farm concluded that it was not possible to deliver a scheme by the end of 2015/16 in order to take advantage of the subsidy regime before changes were implemented and therefore these plans have been deferred until 'grid parity' is reached (anticipated within the next 2-3 years). There is the potential to prepare a planning application for a ground mounted scheme but further funds would be required to take this forward. Further work on the feasibility of a roof mounted scheme on the Council's general assets and housing stock have not been progressed due to internal capacity but will be factored into future resource plans. Preparatory work for schemes (including a grid connection and planning application) are expected to require £50k which has been included in the proposals for P4G3.
Strategic sites	Mark Crane	-	285,000	102,280	182,720	285,000	-	<b>In progress</b> - Fund used to explore potential for development of a 'Garden Village' at Church Fenton Airfield and potential complementary site uses.  Arup have recently been commissioned to drive forward work on a number of key strategic sites over the next 6 months. This includes Olympia Park, Kellingley Colliery/M62, Rigid Paper/Selby Marina and a new masterplan for Selby Rail Station and its environs.
Town masterplanning	John Mackman	-	250,000	56,180	193,820	250,000	-	<b>In progress</b> - Key work to steer this commission still being undertaken through PLAN Selby. Work commissioned to brief community led approach to development. Delivery is expected by May / June to tie in with the restructure and remaining budget will be required to be carried forward.
Green infrastructure	John Mackman	-	20,000	-	20,000	20,000	-	<b>In progress</b> - Work is progressing, the Council has now taken the development of the GI strategy in-house and is working with Natural England on key methodological aspects of the work.
Economic Development	Chris Metcalfe		50,000	56,367	6,367	56,247	6,247	<b>In progress</b> - Consultation draft of Strategy produced and publically consulted upon over September-November 2016.  ERYC will be asked to complete final amends, after additional business consultation, with aim of adopting Strategy in 2016 Q4 or 2017 Q1.



Projects	Exec Lead	Project Budget		Project Spend		Outturn		Updated Comments
		Capital £	Revenue £	Total Spend at Q3 2016/17	Remaining Budget	Forecast	Variance	
Burn Airfield	Mark Crane	1,790,000		1,790,360	- 360	1,790,360	- 360	<b>Completed</b> - land acquired in 2015/16.
Improvements to gateways	John Mackman		3,639	-	3,639	-	3,639	<b>Completed</b> - sculptures in place on 2 roundabouts on Selby Bypass and income stream now in place to fund on-going maintenance and development
Tour De Yorkshire			120,000	29	119,971	120,000	-	<b>In progress</b> - Official launch now complete. Work to secure sponsorship for the delivery of the community event is underway and to support the procurement and delivery of the events management plan.
Sherburn All-Weather Pitch		200,000		-	200,000	200,000		<b>Subject to due dilligence.</b>
Total		7,769,000	1,929,660	7,906,234	1,792,426	9,536,821	161,839	
		5,797,000	2,233,000					
		2,172,000	-					
	<b>Contingency</b>	- 200,000	- 303,340					

# Selby District Council

## REPORT

Reference: E/16/43

Item 9 - Public



**To:** The Executive  
**Date:** 1 February 2017  
**Status:** Key Decision  
**Report Published:** 24 January 2017  
**Author:** Karen Iveson, Chief Finance Officer  
**Executive Member:** Councillor Cliff Lunn, Lead Executive Member for Finance and Resources  
**Lead Director:** Karen Iveson

**Title:** Draft Revenue Budget and Capital Programme 2017/18 and Medium Term Financial Plan

**Summary:** This report presents the draft revenue budget, capital programmes and Programme for Growth for 2017/18 to 2019/20. The 2017/18 budgets show a forecasted deficit of £1.17m (before planned savings) on the General Fund and a £1.3m surplus on the HRA, which is required to fund the housing capital programme. Over the next 3 years a total funding shortfall of £4.6m is forecast on the General Fund. The report identifies a number of budget pressures and presents savings proposals for dealing with this shortfall. However there is a real risk that the savings required will not be delivered in full and that the Council's reserves will be required to bridge the gap. £2.4m of reserves has been earmarked for this purpose pending delivery of savings but the on-going use of reserves to support the revenue budget in this way, is not sustainable. Whilst options for savings are being presented as part of this draft budget, a £500k shortfall in savings is likely, therefore further savings will be required.

### Recommendations:

#### It is recommended that:

- i. the proposed budgets, bids and savings be submitted to Council for approval;
- ii. the Council Tax Band D charge be increased by £5 to £170.22 for 2017/18.

**Reasons for recommendation:** To enable Council to consider the Executive's spending plans for the coming 3 years and to set the Budget and Council Tax for 2017/18.

## **1. Introduction and background**

- 1.1 The Council approved its Medium Term Financial Strategy (MTFS) on 20 September 2016. The MTFS covers General Fund activities and provides the strategic financial framework for medium term financial planning and annual budget setting.
- 1.2 The Housing Revenue Account (HRA) and Housing Investment Programme (HIP) are covered by the Housing Business Plan (HBP). The current HBP was approved by Council on 24 February 2015 – a refresh is planned when the regulations flowing from the Planning and Housing Act have been issued.
- 1.3 The MTFS takes account of the Government's offer of a multi-year finance settlement for Local Government (still subject to the final Local Government Finance Settlement) which shows core funding reducing by £1m over the next 3 years (from £3.4m in 2016/17 to £2.4m in 2019/20) and a further reduction of £1m in New Homes Bonus. The MTFS recognises risk and uncertainty surrounding 100% business rates retention and on-going reductions to Government funding (Revenue Support Grant and New Homes Bonus) as the key issues for the Council's finances and confirms the Council's strategic approach to reducing its base net revenue budget in order to deliver services within its in-year resources; and investing 'one-off' or finite resources to stimulate local economic growth and achieve sustainable income through Council Tax and Business Rates growth.
- 1.4 The MTFS also confirms the Council's reserves strategy - fundamentally avoiding the long term use of balances to support the on-going revenue budget which is not sustainable. Instead it seeks to balance the set aside of sums to cover known commitments and financial risk, as well as earmarking resources to support delivery of the Council's Corporate Plan.
- 1.5 The proposed budget presented in this report has been updated since the draft budget was published for consultation:

### Provisional Finance Settlement

The settlement was announced on 15<sup>th</sup> December 2016 and broadly confirmed the multi-year offer put forward by the Government in February 2016. A key element for Selby was the proposal for New Homes Bonus – as anticipated, a reduction from a 6 year scheme to 5 years in 2017/18 and then 4 years thereafter plus an unexpected 0.4% baseline to be introduced from 2017/18 – growth below the baseline will not attract NHB. The savings made from these changes are to be distributed to authorities with Adult Social Care responsibilities. This latter change has reduced Selby's estimated funding by circa £179k p.a.

Consultation on the settlement ran until 13<sup>th</sup> January – and we await confirmation of the final settlement.

### Street Scene Contract

Negotiations regarding extension of the current contract are approaching conclusion. The proposed commitment contained within the budget has been refined.

## 2. The Report

- 2.1 The proposed revenue budgets for the 3 years from 2017/18 to 2019/20 are presented at **Appendix A** and the proposed capital programmes and Programme for Growth are shown at **Appendix B and C** respectively.

