

# Selby District Council



## Agenda

Meeting: **Executive**  
Date: **Wednesday, 6 February 2019**  
Time: **4.00 pm**  
Venue: **Committee Room - Civic Centre, Doncaster Road, Selby, YO8 9FT**  
To: **Councillors M Crane (Chair), J Mackman (Vice-Chair), C Lunn, C Metcalfe and C Pearson**

**1. Apologies for Absence**

**2. Minutes** (Pages 1 - 6)

The Executive is asked to approve the minutes of the meeting held on 10 January 2019.

**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. NNDR Autumn 2018 Budget Reliefs and Mobile Infrastructure Relief (Pages 7 - 14)**

Report E/18/41 details the new reliefs announced in the Autumn Budget 2018 and proposes to support a countywide new Mobile Infrastructure Relief.

**5. Proposed Revenue Budget and Capital Programme 2019/20 and Medium Term Financial Plan (Pages 15 - 46)**

Report E/18/42 presents the proposed revenue budget; capital programmes and latest forecast for the Programme for Growth for 2019/20 to 2021/22 subject to the consultation which runs until 3 February 2019.

**6. Financial Results and Budget Exceptions Report to 31st December 2018 (Pages 47 - 72)**

Report E/18/43 presents the financial results and budget exceptions to 31 December 2018.

**7. Treasury Management Strategy (Pages 73 - 122)**

Report E/18/44 presents for approval the proposed Treasury Management Strategy together with the Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2019/20, Capital Strategy 2019/20 and Prudential Indicators 2019/20 as required by the Department of Communities and Local Government and CIPFA (as updated 2017).

**8. Treasury Management - Quarterly Update Q3 2018/19 (Pages 123 - 132)**

Report E/18/45 reviews the Council's borrowing and investment activity (Treasury Management) for the period 1<sup>st</sup> April to 30<sup>th</sup> November 2018 (Q3) and presents performance against the Prudential Indicators.

**9. Nomination for the Rural Services Network (Pages 133 - 134)**

Report E/18/46 asks the Executive to appoint a representative onto the Rural Services Network.



**Janet Waggott  
Chief Executive**

<b>Date of next meeting</b>
Thursday, 7 February 2019 at 4.00 pm

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

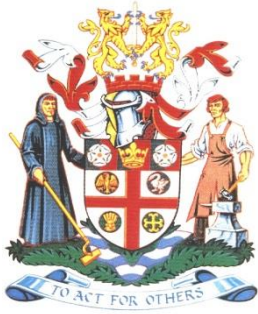
### **Recording at Council Meetings**

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

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# Agenda Item 2

## Selby District Council



## Minutes

### Executive

Venue:	Committee Room - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Thursday, 10 January 2019
Time:	4.00 pm
Present:	Councillors M Crane (Chair), J Mackman (Vice-Chair), C Lunn, C Metcalfe and C Pearson
Also Present:	Councillors M Jordan
Officers Present:	Janet Waggott (Chief Executive), Dave Caulfield (Director of Economic Regeneration and Place), Julie Slatter (Director of Corporate Services & Commissioning), Karen Iveson (Chief Finance Officer (s151)), Clare Dickinson (Principal Planning Policy Officer) (for minute item 69), Julian Rudd (Head of Economic Development and Regeneration) (for minute item 70), Iain Brown (Economy and Infrastructure Manager) (for minute item 70), Kevin Ross (Accountant) (for minute items 71 and 72), Mike James (Communications and Marketing Manager) and Palbinder Mann (Democratic Services Manager)
Public:	0
Press:	1

NOTE: Only minute numbers 69 to 71 are subject to call-in arrangements. The deadline for call-in is 5pm on Wednesday 23 January 2019. Decisions not called in may be implemented from Thursday 24 January 2019.

**66 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**67 MINUTES**

The Executive considered the minutes of the meeting held on 6 December 2018.

**68 DISCLOSURES OF INTEREST**

There were no declarations of interest.

**69 HS2 WORKING DRAFT ENVIRONMENTAL STATEMENT**

The Lead Executive Member for Place Shaping presented the report which provided the Executive with an update on High Speed 2 (HS2) and specifically the Working Draft Environmental Statement (WDES) which was recently out for public consultation.

The Lead Executive Member for Place Shaping explained that the Council had submitted their comments to HS2 Ltd on 20<sup>th</sup> December 2018 and that the Council's position on HS2 agreed by the Executive on 7 June 2018 was to seek to minimise any adverse local impacts as well as maximise the benefits for Selby District's residents and businesses.

Concern was raised regarding the impact of the construction compounds outlined on the map in the report and the effect of these on local residents along with the proposed viaduct for the route through Church Fenton. It was noted that concerns regarding these had been expressed in the consultation response.

In response to queries concerning the route, it was noted this was currently being challenged and concerns had been passed onto HS2.

**RESOLVED:**

- i) To notes the contents of this report;**
- ii) To note the consultation response attached at Appendix A which was submitted to HS2 Ltd on 20<sup>th</sup> December 2018.**

**REASON FOR DECISION:**

*To note the comments which were submitted to HS2 Ltd on 20<sup>th</sup>*

*December 2018.*

**70 SELBY DISTRICT ECONOMIC DEVELOPMENT FRAMEWORK  
2017-2022 - YEAR ONE REVIEW & DELIVERY PLAN 2019 AND  
2020**

The Lead Executive Member for Communities and Economic Development presented the report which provided the further information requested by the Executive in relation to the proposed Economic Development Framework (EDF) Delivery Plan 2019 and 2020 and the associated progress review and budgetary transfers.