### General Fund Revenue Budget

- 2.2 Taking the Council's overall service requirements, and after appropriations to and from reserves, the estimated position for 2017/18 is:

<b>Subject to Final LG Finance Settlement</b>	<b>2017/18 £000's</b>
<b>Total Net Budget</b>	<b>11,644</b>
Council Tax	(5,203)
RSG/NDR (per provisional finance settlement)	(2,887)
New Homes Bonus (per provisional settlement)	(1,971)
Special & Specific Grants	(204)
Collection Fund Surplus – Council Tax	(62)
Collection Fund Deficit – Business Rates (per MTFS)	(200)
<b>Total Funding</b>	<b>(10,527)</b>
<b>Savings requirement</b>	<b>1,117</b>

- 2.3 The draft budget includes provision for inflation where considered necessary and provision for a 1% pay award for the coming 3 years. Committed growth, (for example demand led pressures within our street scene contract) is also included where necessary along with proposals for discretionary growth. **Appendix D** identifies revenue and capital proposals for approval. The General Fund revenue budget includes contingencies totalling £300k.
- 2.4 The estimated deficit of £1.1m for 2017/18 and £1.7m - £1.8m for the following 2 years gives a **total funding shortfall of £4.6m over the 3 years to 2019/20**; and there remain a number assumptions and related risks within the budget.

### Council Tax

- 2.5 The approved MTFS assumes a Council Tax increase of £5 for a Band D property for 2017/18. The provisional Finance Settlement confirmed a £5 Band D increase for all districts – and this assumed in the Government's calculation of Core Spending Power. A £5 increase will take the Council average Band D charge from £165.22 to £170.22 – a rise of under 10p per week. This assumption is in line with that used by the Government in their assessment of the multi-year settlement offer.
- 2.6 The tax base for Council Tax setting purposes has been calculated at 30,568 which gives a Council Tax yield of £5.2m for 2017/18.

### Savings

- 2.7 The MTFS emphasises the careful balance that is required between savings and investment in order to ensure the Council's finances remain sustainable. Delivering on-going efficiencies is a key part of the Council's 'Great Value' priority – being as efficient as possible and living within our means, whilst using the financial capacity created to generate long-term gains to improve outcomes for citizens. An approved efficiency plan is a requirement of the multi-year finance settlement.
- 2.8 Taking the proposals for Council Tax, growth, and reserve transfers and assumptions on Formula Grant the MTFS set targets for savings at circa £1m by 2017/18 and £1.7m by 2018/19 - the estimated deficit is slightly higher than this level. A list of proposed new savings is presented at **Appendix E**.
- 2.9 The Council has 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 long term use of balances to support on-going spending which is unsustainable. 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.
- 2.10 A further important part of the Council's approach to balancing its revenue budget is the investment in economic growth to drive growth in Council Tax and Business Rates which in turn will reduce the gap between service costs and core funding.
- 2.11 A number of 'technical' savings are also proposed which involve the set-aside of one-off sums to reduce the on-going base budget – these include a £1.5m contribution to the Private Finance Initiative (PFI); £3.3m voluntary minimum revenue provision in relation to outstanding debt; and in-advance payments to the North Yorkshire Pension Fund to reduce employer contributions. Should these savings be approved, resources earmarked in the Special Projects reserve would be redirected in 2016/17.
- 2.12 The General Fund savings listed at **Appendix E** total £1.6m, although at this stage, with the level of risk associated with the plan, it would be prudent to assume a lower level of achievement – 75% for all but low risk savings is proposed, which would leave a deficit of £752k still to be covered in 2017/18 (£2.3m over the 3 years). The MTFS provides £2.4m to support the revenue budget pending delivery of savings however with this level of deficit these funds would be almost fully depleted within the next 3 years. **Failure to deliver the savings target would require the use of further reserves to balance the budget which would undermine the Council's long term financial resilience and therefore work to identify further savings to bridge the gap must continue.**

### Housing Revenue Account

- 2.13 The HRA budgets have been prepared using assumptions on rent rises based on the Government's formula. In 2017/18 the 1% reduction (part of the Government's 4 year plan) has been applied.
- 2.14 The estimated position HRA for 2017/18 is shown below which is around £200k short of the position estimated when the forecasts were updated in February 2016. The previous HRA savings action plan has been achieved and therefore a further £200k of savings will be sought – and options for the HRA are also list at **Appendix E**.

	<b>2017/18 £000's</b>
<b>Total Net Budget</b>	<b>10,741</b>
Less Dwelling Rents	(12,070)
<b>(Surplus) / deficit transferred to Balances/MRR</b>	<b>(1,329)</b>

- 2.15 A surplus position is anticipated for 2017/18 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. The HRA also includes a contingency of £75k.

### General Fund Capital Programme

- 2.16 The General Fund capital programme includes previously approved projects as well as new growth – a summary of the growth proposals is shown at **Appendix D** and the draft capital programme is attached at **Appendix B**.
- 2.17 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:

<b>Programme</b>	<b>2017/18 £000's</b>	<b>2018/19 £000's</b>	<b>2019/20 £000's</b>
Asset Management works	803	320	320
Grants & loans	522	377	377
ICT Replacement	697	332	33
Housing developments	1,250	1,250	
<b>Total Programme</b>	<b>3,272</b>	<b>2,279</b>	<b>730</b>
<b>Funding</b>			
Capital Receipts	175	30	30
Grants	347	347	347
Reserves	1,500	652	353
Borrowing	1,250	1,250	
<b>Total Funding</b>	<b>3,272</b>	<b>2,279</b>	<b>730</b>

- 2.18 Projects include enhancement of existing assets such as car parks (£900k over 3 years), 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 replacement asset

management system) – funding for ICT projects is covered by the ICT Replacement Reserve.

### Housing Investment Programme

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

<b>Programme</b>	<b>2017/18 £000's</b>	<b>2018/19 £000's</b>	<b>2019/20 £000's</b>
Electrical works	240	240	240
Central heating	545	545	545
Roof replacements		220	400
Damp works	220	220	220
Doors	130	120	120
Kitchens and bathrooms	170	160	160
Fencing & Gates	40	40	40
Pointing	300	300	300
New Build Programme	1,250	1,250	
Estate Enhancements	293	133	100
Other	406	235	325
<b>Total Programme</b>	<b>3,594</b>	<b>3,463</b>	<b>2,450</b>
<b>Funding</b>			
Major Repairs Reserve	2,184	2,213	2,450
HRA Balances	160		
Borrowing	1,250	1,250	
<b>Major repairs reserve</b>	<b>3,594</b>	<b>3,463</b>	<b>2,450</b>

### Programme for Growth

- 2.20 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'. The current Programme is under review and it is anticipated that funding will be rolled into the new Programme from 2017/18. For the purposes of planning, the MTFS indicated an initial sum of £10m would be made available over the next 3 years.
- 2.21 The savings plan proposes that £4.8m of resources currently earmarked for the Programme are diverted towards on-going revenue savings, which would leave £5.1m available as at 1 April 2017.
- 2.21 The programme is funded by New Homes Bonus (currently up to £880k p.a.), and business rates receipts from renewable energy facilities (potentially £5m p.a. subject to the outcome of 100% business rates retention). At this stage further economic development initiatives are anticipated but more detailed work on the proposals is needed, therefore it is proposed to allocate indicative funding pending development of project briefs. Outline proposals for a 2017/18 programme are set out at **Appendix C**, a summary of the programme shows:

<b>Special Projects/Programme for Growth Reserve</b>	<b>2017/18 £000's</b>
Balance brought forward (subject to spend in 2016/17)	5,050
NHB/Business Rates (per MTFS and not confirmed)	1,080
<b>Total Resources</b>	<b>6,130</b>
Estimated project spend	2,450
<b>Balance available for allocation</b>	<b>3,680</b>

- 2.23 With the potential for further business rates windfalls and New Homes Bonus and subject to the needs of the revenue budget, there is the potential for additional resources in the future. Future allocations to projects clearly will be subject to available resources at that time.