The Lead Executive Member for Communities and Economic Development explained that since the Executive meeting in November, officers had engaged with Members and external partners on the delivery plan and the comments were outlined in section 2.3 of the report. The Executive were informed that there had also been a recent announcement of the Future High Street Fund which the Council would be able to bid for.

The Lead Executive Member for Communities and Economic Development stated that the delivery plan was a long term commitment designed to create jobs for the area and lead additional business rates income.

Members praised the work of officers delivering the Economic Development Framework to date while acknowledging a number of the projects were long term and therefore further work was required.

**RESOLVED:**

- 1) To agree the EDF Delivery Plan for 2019 and 2020 (Appendix A) and the priority order set out at paragraph 2.6 of this report;**
- 2) To agree the movements between budget headings in the existing Programme for Growth (P4G) budget to resource delivery of the EDF Delivery Plan (Appendix B);**
- 3) To agree the performance indicators to monitor progress (Appendix C);**
- 4) To agree that details of the Year One Review and Delivery Plan be shared with partners.**

**REASON FOR DECISION:**

*To continue to deliver the EDF and the Corporate Plan following*

*significant progress through Programme for Growth investment in this work area.*

## **71 HOUSING RENTS 2019/20**

The Lead Executive Member for Finance and Resources presented the report which outlined proposals for Housing Revenue Account rent levels which have been set in accordance with central Government's current policy on rent setting.

The Lead Executive Member for Finance and Resources explained that 2019/20 would be the last year of the Government's four year policy to decrease rents 1% year on year and it would result in an average decrease of £0.78. The Executive was informed that from 2020/21 the Council would allowed to increase their rent up to the level of the consumer price index (CPI) plus 1%.

### **RESOLVED:**

**To approve the proposed 1.0% rent decrease for 2019/20.**

### **REASON FOR DECISION:**

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

## **72 DRAFT REVENUE BUDGET AND CAPITAL PROGRAMME 2019/20 AND MEDIUM TERM FINANCIAL PLAN**

The Lead Executive Member for Finance and Resources presented the draft revenue budget, capital programme and latest forecast for the Programme for Growth for 2019/20 to 2021/22.

The Lead Executive Member for Finance and Resources explained that the Government's multi-year finance settlement had been better than expected for the Council however there were pressures on council finances.

The Leader of the Council explained that as part of the District Council's Network, they had lobbied the Government to not introduce a negative Revenue Support Grant along with retaining the threshold on the New Homes Bonus and they had been successful on both of these issues.

Discussion took place on proposed level of council tax increase which was currently proposed at £5 for an average band D property. The Executive felt that due to the better than expected settlement from the Government, the proposed increase should be reduced to £3 for an average band D property. It was noted that this would still be below the rate of inflation and that the Council had



only increased council tax at a level above the rate of inflation on one occasion.

The Chief Finance Officer explained that the new proposal would result in an loss of income of just under £63k for the Council which would have to be found through savings or income generation in other areas. The Executive was informed that although the settlement had been better than expected, there were still areas of uncertainty such as the New Homes Bonus which were not secured for future years. Additionally, the Chief Finance Officer explained that the Government was currently undertaking a consultation on local government needs and resources and would assume that the Council would raise council tax at the maximum level.

The Executive discussed the implications and felt that the Council's savings plan was robust enough to make up the shortfall therefore agreed to include a £3 council tax rise for an average band D property in the draft budget proposals.

**RESOLVED:**

- i) To amend the proposed increase in council tax to £3 for an average band D property;**
- ii) To approve the draft budgets, bids and savings for public consultation and submit then to the Policy Review Committee for comment.**

**REASON FOR DECISION:**

*To enable the views of the public and Policy Review Committee members to gathered through consultation.*

**73 ANNUAL REVIEW OF THE CONSTITUTION**

The Leader of the Council presented the report which highlighted the proposed changes to the Constitution and asked the Executive to refer them for consideration at the Audit and Governance Committee before they were presented to Council for approval.

It was noted that then paragraph (b) under section 23 'Grant applications and claims' under the financial procedure rules should read as follows:

*Applications and claims with a value exceeding £50,000 shall be approved by the relevant Director and the Chief Finance Officer except where such initiatives will require additional funding (either capital or revenue) beyond that contained within the approved estimates.*

**RESOLVED:**

**To endorse the proposed changes and ask Audit and Governance to consider and report on the changes before they are considered by full Council.**

**REASON FOR DECISION:**

*To ensure the constitution is up to date and fit for purpose.*

The meeting closed at 5.02 pm.



**Report Reference Number: E/18/41**

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**To: Executive**  
**Date: 6 February 2019**  
**Status: Non Key Decision**  
**Ward(s) Affected: All**  
**Author: Tammy Fox, Taxation, Benefits and Debt Team  
Leader / June Rothwell, Head of Operational Services**  
**Lead Executive Member: Cllr Lunn, Lead Executive Member for Finance and  
Resources**  
**Lead Officer: Julie Slatter, Director of Corporate Services &  
Commissioning**

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**Title: NNDR Autumn 2018 budget reliefs and Mobile Infrastructure Relief**

## **1. Summary**

- 1.1 This report details the new reliefs announced in the Autumn Budget 2018.
- 1.2 The report also proposes to support a countywide new Mobile Infrastructure Relief.