#### Reserves

- 2.24 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 proposed budget, is set out at **Appendix F**. As at 31 March 2017 reserves are forecast at:

<b>Reserves</b>	<b>31 March 2017 £000's</b>
<b>General Fund</b>	
Commitments	5,260
Growth and improvement	7,292
Risk	6,196
<b>Total General Fund Reserves</b>	<b>18,748</b>
<b>HRA</b>	
Balances	1,993
Major Repairs	4,447
<b>Total HRA Reserves</b>	<b>6,440</b>
<b>Capital receipts (from asset sales)</b>	<b>3,560</b>

- 2.25 Reserves to fund commitments are replenished by regular revenue contributions to ensure they remain sustainable. Of the £5.3m balance, £3.8m relates to the PFI contract which is estimated to be required over the remainder of the contract – this includes a £1.5m transfer from the Special Projects Reserve in 2016/17 as part of the proposed savings plan.
- 2.26 Reserves for growth and improvement include the £5.1m for the Programme for Growth (from New Homes Bonus and the Business Rates windfall) and £1.8m in S106 affordable housing commuted sums, which must be spent on affordable homes. Reserves to manage risk include £3m from Business Rates to support the revenue budget (per MTFS) and £1.6m General Working Balance.
- 2.27 The HRA reserves are General Balances and the Major Repairs Reserve (MRR) which are ring-fenced for the HRA. The overall estimated surplus of



£1.3m on the HRA for 2017/18 will be transferred to the MRR. The HRA capital programme will require £2.2m from the MRR in 2017/18.

- 2.28 These earmarked reserves provide the financial capacity to fund the capital programmes and other irregular expenditure. Based on the proposals within this draft budget it is estimated that £7.4m will be required from reserves to fund growth bids and projects, with a further £752k (paragraph 2.12) required to support the revenue budget (subject to savings delivery). Reserves contributions of £7m are forecast for the year, although further Business Rates windfalls are not expected to be confirmed until April 2017.

#### Budget Risk Assessment

- 2.29 As part of the annual budget process a risk assessment of the Council's major budgets is undertaken. The continuing uncertainty in the wider economy, rising inflation, cuts to public sector funding and the uncertainty within the funding regime, mean greater financial risk for the Council. Areas that are particularly high risk are central government funding, income generation and savings as well as demand led cost pressures – in services such as waste and recycling.
- 2.30 The proposed budget includes assumptions on Business Rates funding in accordance with the MTFs. At this stage the impact of 100% business rates retention is not known and therefore the potential for funding volatility and risk remains. The proposed budget assumes baseline funding is achieved (topped-up through the business rates equalisation reserve as the Council is currently at the safety net for rates retention purposes) and relatively small amounts of additional funding from renewable energy business rates (£200k in 2017/18, £400k in 2018/19, and £600k in 2019/20), which are transferred to the Special Projects Reserve.
- 2.31 A risk assessment has been carried out on the Council's key budgets - contingencies and reserves are available to help manage and mitigate these risks and savings plans have been tempered through the application of a confidence factor.

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

#### **3.1 Legal Issues**

- 3.1.1 None as a result of this report.

#### **3.2 Financial Issues**

- 3.2.1 As set out in the report.

### **4. Conclusions**

- 4.1 The proposed General Fund revenue budget for 2017/18 assumes a Council Tax rise of £5 for a Band D property and requires savings and/or reserve contributions to balance a £1.1m deficit in 2017/18 and a £1.7m - £1.8m deficit in 2018/19 and 2019/20 – a total of £4.6m over the next 3 years.

- 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 new Corporate Plan – delivering economic growth and generating sustainable income for the Council as core government funding reduces.
- 4.3 A General Fund savings target of circa £1.8m is required, to balance the budget over the next 3 years given our assumptions on central Government funding and savings of £200k are forecast for the HRA. The pace of savings is expected to be such that support from reserves will be required to balance the revenue budget in the shorter term. The MTFS includes £2.4m in the Business Rates Equalisation Reserve to provide this support.
- 4.4 Options for savings are presented for consideration but at this stage a gap of around £500k between anticipated funding and costs remains and therefore further savings will be need to be identified.

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**Appendices:**

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

## GENERAL FUND SUMMARY 2017/18 - 2019/20

	2017/18 Original £	2018/19 Original £	2019/20 Original £	Comments
Leadership & Extended Leadership Team	895,510	903,942	912,459	
Operational Services	3,681,470	3,548,021	3,601,791	
Business Development & Improvement	1,137,590	1,128,367	1,019,126	
Commissioning, Contracts & Procurement	3,784,477	3,914,365	3,998,866	Amended for Streetscene commitment
Community, Partnerships & Customers	165,000	101,680	66,680	
Strategic Planning, Policy & Economic Development	379,270	282,733	237,285	
Finance Services	2,471,130	2,520,690	2,571,390	
Legal & Democratic	659,140	663,479	670,397	
<b>Service Budgets</b>	<b>13,173,587</b>	<b>13,063,276</b>	<b>13,077,993</b>	
CEC Charged to HRA	(2,561,240)	(2,581,751)	(2,633,387)	
Recharge to HRA for Capital Programme Delivery	(136,977)	(138,347)	(139,730)	
<b>Net Service Budget</b>	<b>10,475,370</b>	<b>10,343,178</b>	<b>10,304,876</b>	
<b>Net Service Budget after planned savings</b>	<b>10,475,370</b>	<b>10,343,178</b>	<b>10,304,876</b>	
Investment Income	(100,000)	(130,000)	(140,000)	
External Interest	90,575	75,200	75,200	
Parish CTS Grant	77,000	70,000	0	Grant ceases from 19/20
Capital A/c Adjustment MRP Charge	378,037	379,232	380,609	
Capital A/c Adjustment DFG & Conservation Grants	(155,000)			
Capital A/c Adjustment Capital Chgs	(758,680)	(740,330)	(685,000)	
<b>Approved Growth bids/Projects:</b>				
Asset Management	2,940	19,700	152,000	
ICT Projects	192,500	32,500	150,000	
<b>2017/18 Budget New Growth Bids (not yet approved)</b>				
<b>Revenue</b>	90,224	14,664	14,664	
<b>Asset Management Projects</b>	475,000	300,000	300,000	
<b>ICT Projects</b>	377,628	107,500	0	
<b>Local Plan</b>	221,550			
District Election			136,000	
Discretionary Rate Relief	100,000			
Contingencies	300,000	300,000	300,000	
<b>Net Budget before contribution to/(from) Reserves*</b>	<b>11,767,144</b>	<b>10,771,644</b>	<b>10,988,349</b>	
<b>Contribution To Reserves</b>				
Asset Management	182,270	182,570	182,570	Additional £30k added to support investment in car parks
ICT	141,000	141,000	141,000	
PFI	344,794	349,163	352,269	Saving from Interest rate reduction approx. £50k
Pension Equalisation Reserve	191,593	191,593	191,593	Adjusted for Pension Triennial Valuation
District Election	34,000	34,000	34,000	
Special Projects (Programme for Growth)	1,080,000	1,280,000	1,480,000	
Local Plan	50,000	50,000	50,000	
<b>Contribution From Reserves</b>				
NYCC Collaboration Reserve	(50,000)	-	0	
Asset Management	(477,940)	(319,700)	(452,000)	
ICT	(601,588)	(171,775)	(150,000)	
PFI	(410,230)	(418,430)	(427,000)	
Discretionary Rate Relief Fund	(100,000)	-		
Business Development	(83,380)	(84,214)		
District Election			(136,000)	
Local Plan	(221,550)			
Special Projects / Programme for Growth	(201,500)	(89,500)		
Business Rates Equalisation			0	Subject to rates retention performance and safety net requirements
Contingency	-	-	-	
<b>NET REVENUE BUDGET</b>	<b>11,644,613</b>	<b>11,916,352</b>	<b>12,254,781</b>	<b>Target for 17/18 is £10.5m</b>
Grant RSG	(592,672)	(265,213)	-	
NNDR	(2,294,452)	(2,362,140)	(2,438,000)	Excludes Drax renewables per MTFS
New Homes Bonus	(1,971,000)	(1,526,000)	(1,556,000)	Adjusted for baseline changes
Special and Specific Grants*	(203,789)	(167,386)	(192,000)	
<b>Amount to be met from Council Tax</b>	<b>6,582,700</b>	<b>7,595,613</b>	<b>8,068,781</b>	
<b>Council Tax Requirement</b>				
Council Tax to be Levied	(5,203,251)	(5,409,651)	(5,619,658)	
Council Tax Collection Fund Deficit/(Surplus)	(62,000)	(65,000)	(70,000)	
Business Rates Collection Fund Deficit/(Surplus)	(200,000)	(400,000)	(600,000)	Excludes Drax renewables per MTFS
<b>Shortfall / (surplus)</b>	<b>1,117,449</b>	<b>1,720,961</b>	<b>1,779,122</b>	<b>Savings requirement</b>
C Tax Base	30,568	30,873	31,182	
Council Tax Rate	170.22	175.22	180.22	