## **2. Recommendations**

- 2.1 The Executive will be asked to agree the granting of the Autumn Budget 2018 reliefs for 2019/20 and 2020/21 and approve the proposed new Mobile Infrastructure Relief.

## **3. Reason for recommendation**

- 3.1.1 The new Autumn Budget reliefs are government policy and the cost is funded by central government.
- 3.1.2 The new Mobile Infrastructure relief is being supported countywide and will bring benefits for residents of the district.

## **4. Background**

- 4.1 In the Autumn Budget 2018 the government announced further measures to assist business ratepayers in the next financial year -
  - A retail discount with eligible retailers with a rateable value below £51,000 receiving a one third discount on their business rates bill.

- Extension of the £1500 discount to newspaper offices in 2019/20.
  - Intension to legislate to grant a 100% relief for all standalone public toilets.
- 4.2 Local authorities will be expected to use their discretionary relief powers to grant these reliefs in line with the relevant eligibility criteria. They will be compensated for the cost of granting the reliefs through a Section 31 grant from Government.
- 4.3 At the Local Government North Yorkshire and York meeting on the 5 October 2018 attended by Chief Executives and Council Leaders it was agreed to support a proposal for business rate relief for new rural mobile infrastructure where no mobile service was currently available. It was noted that each District Council and the City of York Council would need to make its own decision regarding the proposal set out in the report.

## **5. The Report**

### **5.0 Autumn Budget 2018 reliefs**

#### **5.1 Retail Relief**

- 5.1.1 The Retail Discount scheme is for occupied properties with a rateable value less than £51,000 for 2019/20 and 2020/21. The value of the discount should be one third of the bill, and should be applied after mandatory reliefs and other discretionary reliefs have been applied.
- 5.1.2 Further guidance has been published by the Government about the operation and delivery of this policy and the eligibility criteria and this be followed by the council.
- 5.1.3 Properties that will benefit from the relief and those that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. They must be being used for the sale of goods or food or drink to visiting members of the public or the provision of services to visiting members of the public.
- 5.1.4 The government has set out types of uses that it does not consider to be retail use for the purpose of this relief and these include those used for provision of the following services to visiting members of the public –
- Financial services (eg banks, cash points, payday lenders, betting shops)
  - Other services (eg estate agents, letting agents, employment agencies)
  - Medical services (eg vets, dentists, doctors, chiropractors)
  - Professional services (eg solicitors, accountants, insurance agents)
  - Post office sorting offices
- 5.1.5 The government also does not consider other assembly or leisure uses to be retail use for the purpose of this relief (eg cinemas, museums, gyms).
- 5.1.6 We have identified approximately 200 properties will benefit from this relief in the Selby District, subject to state aid limits.

- 5.1.7 It is expected that billing authorities will use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 to deliver this relief.
- 5.1.8 It is the council's intention to apply this relief automatically to those who fulfil the eligibility criteria. The government expects this relief to be applied in time for the annual billing for 2019/20. As discretionary relief is subject to state aid limits on awarding of the relief the ratepayer will be advised of their obligation to let the local authority know if this award breaches their state aid limit and the relief will then be removed.
- 5.1.9 Software providers are currently working on the changes to allow this relief to be awarded. This is unfortunately not expected to be in time for the production of the 2019/20 annual bills. We will let the ratepayers who may qualify know that the relief will be applied as soon as these software changes allow.

## **5.2 Newspaper Offices**

- 5.2.1 The £1500 discount for newspaper offices has been extended in 2019/20. Currently one office receives this discount in the district.
- 5.2.2 It is expected that billing authorities will use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 to continue this discount.

## **5.3 Public toilets**

- 5.3.1 The government is bringing forward primary legislation to grant a 100% relief from business rates for standalone public toilets. It is expected this may not come into force until April 2020.

## **6.0 Business rates relief for new mobile infrastructure**

- 6.1.1 At the Local Government North Yorkshire and York meeting on the 5 October 2018 a proposal was put forward for business rate relief for new rural mobile infrastructure where no mobile service was currently available. It was noted all the District Councils and City of York would need to make a decision regarding the proposal set out in the report. Report of the 5 October 2018 meeting minute number 51 attached (Appendix 1).
- 6.1.2 The award of business rate relief is only for those projects that otherwise would not come forward for progression by the industry and is provided on the basis that the operator will continue to manage and maintain the mast post cessation of the business rate relief period.
- 6.1.3 The areas where the business rate relief will apply are 'not spots' where there is no coverage from other operators and areas of poor mobile coverage for all operators. This will be measured by the NYCC Mobile Phone Coverage Manager.
- 6.1.4 The NYCC Mobile Phone Coverage Manager has provide a map of the district (Appendix 2) from Ofcom data. The brown indicates coverage with the small pockets of grey areas where there is poor/no coverage hence masts may be

required. He also advises after a drive through survey some of this may be overstated.

- 6.1.5 The NYCC Mobile Phone Coverage Manager has indicated therefore that there will be limited number of applications for which the new relief would apply.
- 6.1.6 An application form must be completed by the applicant and this will be assessed against the agreed criteria. The relief will be applied up to a value of £6,000 per annum per mast for a period of seven years to a maximum of £42,000 from April 2019 onwards.
- 6.1.7 The relief would be awarded in accordance with section 69 of the Localism Act 2011, which allows councils to grant discretionary relief in any circumstance where it feels fit having regard to the effect on its council tax payers. The cost of such relief is borne by 40% by the District Council.
- 6.1.8 If agreed this relief would be inserted as an appendix into the Council's Discretionary Rate Relief Policy. The decision to grant relief would be delegated to the NNDR Supervisor or the Taxation, Benefits & Debt Team Leader.