## HOUSING REVENUE ACCOUNT SUMMARY 2017/18 to 2019/20

	2017/18 Original £	2018/19 Original £	2019/20 Original £	Comments
Operational Services	2,988,750	2,995,760	3,002,890	All salary costs removed, only inflation increases reflected.
Commissioning, Contracts & Procurement	101,010	103,440	105,920	Increase in grounds maintenance contract
<b>Service Budgets</b>	<b>3,089,760</b>	<b>3,099,200</b>	<b>3,108,810</b>	
CEC Recharges from GF	2,694,890	2,716,738	2,769,723	All HRA salaries plus new posts funded from capital savings
<b>Net Service Budget</b>	<b>5,784,650</b>	<b>5,815,938</b>	<b>5,878,533</b>	
Contingency	75,000	75,000	75,000	To support housing development costs / properties out of management
Debt Management Expenses	6,000	6,000	6,000	Support TM costs, part of NYCC contract
Investment Income	(25,000)	(32,500)	(35,000)	Based on MTFS assumptions
HRA Debt - Payment of Interest	2,637,930	2,637,930	2,637,930	Assumes additional borrowing (£5m) will be taken, reduces in 2020/21.
Provision for Bad & Doubtful Debts	123,140	121,610	120,000	1% of gross rent, universal credit may impact on future assumptions
Pension - Past Service Costs	216,810	225,720	234,960	Based on latest NYCC schedule
<b>Net Budget before contribution to/(from) Reserves</b>	<b>8,818,530</b>	<b>8,849,698</b>	<b>8,917,423</b>	
<b>Contribution To Reserves</b>				
Comp Development Cont	50,000	50,000	50,000	Contribution to ICT Reserve
<b>Major Repairs Reserve</b>				
Reversal of Depreciation Charges	(1,296,640)	(1,296,640)	(1,296,640)	Included in service budgets
MRA re dwellings dep'n equivalent	1,296,640	1,296,640	1,296,640	Proxy revenue contribution to MRR, equal to depreciation.
Previously Approved Revenue Contribution to Capital Program	613,360	773,360	543,360	Additional amount of revenue required to cover current capital programme.
HRA Debt - Voluntary MRP	1,260,000	1,260,000	1,260,000	Provision to repay self financing debt
<b>NET REVENUE BUDGET</b>	<b>10,741,890</b>	<b>10,933,058</b>	<b>10,770,783</b>	
Dwelling Rents	(12,070,000)	(11,920,000)	(11,760,000)	1% Rent reduction for 4 years commencing 2016/17, unknown as yet what will happen for 2020/21
<b>Shortfall / (surplus)</b>	<b>(1,328,110)</b>	<b>(986,942)</b>	<b>(989,217)</b>	To MRR to maintain stock & support future development.
<b>Contribution To/ (From) HRA Reserves (MRR)</b>	<b>1,328,110</b>	<b>986,942</b>	<b>989,217</b>	Transfer to MRR to meet demands of capital programme and new build

**2016/17 – 2019/20 GENERAL FUND CAPITAL PROGRAMME**

<b>PROJECTS</b>	Approved Programme 2016/17 £	Estimated Programme 2017/18 £	Estimated Programme 2018/19 £	Estimated Programme 2019/20 £
Asset Management Plan Leisure Centres & Park	43,000	2,940	19,700	20,080
Denison Road Changing Rooms		30,000		
Road Adoption - Industrial Units Sherburn	13,660			
Hurricane Close & Swordfish Way Road Adoption		325,000		
Enhancement of Car Parks		300,000	300,000	300,000
Selby Park Wall		45,000		
Industrial Unit Maintenance		47,000		
Bus Station Shelters		53,000		
Replacement Car Park Ticket Machines	52,000			
Collapsed Culvert - Portholme Road	356,670			
Edgerton Lodge Refurbishment		<b>TBC</b>		
Housing Development (Loans to SDHT)	2,243,360	1,250,000	1,250,000	
<b>Grants</b>				
Disabled Facilities Grants	358,870	491,958	346,958	346,958
Repair Assistance Loans	30,000	30,000	30,000	30,000
<b>ICT Hardware &amp; Systems Within ICT Strategy</b>				
Implementation & Infrastructure Costs	518,755	679,170	278,500	15,000
Desktop Replacement Programme	17,500	17,500	53,500	17,500
CRM & Website				
Mobile Working Solution	249,800			
<b>TOTAL</b>	<b>3,883,615</b>	<b>3,271,568</b>	<b>2,278,658</b>	<b>729,538</b>
<b>SUMMARY OF FUNDING</b>				
Capital Receipts	233,870	175,000	30,000	30,000
Grants & Contributions	155,000	346,958	346,958	346,958
Reserves	1,251,385	1,499,610	651,700	352,580
Borrowing	2,243,360	1,250,000	1,250,000	0
<b>TOTAL</b>	<b>3,883,615</b>	<b>3,271,568</b>	<b>2,278,658</b>	<b>729,538</b>