## **7. Risks**

### **7.1 Legal**

- 7.1.1 As the schemes are discretionary there will be no right of appeal on any decision made.
- 7.1.2 All applicants will complete a state aid declaration to ensure all awards are state aid compliant.

### **7.2 Financial**

- 7.2.1 The government will fully reimburse Councils for the cost of reliefs provided under the Autumn Budget 2018 through section 31 grants.
- 7.2.2 The cost of the Mobile Infrastructure relief would be 40% funded by the District Council. After the period of relief the council would benefit from the rates generated in the future by the mast.

## **8. Appendices**

- 8.1 Appendix 1 (Minute number 51 from the Local Government North Yorkshire and York meeting)
- 8.1 Appendix 2 (Mobile phone coverage –SDC area)

### **Contact Officer:**

Tammy Fox, Benefits, Taxation and Debt Team Leader, tfox@selby.gov.uk

**LOCAL GOVERNMENT NORTH YORKSHIRE AND YORK**  
**Minutes of the Meeting held on Friday 5 October 2018 at 10.30 am at**  
**Harrogate Civic Centre, St Luke's Mount, Harrogate**

**Present:-**

**Authority**

**Member/Chief Executive**

City of York Council Councillor Ian Gillies  
Ian Floyd (Deputy Chief Executive)(as Substitute for  
Mary Weastell (Chief Executive))  
Craven District Council Councillor Richard Foster  
Paul Shevlin (Chief Executive)  
Hambleton District Council Councillor Peter Wilkinson (as Substitute for Councillor  
Mark Robson)  
Mick Jewitt (Deputy Chief Executive)(as Substitute for  
Dr Justin Ives (Chief Executive))  
Harrogate Borough Council Councillor Richard Cooper  
Wallace Sampson (Chief Executive)  
North Yorkshire County Council County Councillor Carl Les (in the Chair)  
Richard Flinton (Chief Executive and also LGNY  
Honorary Secretary)  
North York Moors National Park

**Authority**

Mr Jim Bailey

Richmondshire District Council Councillor Yvonne Peacock

Tony Clark (Chief Executive)

Ryedale District Council Stacey Burlet (Chief Executive)

Scarborough Borough Council Councillor Helen Mallory (as Substitute for Councillor  
Derek Bastiman)

Lisa Dixon (Director)(as Substitute for Jim Dillon (Chief  
Executive))

Selby District Council Councillor Mark Crane

Janet Waggott (Chief Executive)

Yorkshire Dales National Park

**Authority**

Mr Carl Lis OBE

**By invitation:-**

North Yorkshire Police and Crime

Commissioner's representative

Fraser Sampson (Interim Chief Executive, Office of the  
Police and Crime Commissioner)(as Substitute  
for the Police and Crime Commissioner)

Yorkshire Water Richard Flint (Chief Executive)

Nevil Muncaster (Director of Asset Management)

Paul Carter (Political Engagement Manager)

**In Attendance:-**

James Farrar (York, North Yorkshire and East Riding LEP, Chief Operating Officer), Michael

Grayson (North Yorkshire County Council, Programme Manager – Mobile Phone Coverage)  
and Ruth Gladstone (LGNY Secretariat).

**Minute note 51. York, North Yorkshire and East Riding Mobile Infrastructure -  
Business Rate Relief**

Considered -

The report of the Chair of the YNYERH Directors of Development Group which sought  
agreement, in principle, to a proposal whereby Councils would provide a National Non  
Domestic Rate holiday for new rural mobile infrastructure where no mobile service was

currently available. This was an attempt to encourage the expansion of mobile coverage in rural areas.

It was noted that each District Council and the City of York Council would need to make its own decision regarding the proposal set out in the report.

The Leaders of various District Councils expressed support for the proposal, although requested further detail to identify the areas described as "rural". The Leader of the City of York Council commented that, whilst he would support other Councils if they wished to approve the proposal, the City of York Council was likely to have other priorities which it would prefer to fund.

**Resolved -**

(a) That the proposal to grant a seven year holiday in National Non Domestic Rates for all new rural mobile infrastructure, to a maximum of £6,000 per mast per annum across York and North Yorkshire, be agreed in principle, subject to:-

(i) the new infrastructure shall serve a rural area where there is currently no mobile phone service; and

(ii) the infrastructure is occupied for a minimum of seven years.

(b) That the Chair of the YNYERH Directors of Development Group forward to each of the seven District Councils in North Yorkshire and the City of York Council a map of that Council's area which shows where there is currently zero mobile phone coverage so that that further detail can be taken into account by that Council when it considers the proposal in respect of its area.





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**Report Reference Number: E/18/42**

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**To: Executive**  
**Date: 6 February 2019**  
**Status: Key Decision**  
**Ward(s) Affected: All**  
**Author: Karen Iveson, Chief Finance Officer**  
**Lead Executive Councillor Cliff Lunn, Lead Executive**  
**Member: Member for Finance and Resources**  
**Lead Officer: Karen Iveson, Chief Finance Officer**

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**Title:** Proposed Revenue Budget and Capital Programme 2019/20 and Medium Term Financial Plan

**Summary:** Subject to consultation which runs to 3 February 2019, this report presents the proposed revenue budget; capital programmes and latest forecast for the Programme for Growth for 2019/20 to 2021/22. The 2019/20 budgets show a forecasted balanced budget after taking into account planned savings and reserve drawdowns.