**2016/17 – 2019/20 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME**

<b>PROJECTS</b>	Approved Programme 2016/17 £	Estimated Programme 2017/18 £	Estimated Programme 2018/19 £	Estimated Programme 2019/20 £
<b>PROJECTS</b>				
<u>Current Projects</u>				
Electrical Rewires	240,000	240,000	240,000	240,000
Central Heating - Gas	502,500	470,000	470,000	470,000
Central Heating - Solid Fuel	75,000	75,000	75,000	75,000
Roof Replacements	532,650		220,000	400,000
Damp Surveys & Works	230,000	220,000	220,000	220,000
Door & Window Replacements	140,000	130,000	120,000	120,000
Kitchen Replacements	237,000	140,000	130,000	130,000
Pre Paint & Cyclical Repairs	150,000	160,000	160,000	160,000
Void Property Repairs	60,000	65,000	65,000	65,000
Asbestos Condition Survey	30,000	30,000		
Fencing & Gates	40,000	40,000	40,000	40,000
Bathroom Replacements	205,530	30,000	30,000	30,000
Pointing Works	566,840	300,000	300,000	300,000
<u>New Projects</u>				
Fire Alarm System at St Wilfrids Court	25,000			
Laurie Backhouse Court Refurbishment	192,890	28,000		
Environmental Improvement Plan	185,000	160,000		
Garage Sites	50,000	20,000	10,000	
Ousegate Fire Alarm System	15,000			
Byram Park Road Demolition	88,490			
Footpath Repairs		30,000		
Estate Enhancements		133,000	133,000	100,000
Ousegate Refurbishment		60,000		
St Wilfrids Court Refurbishment				100,000
St Wilfrids Court Lifeline Equipment & Door Entry		13,000		
New Build - Phase 1 15 Bungalows	1,937,900			
New Build Projects	1,289,340	1,250,000	1,250,000	
<b>TOTAL</b>	<b>6,793,140</b>	<b>3,594,000</b>	<b>3,463,000</b>	<b>2,450,000</b>

**SUMMARY OF FUNDING**

Revenue Contributions	2,038,310	887,360	916,350	1,153,360
Major Repairs Reserve	1,254,100	1,296,640	1,296,650	1,296,640
HRA Balances	273,490	160,000		
Borrowing	2,800,000	1,250,000	1,250,000	
Capital Receipts	76,120			
S.106 Commuted Sums - affordable housing subsidy	351,120			
<b>TOTAL</b>	<b>6,793,140</b>	<b>3,594,000</b>	<b>3,463,000</b>	<b>2,450,000</b>

## Programme for Growth 3 - Indicative Programme

Project Theme	Project	Indicative Funding 2017/18 £000's	Comments
<b>Towns regeneration</b>	Completing the <b>Towns Masterplanning</b> to set long term visions and identify improvements needed, with <b>Action</b>	150	Projects flowing from the action plans will be subject to individual business case.
<b>Tourism and culture</b>	Develop a Visitor Strategy, Action Plan and an <b>Events Programme</b> to support key events including the <b>Tour de Yorkshire</b>	270	Projects flowing from the action plans will be subject to individual business case. £120k has already been allocated to the TdY for 2017.
<b>Housing</b>	" <b>Stepping-up housing delivery</b> " - strategic review	50	This review would set the strategic direction and facilitate delivery of a wider housing delivery programme including (but not limited to) direct delivery by SDC (and/or an alternative delivery vehicle) using funding from s106 commuted sums, capital receipts, HCA funding and potentially borrowing.
	<b>Olympia Park</b> - to carry out essential work (ground conditions/delivery models/viability etc) to support a public sector delivery role	200	This budget would enable SDC to work in partnership with NYCC and HCA to deliver public sector proposal for housing and employment on Olympia Park - linked to the project above and subject to the ultimate business case, a proposal for the Council to invest in the project may be developed.
<b>Infrastructure</b>	<b>Strategic sites masterplanning</b> e.g. Kellingley, Gascoigne Wood, Eggborough, Sherburn Enterprise Park, Selby Station etc	250	Potential projects flowing from the masterplanning will be subject to individual business case and may involve some direct delivery by the Council and/or facilitating delivery by or in partnership with others.
	<b>Access to employment</b>	100	To pilot a scheme to connect people to work opportunities with potential for this to be targeted towards our most deprived wards.

Project Theme	Project	Indicative Funding 2017/18 £000's	Comments
	<b>Green energy</b> - planning application and grid connection for a land based scheme at Burn Airfield	50	This builds on the feasibility work done by APSE Energy and would involve securing the grid connection for a scheme on Burn Airfield to enable project to be 'oven ready' when grid parity is
<b>Business</b>	<b>Growing enterprise &amp; SME growth advisor</b>	50	Continuation of existing project.
	<b>Church Fenton Studios enabling</b>	300	Expansion into major film production centre on the back of success of Victoria and US interest; use to match fund LEP investment.
	<b>Business space and accommodation review</b>	30	To review the existing and potential future business space needs for key economic sectors identified in the EDS. It will include reviewing the potential in our town centres to support young enterprise through dedicated workspace provision.
<b>Sub-total initial projects 2017/18</b>		<b>1,450</b>	
	Internal capacity for up to 3 years	3,000	Up to £1m p.a. and subject to the requirements of the programme.
	Project Delivery Fund	5,550	Fund to support delivery of projects arising from the strategic work undertaken initially.
<b>Total Funding</b>		<b>10,000</b>	<b>Subject to NHB and NNDR receipts</b>



## GENERAL FUND NEW BIDS 2017/18 - 2019/20

## Priority 1 - To Do Business

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term
		17/18	18/19	19/20	17/18	18/19	19/20		
Work to bring the road at Hurricane Close and Swordfish Way up to adoptable standard as identified in civil engineer's report. Lead Director - Julie Slatter Portfolio Lead - Cllr C Lunn Net Cost of Bid	Fund from Capital Receipt for sale of Hurricane Close	0	0	0	325,000	0	0	If work not done SDC will be liable for any future maintenance work to keep carriageway up to standard	One-Off
Maintenance and improvement work to industrial units identified in stock condition survey Lead Director - Julie Slatter Portfolio Lead - Cllr C Lunn Net Cost of Bid	Fund from Asset Management Reserve	0	0	0	47,000	0	0	Not keeping units up to standard may reduce occupancy levels and reduce income	One-Off
Enhancement of Car Parks - Years 1 to 3 of a proposed 5 year programme.  Lead Director - Julie Slatter Portfolio Lead - Cllr C Lunn Net Cost of Bid	Fund from Asset Management Reserve	0	0	0	300,000	300,000	300,000	Reduction in responsive repairs, increased economic activity and customer confidence and perception of the district. Costs are a 'worst case' and subject to an assessment of specific works required, may be revised downwards.	
<b>Total Value of new Priority 1 Bids</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>672,000</b>	<b>300,000</b>	<b>300,000</b>		