A Band D Council Tax increase of £3 is proposed for 2019/20 - £2 less than the approved MTFS.

General Fund efficiency savings and income generation plans totalling £1.972m p.a. by 2021/22 are included in the budget proposals with a further circa £65k required from 2020/21 and a residual £300k required beyond 2021/22. HRA savings of £214k are also planned.

In 2019/20 it is proposed that £3.3m is transferred to the Business Rates Equalisation Reserve to provide future revenue support in line with the previously approved MTFS policy. In 2020/21 £745k will be drawn down from this reserve and a further £294k will be required in 2021/22. The on-going use of reserves to support the revenue budget in this way is not a long term sustainable solution and therefore achievement of efficiency savings and additional income generation remain crucial as plans for Business Rates and Council Tax growth are brought to fruition.

The draft budget also includes Capital Programme proposals for the General Fund and HRA which, (with the exception of housing development loans and programmes which are funded through borrowing) are funded from reserves and external funding.

Subject to the outcome of the 2019 Spending Review, Fairer Funding Review and wider economic risks, plans are in place to deliver a sustainable budget going forward, although this is reliant on focussed action to deliver the savings required

## **Recommendations:**

**It is recommended that the draft budgets, bids, savings and Council tax increase for 2019/20 be submitted to full Council for consideration and approval.**

**Reasons for recommendation:** To enable the views of the public and Policy Review Committee members to gathered through consultation.

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

- 1.1 The Council approved its Medium Term Financial Strategy (MTFS) on 18 September 2018. The MTFS covers both General Fund activities and the Housing Revenue Account, 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 in more detail by the Housing Business Plan (HBP). The current HBP was approved by Council on 24 February 2015 – a refresh is currently in progress which will align with the overarching financial framework set out in the MTFS.
- 1.3 The MTFS takes account of the Government's offer of a multi-year finance settlement for Local Government which showed core General Fund funding reducing by £1m from £2.4m in 2016/17 to £2.0m in 2019/20 and a further reduction of around £500k in New Homes Bonus. The MTFS recognises on-going reductions to Government funding (Revenue Support Grant and New Homes Bonus) along with risk and uncertainty surrounding the fair funding review and the business rates retention system reset from 2020/21 as the key issues for the Council's finances.
- 1.4 The MTFS highlights the wider economic risks associated with the UK's exit from the European Union although realistic quantification of those risks is not possible at this stage.
- 1.5 The MTFS also confirms the Council's strategic approach to securing financial sustainability by 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.
- 1.6 From the HRA perspective the MTFS includes a 1% reduction in housing rents – 2019/20 is the final year of the Government's 4 year plan to reduce social housing rents by 1% year on year.
- 1.7 The MTFS also confirms the Council's reserves strategy - fundamentally avoiding the use of balances to support the on-going revenue budget which is not sustainable in the long term. 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.

- 1.8 The draft budget proposals are currently under consultation, which closes on 3 February 2019 – an extract of the minutes from Policy Review Committee on 22 January is attached at Appendix G. The Executive will be updated verbally with any issues raised through the public consultation.

## 2. The Report

- 2.1 The draft revenue budgets for the 3 years from 2019/20 to 2021/22 are presented at **Appendix A**, the proposed capital programmes are shown at **Appendix D** and the current Programme for Growth is at **Appendix E**.

### General Fund Revenue Budget

- 2.2 The draft budget includes provision for inflation where considered necessary and provision for the agreed pay award plus provision for the subsequent 2 years – a 5% vacancy factor has also been included to help mitigate the rising pay bill and manage other cost pressures within the budget. Committed growth, (for example the reduction in recycling credits and demand led pressures within our street scene contract) is also included where necessary along with some relatively minor proposals for discretionary growth. **Appendix C** identifies revenue and capital proposals for approval.
- 2.3 The draft budget includes an assumed £7.98m from renewable energy business rates in 2019/20 although it is understood that Drax Power Station is subject to a revaluation. In accordance with the MTFS after allowing for the revenue budget requirements these receipts will be transferred to the Business Rates Equalisation Reserve and the Special Projects Reserve. In accordance with the approved MTFS, the allocation of such receipts will be subject to confirmation as part of the next MTFS refresh and budget for 2020/21.

### Local Government Finance Settlement

- 2.4 The provisional settlement was announced on 13 December and at the time of writing this report the final settlement announcement is awaited. Key changes included in the provisional settlement from the MTFS assumptions are:
- New Homes Bonus – an additional £340k for 2019/20;
  - Business Rates Baseline funding increased to £2.427m (safety net level) to reflect the 75% pilot in 2019/20 and the rolling-in of Rural Services Delivery Grant;
  - Rural Services Delivery Grant maintained at 2018/19 level (subject to safety net);
  - Additional £37k share of levy surplus

In accordance with the approved MTFS any additional resources arising from the final settlement are, subject to Council approval as part of the budget setting, to be transferred to Reserves for future allocation. Beyond 2019/20 the funding system is subject to review and for 2020/21 onwards current baselines (plus inflation) are assumed. In 2019/20 the revenue budget requirement for Business Rates includes £128k to bring in-year Business Rates Income up to Baseline.



## Council Tax

- 2.5 The approved MTFs assumes a Council Tax increase of £5 for a Band D property for 2019/20. A £5 increase would take the Council average Band D charge from £175.22 to £180.22 – a rise of under 10p per week. This assumption is slightly below that used by the Government in their local government funding assessment, which assumes a maximum of 3%. However given the on-going challenges for residents the Executive propose to increase the Band D charge by £3 for 2019/20 – to £178.22 – a rise of under 6p per week.
- 2.6 The tax base for Council Tax setting purposes has been calculated at 31,395.19 - a 1.81% increase on 2018/19. The MTFs assumed a 1% increase, so this additional growth will generate a further £45k towards the cost of Council services in 2019/20. In total therefore, the Council Tax yield is estimated at £5.595m for 2019/20.
- 2.7 Taking the Council's overall service requirements and funding assumptions together, the estimated position for 2019/20 is summarised overleaf with more detail at **Appendix A:**

<b>General Fund</b>	<b>2019/20 £000's</b>
Net Budget before contribution to/(from) Reserves	12,119
Contributions to Reserves	9,606
Contributions from Reserves	(2,545)
<b>Net Draft Revenue Budget (including reserve transfers)</b>	<b>19,180</b>
RSG(per multi-year finance settlement)	0
Business Rates Baseline (safety net) - provisional settlement	(2,427)
New Homes Bonus	(1,955)
Special & Specific Grants (still t.b.c.)	(105)
Renewable Business Rates Income	(7,980)
Council Tax	(5,595)
Collection Fund Deficit – Council Tax	23
<b>Total Funding</b>	<b>(18,039)</b>
<b>Planned savings</b>	<b>(1,141)</b>
<b>Net Budget (Surplus)/Deficit</b>	<b>(0)</b>

- 2.8 Subject to the assumptions and risks within the budget, the estimated savings required for 2019/20 are therefore £1.1m, with a further £531k for 2020/21, £367k for 2021/22 and a residual circa £300k beyond 2021/22 (see **Appendix A**).

## Housing Revenue Account

- 2.9 The HRA budgets have been prepared using assumptions on rent changes based on the Government's formula. In 2019/20 the 1% reduction (part of the Government's 4

year plan) has been applied.

- 2.10 The estimated position on the HRA for 2019/20 is shown below, which is around £67k short of the position estimated when the forecasts were updated in February 2018. The HRA savings plan is on track to overachieve but opportunities for further efficiency will continue to be sought in order to maximise the resources available for investment in the service.

HRA	2019/20 £000's
<b>Total Net Budget</b>	<b>8,835</b>
Less Dwelling Rents	(11,840)
Less Savings	(214)
<b>Net Surplus available for Major Repairs</b>	<b>(3,219)</b>

- 2.11 Before consideration of the Housing Investment Programme requirements, a surplus position is anticipated for 2019/20. HRA surpluses are used to fund the HRA investment programme, which are smoothed annually through transfers to and from the Major Repairs Reserve. Investment proposals for 2019/20 total £4.369m (£2.725m previously approved and £1.644m new bids) which, if approved, will require a £1.151m drawdown from the Major Repairs Reserve. **Appendix F** shows the forecast on this reserve assuming all bids are approved.
- 2.12 Looking ahead the refreshed HRA Business Plan will set out the long term requirements for the Housing Revenue Account whilst balancing savings and investments within the context of a sustainable HRA.

#### Savings

- 2.13 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.
- 2.14 The Council has made good progress against its targets to date, but inevitably it is increasingly challenging to achieve further savings from a reducing cost base. However, the focus on delivering planned efficiency savings must be maintained, given their importance in achieving the Council's financial (and wider) objectives and to avoid the use of balances to support on-going spending which is unsustainable in the longer term. 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 investment in economic and housing growth to drive growth in Council Tax and Business Rates and through charging for services and trading externally;
  - **Commissioning** from and with partners to achieve shared efficiencies and reduce the demand for public sector services.

- 2.15 Taking the proposals for Council Tax, growth, and reserve transfers and assumptions on Formula Grant, the draft budget includes savings proposals of £1.1m for 2019/20 rising to £1.6m for 2020/21 and to £2m by 2021/22, with a further £65k still to be identified by 2020/21 and a further £300k to be identified beyond 2021/22. The plan will continue to be monitored closely and opportunities for further savings will be considered as part of the next refresh of the MTFs. Progress against the latest savings plan is presented at **Appendix C**.

<b>GF Savings Summary</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>	<b>Beyond 2021/22 £00's</b>
Low risk/completed	580	500	500	500
Medium risk/in progress	459	747	797	797
High risk/not started	102	360	675	675
To be identified		65	67	367
<b>Cumulative Savings</b>	<b>1,141</b>	<b>1,672</b>	<b>2,039</b>	<b>2,339</b>
<b>Annual Savings</b>	<b>1,141</b>	<b>531</b>	<b>367</b>	<b>300</b>

<b>HRA Savings Summary (Cumulative)</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>	<b>Beyond 2021/22 £000's</b>
Low risk/completed	12	12	12	12
Medium risk/in progress	194	194	194	194
High risk/not started	8	8	8	8
<b>Cumulative Savings</b>	<b>214</b>	<b>214</b>	<b>214</b>	<b>214</b>
<b>Annual Savings</b>	<b>214</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 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 B** and the draft capital programme is attached at **Appendix D**.
- 2.17 Much of the programme is of a relatively routine nature and accordingly, subject to Council approval, officers will be given authority to progress schemes in 2019/20 based on the information contained within Appendices B and D. There are however, projects for which Detailed Business Cases will be required for Executive consideration before actual work commences. These are:

- Industrial Units improvement programme
- Selby and District Housing Trust loans

For these 'non-routine' schemes, detailed business cases will be brought to the Executive for approval in due course.