## Priority 2 - To Enjoy Life

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term
		17/18	18/19	19/20	17/18	18/19	19/20		
To bring the changing accommodation at Denison Road back into use and replace the goal posts. Minor repairs at Portholme Road changing accommodation. <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>	To enjoy life, through more people taking part in physical activity and developing healthy behaviours  <b>Fund from Asset Management Reserve</b>				30,000				One-Off
		0	0	0	30,000	0	0		
PLAN Selby - Planning Policy Team - A variety of evidence / support costs  <b>Lead Director - Dave Caulfield</b> <b>Portfolio Lead - Cllr J Mackman</b> <b>Net Cost of Bid</b>	<b>Fund from Local Plan Reserve</b>	221,550						PLAN Selby is a statutory document. The government have a deadline for local authorities to get local plans in place by early 2017.	One-Off
		221,550	0	0	0	0	0		
A stock condition survey to gather dwelling stock modelling data and a health impact assessment for Selby district private sector stock, including detailed information on HMOs and Energy Efficiency data.  <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>	<b>Fund from Revenue</b>	48,280						Not doing the survey will limit the councils ability to implement the Housing Strategy.	One-Off
		48,280	0	0	0	0	0		
Take down and rebuild Selby Park wall which is leaning and potentially unsafe. Replace Selby Park lights, which are failing and obsolete, with LED lights. <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>	<b>Fund from Buildings Repairs Reserve</b>				45,000			Potential for wall to collapse, lights are inefficient and unreliable.	One-Off
		0	0	0	45,000	0	0		
The Bus Station shelters are in disrepair creating the feeling of neglect and the lighting in the bus station is inadequate  <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr C Lunn</b> <b>Net Cost of Bid</b>	<b>Fund from Asset Management Reserve</b>				53,000			Not doing the replacement and lighting enhancements will result in poor perceptions regarding safety, local economy and reputation of the council to deliver its corporate ambitions	One-Off
		0	0	0	53,000	0	0		
To provide a Repair Assistance Loan service to provide urgent house repairs to vulnerable households in the private sector, to continue to provide the same level of service. <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>	<b>Fund from recycled capital receipts</b>				30,000	30,000	30,000	Provides an essential safety net to vulnerable private sector residents.	One-Off
		0	0	0	30,000	30,000	30,000		
Enhanced funding for the Disabled Facilities Grant system ( <b>see approved bids</b> ). The grant has increased through the better care fund. The intention for 2017/18 is to still utilise capital receipts to remove the waiting list the Council has for adaptations. The capital receipt will not be required going forward as the level of grant if remains consistent will be sufficient to meet demand. Additional Grant Funding (over & above £155k)  <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>	<b>Saving to Capital receipts</b>				191,958	46,958	46,958	Will allow the Council to increase capacity to reduce the DFG waiting list in Council properties.	Perm
					-191,958	-191,958	-191,958		
		0	0	0	0	-145,000	-145,000		
Edgerton Lodge - redevelopment options.  <b>Lead Director - Julie Slatter</b>  <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>					TBC			Not maximising the income from existing estate asset. Loss of income. <b>Options Paper to follow which will identify costs and funding source(s).</b>	One-Off
		0	0	0	0	0	0		
<b>Total Value of new Priority 2 Bids</b>		<b>269,830</b>	<b>0</b>	<b>0</b>	<b>158,000</b>	<b>-115,000</b>	<b>-115,000</b>		

## Delivering Great Value

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term
		17/18	18/19	19/20	17/18	18/19	19/20		
Housing Benefit Overpayment (HBO) - Additional resources within the Debt Control Team  Lead Director - Julie Slatter Portfolio Lead - Cllr C Lunn Net Cost of Bid		27,280						If the post is not continued for 17/18, the risk is that the HBO debt will continue to grow and there is insufficient resources within the current Debt Control team to continue with the good work which has been started.	One-Off
	Fund from Revenue	27,280	0	0	0	0	0		
Asset Management System Replacement  Lead Director - Julie Slatter Portfolio Lead - Cllr C Lunn Net Cost of Bid	Support  Implementation	5,664	5,664	5,664	144,580			Current workarounds and manual systems risks failure to import accurate information to lettings or maintenance records which may impact adversely upon customer service, work plan quality, health & safety or organisational reputation	
	Fund from ICT Reserve / Revenue	70,712	5,664	5,664	144,580	0	0		
GIS system - bring up to date and enable it to be used robustly be service areas across the organisation  Lead Director - Julie Slatter Portfolio Lead - Cllr C Lunn Net Cost of Bid		5,000	5,000	5,000	100,000			A robust GIS system would impact across the organisation and make huge efficiencies by creating capacity from current duplicated, complicated working practices	
	Fund from Revenue / ICT Reserve	5,000	5,000	5,000	100,000	0	0		
Web Chat - to help keep customers online using automated workflow and end to end fulfilment for a selection of services  Lead Director - Julie Slatter Portfolio Lead - Cllr C Lunn Net Cost of Bid		4,000	4,000	4,000	10,000			Webchat is dependent on support from the Business Development Team for procurement and implementation. NYCC may be required for any development to implement the software onto the servers and network	
	Fund from Revenue / ICT Reserve	4,000	4,000	4,000	10,000	0	0		
Committee Management System for managing meeting documentation, Elected Member information, publication of meeting documentation and solution to paperless meetings with app for members tablets.  Lead Director - Julie Slatter Portfolio Lead - Cllr C Lunn Net Cost of Bid					18,000			The risks of not introducing a Committee Management system will mean the continuation of the current way of working which is inefficient in terms of documentation publication on the website, lack of information regarding members and restricted tools in managing the decision making process.	One-Off
	Fund from ICT Reserve	0	0	0	18,000	0	0		
ICT Bids Renewal of desktop terminals  ICT Infrastructure  Lead Director - Julie Slatter Portfolio Lead - Cllr C Lunn Net Cost of Bid						36,000		If the terminals are not replaced the existing stock will become increasingly unreliable and out of date	One-Off
	Fund from ICT Reserve				40,000	71,500		Infrastructure costs including Storage Area Network & ports, Juniper Firewall, Exchange Licences, ESXI Hardware and Citrix Software Licences.	One-Off
		0	0	0	40,000	107,500	0		
<b>Total Value of new Delivering Great Value Bids</b>		<b>106,992</b>	<b>14,664</b>	<b>14,664</b>	<b>312,580</b>	<b>107,500</b>	<b>0</b>		
<b>Total Value of new General Fund Bids</b>		<b>376,822</b>	<b>14,664</b>	<b>14,664</b>	<b>1,142,580</b>	<b>292,500</b>	<b>185,000</b>		

Funding	17/18	18/19	19/20	17/18	18/19	19/20
Local Plan Reserve	221,550					
ICT Reserve	65,048			312,580	107,500	0
Capital Receipts saving					-145,000	-145,000
Capital Receipts				355,000	30,000	30,000
Asset Management Reserve				475,000	300,000	300,000
Revenue	90,224	14,664	14,664			
	<b>376,822</b>	<b>14,664</b>	<b>14,664</b>	<b>1,142,580</b>	<b>292,500</b>	<b>185,000</b>

## HRA NEW BIDS 2017/18 - 2019/20

## Priority 2 - To Enjoy Life

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term
		17/18	18/19	19/20	17/18	18/19	19/20		
Addition to preparing and cyclical repairs for works identified in stock condition surveys <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>	Maintain fabric of building				10,000	10,000	10,000	Not doing repairs will prevent painting. Not painting dwellings will result in failure of components and increase repair costs	Permanent
		0	0	0	10,000	10,000	10,000		
Footpath Repairs <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>					30,000			Failure to effectively repair will increase complaints and compensation claims and future insurance costs.	One-Off
		0	0	0	30,000	0	0		
Refurbishment of Laurie Backhouse Court lift - to bring up to standard and comply with new DDA legislation <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>					28,000			Lift will not meet legal requirements	One-Off
		0	0	0	28,000	0	0		
Estate Enhancements - to improve the public realm on our estates including the refurbishment of garages not part of housing development to enable letting. <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>					133,000	133,000	100,000	Perception of unmanaged estate creating a negative view of the neighbourhood	Fixed
		0	0	0	133,000	133,000	100,000		
Ousegate Lodge - refurbishment to enhance safety and meet the aims of the homelessness strategy <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>					60,000			Improve stock condition and safety.	One-Off
		0	0	0	60,000	0	0		
Roof replacements identified in stock condition surveys - 90 roofs in various locations. <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>							400,000	Reduction in responsive repairs	One-Off
		0	0	0	0	0	400,000		
Refurbish communal areas of St Wilfrids Court to include decorations and carpeting <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>							100,000	Not refurbishing communal areas will make accommodation less attractive, possibly resulting in under occupancy and loss of income	One-Off
		0	0	0	0	0	100,000		
Upgrade of Lifeline equipment and door entry system at St Wilfrids Court. <b>Lead Director - Julie Slatter</b> <b>Portfolio Lead - Cllr R Musgrave</b> <b>Net Cost of Bid</b>					13,000			Allows for Lifeline system to be integrated with the door control and fire alarm system, each system currently works independently and is at risk of failure due to age which then has an associated risk to the elderly and vulnerable residents.	One-Off
		0	0	0	13,000	0	0		
<b>Total Value of new Priority 2 Bids</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>274,000</b>	<b>143,000</b>	<b>610,000</b>		

## Delivering Great Value

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term
		17/18	18/19	19/20	17/18	18/19	19/20		
Housing Management System Replacement - Bid in addition to £175K carried forward from 15/16 Capital Programme	Support	9,269	9,269	9,269	191,589			The current system will not be supported from April 2018 and so failure to replace the system will risk financial penalties for the organisation. The timeframe for decision making and project delivery must take into account the date for cessation of support	
Lead Director - Julie Slatter Portfolio Lead - Cllr C Lunn Net Cost of Bid	Implementation	65,049							
<b>Total Value of new Delivering Great Value Bids</b>		<b>74,318</b>	<b>9,269</b>	<b>9,269</b>	<b>191,589</b>	<b>0</b>	<b>0</b>		
		<b>74,318</b>	<b>9,269</b>	<b>9,269</b>	<b>191,589</b>	<b>0</b>	<b>0</b>		
<b>Total Value of new HRA Bids</b>		<b>74,318</b>	<b>9,269</b>	<b>9,269</b>	<b>465,589</b>	<b>143,000</b>	<b>610,000</b>		

<b>Funding</b>	17/18	18/19	19/20	17/18	18/19	19/20
Revenue	9,269	9,269	9,269			
ICT Reserve	65,049			191,589		
HRA Major Repairs Reserve				274,000	143,000	610,000
	<b>74,318</b>	<b>9,269</b>	<b>9,269</b>	<b>465,589</b>	<b>143,000</b>	<b>610,000</b>

APPENDIX E

REFRESHED/NEW SAVINGS IDEAS

Potential Saving	Year	Total £000's	GF £000's	HRA £000's	Comments	Delivery	Risk
<b>Income Generation</b>							
Pest Control	16/17	0	0	0	Introduce a charge for rat removal	Current contract expires 31/03/17  <i>Sponsor: Keith Cadman</i>	Low (if politically acceptable)
	17/18	15	15	0			
	18/19	15	15	0			
	19/20	15	15	0			
Income generation	16/17	0	0	0	Approx. 10% increase in income from fees and charges (excluding pest control above), including: Commercial estate; property maintenance trading; Improved income and debt collection across the HRA and General Fund. Note this is an increase in demand and/or new services not an increase in existing charges unless charges do not currently cover cost	A review of fees and charges is to be undertaken following the introduction of the new fees and Charges Policy. If up-front investment is required this could be funded from the Business Development Reserve  <i>Sponsor: Stuart Robinson</i>	High
	17/18	0	0	0			
	18/19	0	0	0			
	19/20	185	185	0			
<b>Transformation</b>							
Process improvements and shift to on-line transactions through digital transformation	16/17	0	0	0	New housing and asset management systems £210k; Revenues and Benefits £25k; Licensing £25k; Democratic Services/Elections/Land Charges £25k	A corporate programme is considered to be the most appropriate way to deliver this transformation. Investment in ICT would be required and the replacement programme will enable this  <i>Sponsor Julie Slatter</i>	Medium
	17/18	0	0	0			
	18/19	75	70	5			
	19/20	285	91	194			
Planning Service Review	16/17	0	0	0	Timing of savings tbc as part of action planning	Efficiencies to be implemented through the review action plan  <i>Sponsor: James Cokeham</i>	Medium
	17/18	0	0	0			
	18/19	200	200	0			
	19/20	200	200	0			
Asset Rationalisation	16/17	0	0	0	Relocation of contact centre to Civic Centre following completion of extension £100k	Subject to negotiation  <i>Sponsor: Julie Slatter</i>	Medium
	17/18	50	50	0			
	18/19	100	100	0			
	19/20	100	100	0			

APPENDIX E

Commissioning							
Commissioning – collaboration and shared services	16/17	0	0	0	Much has already been done to deliver savings through outsourcing and partnership working therefore this target reflects the potential for any remaining opportunities across all services: Comms and HR; Procurement/assets team; cleaning; community centres	This cross cutting saving is dependent upon opportunities identified through value for money work reviews. Up-front investment may be required to deliver on-going savings. Resources available in the Business Development Reserve. Individual projects are still to be determined  <i>Sponsor: Julie Slatter</i>	High
	17/18	0	0	0			
	18/19	0	0	0			
	19/20	100	80	20			
Growth							
SDHT Loans	16/17	0	0	0	2% above investment returns	Subject to scheme viability and progress  <i>Sponsor: Dave Caulfield</i>	High
	17/18	30	30	0			
	18/19	60	60	0			
	19/20	100	100	0			
Lending to other third parties	16/17	0	0	0	Subject to projects/initiatives flowing from the ED Strategy/P4G but for example a loans fund of say £1m could generate additional returns (say 4%) above the Council's average investment return	Lending could support house building and/or business growth. It would be subject to criteria and limits and provision for an element of default would be required  <i>Sponsor: Dave Caulfield</i>	High
	17/18	0	0	0			
	18/19	0	0	0			
	19/20	40	40	0			
Programme for Growth – direct return on investments	16/17	0	0	0	Assuming direct investment of circa £5m a 5% return would achieve £250k p.a.	Subject to Programme for growth projects  <i>Sponsor: Dave Caulfield</i>	High
	17/18	0	0	0			
	18/19	0	0	0			
	19/20	250	250	0			
Tax Base Growth	16/17	0	0	0	0.5% above standard 1% assumption	Subject to growth in property numbers – tax base refreshed annually.  <i>Sponsor: Dave Caulfield</i>	Medium
	17/18	0	0	0			
	18/19	50	50	0			
	19/20	75	75	0			
Business Rates Growth	16/17	0	0	0	2% above MTFS assumption	Subject to growth in RV/Yield and BRR system. BRR income now below SDC's tariff which means gross yield would have to increase by around £5m before we see growth. Note this excludes Drax renewables windfall  <i>Sponsor: Dave Caulfield</i>	High
	17/18	0	0	0			
	18/19	0	0	0			
	19/20	200	200	0			

APPENDIX E

Other							
PFI	16/17	60	60	0	£1.5m contribution to PFI reserve would negate need for on-going revenue contributions to the reserve and generate £60k saving p.a.	This is a technical accounting adjustment and subject to approval would be reflected in the accounts for 2016/17  <i>Sponsor: Karen Iveson</i>	Low
	17/18	60	60	0			
	18/19	60	60	0			
	19/20	60	60	0			
MRP	16/17	185	185	0	Would require £3.3m of reserves to be set aside to repay debt. However the cash would remain in the Council's cash balances until such time as the debt is repaid and would be available for investment in the meantime	This is a technical accounting adjustment and subject to approval would be reflected in the accounts for 2016/17  <i>Sponsor: Karen Iveson</i>	Low
	17/18	185	185	0			
	18/19	185	185	0			
	19/20	185	185	0			
Pension Fund Deficit	16/17	0	0	0	Explore potential to make upfront payments to the pension fund to reduce the on-going deficit. Annual upfront payments would achieve a discount of 2.2%; 3 years paid upfront would generate a 6.3% discount - awaiting legal advice from the Pension Fund. Deficit contribution is £560k in 17/18 - 6.3% discount = £35k split between GF and HRA	Subject to Pension Fund approval.  <i>Sponsor: Karen Iveson</i>	Low
	17/18	35	25	10			
	18/19	35	25	10			
	19/20	35	25	10			
<b>Total by 19/20</b>		<b>1,830</b>	<b>1,606</b>	<b>224</b>			