- 2.18 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. Housing development loans are mainly funded through



borrowing. The following table presents a summary of the proposed programme:

<b>Programme</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>
Asset Management works	494	126	50
Grants & Loans	377	377	347
ICT Replacement	321	149	150
Housing Development Loans	7,694	0	0
<b>Total Programme</b>	<b>8,886</b>	<b>652</b>	<b>547</b>
Capital Receipts	30	30	0
Grants	347	347	347
Reserves	815	275	200
S106 Commuted Sums	220	0	0
Borrowing	7,474	0	0
<b>Total Funding</b>	<b>8,886</b>	<b>652</b>	<b>547</b>

- 2.19 Projects include enhancement of existing assets such as the car parks, the Civic Centre and industrial units, Disabled Facilities Grants, Selby and District Housing Trust development loans, and ICT projects. The latter cover a range of replacement and new systems, hardware and infrastructure – funding for ICT projects is covered by the ICT Replacement Reserve.

#### Housing Investment Programme

- 2.20 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 B** and the updated HIP is at **Appendix D**. The following is a summary of the draft programme:

<b>Programme</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>
Decent Homes Programme	3,681	2,893	2,843
Community Centre Refurb	30		
Sheltered Homes Adaptations	165	150	
Empty Homes Programme	700	700	
Estate Enhancements	100		
St Wilfred's Court Refurb	100		
Footpath Repairs	173	173	173
Pumping Station Replacement	120	120	120
New Build Programme	2,280		
<b>Total Programme</b>	<b>7,349</b>	<b>4,036</b>	<b>3,136</b>

<b>Funding</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>
Major Repairs Reserve	4,369	3,336	3,136
Capital Receipts	340	280	
HCA Grant	210	210	
S.106 Commuted Sums	530	210	
Borrowing	1,900		
<b>Total Funding</b>	<b>7,349</b>	<b>4,036</b>	<b>3,136</b>

2.21 As with the General Fund, much of the HRA programme is of a relatively routine nature and again, subject to Council approval, officers will be given authority to progress schemes in 2019/20 based on the information contained within Appendices B and D. Projects for which Detailed Business Cases will be required for Executive consideration before actual work commences are:

- HRA new build programme

For these 'non-routine' schemes, detailed business cases will be brought to the Executive for approval in due course.

#### Programme for Growth

- 2.22 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 was approved as part of the 2018/19 budget and in-year progress reports have been presented to both Executive and the Overview and Scrutiny Committee (both separately and as part of the quarterly finance updates).
- 2.23 Following a Corporate Peer Challenge in November 2017, the Programme was reviewed and refocussed. Prioritisation of resources is crucial to ensure delivery of the intended outcomes within the budget available.
- 2.24 The approved budget totals £10.9m and has been committed to funding the new Economic Development and Regeneration Service and other internal capacity across the Council required to deliver the growth ambitions set out in the Corporate Plan (including the Economic Development Framework and Action Plan and the Programme for Growth).
- 2.25 The programme is funded by New Homes Bonus (to date up to £880k p.a.), and business rates receipts from renewable energy facilities.
- 2.26 Following Executive approval (at their meeting on 10 January 2019) to reprioritise available resources to sustain internal capacity, the Programme budget is summarised overleaf:

<b>Special Projects/Programme for Growth</b>	<b>Programme Budget £000's</b>
Staffing Resources	3,643
Project Delivery	7,119
Unallocated	172
<b>Total Programme</b>	<b>10,934</b>

2.27 **Appendix E** sets out the current programme.

### Reserves

2.28 The Council has a robust reserves strategy which is reviewed annually as part of the refresh of the MTFs. A forecast of reserve balances based on the MTFs assumptions and draft budget, is set out at **Appendix F**. As at 31 March 2019 reserves are forecast at:

<b>Reserves</b>	<b>31 March 2019 £000's</b>
<b>General Fund</b>	
Commitments	4,259
Growth and improvement	4,851
Risk	5,776
<b>Total General Fund Reserves</b>	<b>14,886</b>
<b>HRA</b>	
Balances	2,267
Major Repairs	3,478
<b>Total HRA Reserves</b>	<b>5,745</b>
<b>Capital receipts (from asset sales)</b>	<b>4,468</b>

2.29 Reserves to fund commitments are replenished by regular revenue contributions to ensure they remain sustainable.

2.30 Reserves for growth and improvement include £700k for the Programme for Growth (from New Homes Bonus and the Business Rates windfall and subject to spend profile) and £3.6m in S106 affordable housing commuted sums, which must be spent on affordable homes. Reserves to manage risk include £3.6m from Business Rates to support the revenue budget (per MTFs) and £1.5m General Working Balance.

2.31 The HRA reserves are General Balances and the Major Repairs Reserve (MRR) which are ring-fenced for the HRA. The HRA capital programme will require £4.4m from the MRR in 2019/20.