APPENDIX E

Indicative Profile - GF

Potential Saving	Sponsor	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	Risk
Pest Control	KC	0	15	15	15	Low (if politically acceptable)
Income generation	SR	0	0	0	185	High
Process improvements /on-line transactions	JS	0	0	70	91	Medium
Planning service review	JC	0	0	200	200	Medium
Asset rationalisation	JS	0	50	100	100	Medium
Commissioning & collaboration	JS	0	0	0	80	High
New SDHT Loans	DC	0	30	60	100	High
Lending to third parties	DC	0	0	0	40	High
Programme for Growth	DC	0	0	0	250	High
Tax Base Growth	DC	0	0	50	75	Medium
Business Rates Growth	DC	0	0	0	200	High
PFI	KI	60	60	60	60	Low
MRP	KI	185	185	185	185	Low
Pension Fund Deficit	KI	0	25	25	25	Low
<b>Total</b>		<b>245</b>	<b>365</b>	<b>765</b>	<b>1,606</b>	
<b>100% Confidence</b>			<b>285</b>	<b>285</b>	<b>285</b>	
<b>75% confidence</b>			<b>60</b>	<b>360</b>	<b>991</b>	
<b>Assumed Savings</b>			<b>345</b>	<b>645</b>	<b>1,276</b>	

*NB Low risk savings assumed to be delivered at 100%*

Indicative Profile - HRA

Potential Saving	Sponsor	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	Risk
Process improvements /on-line transactions	JS	0	0	5	194	Medium
Commissioning & collaboration	JS	0	0	0	20	High
Pension Fund Deficit	KI	0	10	10	10	Low
<b>Total</b>		<b>0</b>	<b>10</b>	<b>15</b>	<b>224</b>	
<b>50% confidence</b>				<b>13</b>	<b>117</b>	
<b>75% confidence</b>				<b>14</b>	<b>171</b>	

*Low risk savings assumed to be delivered at 100%*

Description	Estimated Balance 31 March 17	Use	Transfers	Contribs	Estimated Balance 31 March 18	Use	Contribs	Estimated Balance 31 March 19	Use	Contribs	Estimated Balance 31 March 20
	£	£	£	£	£	£	£	£	£	£	£
<b>Revenue Reserves</b>											
<b>General Fund</b>											
<b>Reserves to fund future commitments:</b>											
PFI Scheme	3,844,660	- 410,230		344,794	3,779,224	- 418,430	349,163	3,709,957	- 427,000	352,269	3,635,226
ICT	736,852	- 601,588		191,000	326,264	- 171,775	191,000	345,489	- 150,000	191,000	386,489
Asset Management	517,801	- 477,940	228,682	182,270	450,813	- 319,700	182,570	313,683	- 452,000	182,570	44,253
Election	79,934			34,000	113,934		34,000	147,934	- 136,000	34,000	45,934
Open Space Maintenance	80,460		- 80,460		0			0			0
	5,259,708	- 1,489,758	148,222	752,064	4,670,236	- 909,905	756,733	4,517,064	- 1,165,000	759,839	4,111,903
<b>Reserves to fund growth and improvement:</b>											
Special Projects / Programme for Growth *	5,050,491	- 2,450,000		1,080,000	3,680,491		1,280,000	4,960,491		1,480,000	6,440,491
S106 Affordable Housing Commuted Sums	1,763,418	- 193,554		1,218,744	2,788,608		1,218,744	4,007,352		2,437,488	6,444,840
Discretionary Rate Relief Fund	168,492	- 100,000			68,492			68,492			68,492
NYCC Collaboration	50,000	- 50,000			-			-			-
Spend To Save (Business Development)	259,709	- 83,380			176,329	- 84,214		92,115			92,115
	7,292,110	- 2,876,934		2,298,744	6,713,920	- 84,214	2,498,744	9,128,450	-	3,917,488	13,045,938
<b>Reserves to mitigate financial risk:</b>											
Pensions Equalisation Reserve **	550,050			191,593	741,643		191,593	933,236		191,593	1,124,829
NDR Equalisation ***	3,000,000				3,000,000			3,000,000			3,000,000
Local Plan	500,231	- 221,550		50,000	328,681		50,000	378,681		50,000	428,681
Contingency	497,600				497,600			497,600			497,600
General Fund	1,648,222		- 148,222		1,500,000			1,500,000			1,500,000
	6,196,103	- 221,550	- 148,222	241,593	6,067,924	-	241,593	6,309,517	-	241,593	6,551,110
<b>Total GF Revenue reserves</b>	<b>18,747,921</b>	<b>- 4,588,242</b>	<b>-</b>	<b>3,292,401</b>	<b>17,452,080</b>	<b>- 994,119</b>	<b>3,497,070</b>	<b>19,955,031</b>	<b>- 1,165,000</b>	<b>4,918,920</b>	<b>23,708,951</b>
<b>HRA</b>											
HRA Unallocated Balance	1,993,207	- 160,000			1,833,207			1,833,207			1,833,207
Major Repairs Reserve - Capital Programme	4,447,141	- 2,184,000		3,238,110	5,501,251	- 2,213,000	3,056,942	6,345,193	- 2,450,000	2,829,217	6,724,410
<b>Sub Total</b>	<b>6,440,348</b>	<b>- 2,344,000</b>	<b>-</b>	<b>3,238,110</b>	<b>7,334,458</b>	<b>- 2,213,000</b>	<b>3,056,942</b>	<b>8,178,400</b>	<b>- 2,450,000</b>	<b>2,829,217</b>	<b>8,557,617</b>
<b>Total Revenue Reserves</b>	<b>25,188,269</b>	<b>- 6,932,242</b>	<b>-</b>	<b>6,530,511</b>	<b>24,786,538</b>	<b>- 3,207,119</b>	<b>6,554,012</b>	<b>28,133,431</b>	<b>- 3,615,000</b>	<b>7,748,137</b>	<b>32,266,568</b>
<b>Capital Reserves</b>											
RTB Capital Receipts ****	2,839,279	- 500,000		500,000	2,839,279	- 175,000	500,000	3,164,279	- 175,000	500,000	3,489,279
Other Capital Receipts ****	720,636				720,636			720,636			720,636
<b>Total GF Capital Receipts</b>	<b>3,559,915</b>	<b>- 500,000</b>	<b>-</b>	<b>500,000</b>	<b>3,559,915</b>	<b>- 175,000</b>	<b>500,000</b>	<b>3,884,915</b>	<b>- 175,000</b>	<b>500,000</b>	<b>4,209,915</b>
<b>Notes</b>											
* Savings options include: £1.5m transferred to PFI Reserve and £3.3m to Capital Financing Reserve (non-useable) in 2016/17. Also potential for a further renewable energy business rates receipts - amount will not be confirmed until March 2017.											
** Payment to Pension Fund and reserve contributions to be reconsidered following triennial valuation due 2016.											
*** Includes £2.4m to support revenue budget - profile of use is subject to savings plan/delivery.											
**** Capital receipts include assumptions on right to buy sales.											