2.32 These earmarked reserves provide the financial capacity to fund the capital

programmes and other irregular expenditure. Including the proposals within this draft budget it is estimated that in total £8.3m will be required from reserves to fund on-going projects and new proposals.

- 2.33 Contributions to reserves (including capital receipts) of £16.1m are forecast for the year which includes resources set aside to support future revenue budgets and subject to savings delivery, future investments.

### **3. Alternative Options Considered**

- 3.1 The MTFS sets out scenarios and options for key assumptions and the options considered for Council Tax are set out in paragraph 2.5.

### **4. Implications**

#### **4.1 Legal Implications**

- 4.1.1 None as a result of this report.

#### **4.2 Financial Implications**

- 4.2.1 As set out in the report.

#### **4.3 Policy and Risk Implications**

- 4.3.1 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 as Brexit approaches, 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 and income generation (across key services such as planning, car parking and leisure) along with savings, and inflationary and demand led cost pressures – in services such as waste and recycling.
- 4.3.2 The Council's contingency budgets, earmarked reserves and general balances provide a buffer for these risks and are crucial to ensure sustained financial resilience and viability.

#### **4.4 Corporate Plan Implications**

- 4.4.1 The draft budget proposals are in accordance with the Medium Term Financial Strategy approved by Council in September and support delivery of the Council corporate objectives and priorities.

#### **4.5 Resource Implications**

- 4.5.1 The draft budget proposals include provision for the resources necessary to deliver the Council's objectives.

#### **4.6 Other Implications - None.**

#### **4.7 Equalities Impact Assessment**

4.7.1 There are no particular equality implications arising from the proposals set out in the report.

#### **5. Conclusion**

5.1 The draft General Fund Net Revenue Budget for 2019/20 totals £19.179m (£18,039 after planned savings of £1.141m). It assumes a Council Tax rise of £3 for a Band D property and after the application of Central Government funding, transfers to reserves, and savings is a 'balanced budget'. Savings of £214k are forecast for the HRA.

5.2 Plans are in place to deliver a range of General Fund and HRA savings through a combination of efficiency and income generation but more will be required over the medium term. The pace of savings is such that reserves will be required to support the revenue budget in the shorter term. The MTFs provides resources in the Business Rates Equalisation Reserve for this support – subject to delivery of savings, £1m is planned to be drawn down over the 2 years 2020/21 and 2021/22.

5.3 Progress is being made against the proposals identified within the approved plan but with risk to the Council's core funding further opportunities for efficiency will continue to be sought.

5.4 The budget also provides for a capital programme to meet General Fund and HRA needs and includes the remaining resources to support the Programme of Growth – the Council's strategic programme which aims to deliver its Corporate Plan priorities, generating economic growth and sustainable income for the Council as core government funding reduces.

#### **6. Background Documents**

**None**

#### **7. Appendices**

A – Revenue estimates

B – Growth bids

C – Savings

D – GF Capital programme and Housing Investment Programme

E – Programme for Growth

F – Reserves

G- Extract from Policy Review Minutes 22/01/2019

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## GENERAL FUND SUMMARY 2019/20 - 2021/22

	2019/20 Original £	2020/21 Original £	2021/22 Original £	Comments
Leadership & Extended Leadership Team	1,000,750	1,019,970	1,039,470	Management Team
Operational Services	3,928,200	3,957,720	3,927,800	Environmental Health, Property Management, Benefits & Taxation, Contact Centre, Strategic Housing
Business Development & Improvement	1,552,060	1,427,920	1,430,670	ICT, Data & Systems, HR, Marketing & Transformation
Commissioning, Contracts & Procurement	4,097,060	4,247,970	4,403,930	Waste & Recycling Contracts, Grounds Maintenance & Leisure
Community, Partnerships & Customers	260,020	124,970	66,180	Includes miscellaneous grants & P4G Schemes
Economic Development & Regeneration	434,440	235,370	76,460	Includes P4G funded posts in Economic Development & Regeneration
Planning	416,530	414,750	117,540	Development Management & Planning Policy (Local Plan)
Finance Services	2,204,220	2,279,690	2,355,870	Finance, Audit & Internal Drainage Boards
Legal & Democratic	916,880	784,090	785,680	Legal, Licensing & Dem. Services - 19/20 includes District Election
Additional Vacancy Factor	(211,620)	(212,760)	(216,420)	Vacancy factor increased from 2% to 5%
<b>Service Budgets</b>	<b>14,598,540</b>	<b>14,279,690</b>	<b>13,987,180</b>	
CEC Charged to HRA	(2,635,470)	(2,688,179)	(2,741,943)	
Recharge to HRA for Capital Programme Delivery	(139,730)	(142,525)	(145,375)	
<b>Net Service Budget</b>	<b>11,823,340</b>	<b>11,448,986</b>	<b>11,099,862</b>	<b>Reducing mainly due to P4G contracts ending</b>
Investment Income	(300,000)	(300,000)	(300,000)	Savings plan includes proposal to increase cap to £350k
External Interest	75,200	75,200	75,200	
Parish CTS Grant	0	0	0	
Capital A/c Adjustment MRP Charge	193,040	193,040	193,040	
Capital A/c Adjustment RAS loans	(30,000)	(30,000)	0	
Capital A/c Adjustment Capital Chgs	(769,850)	(769,850)	(769,850)	
<b>Previously Approved Growth bids/Projects:</b>				
Asset Management Bids	319,002	75,998	825	
Repair Assistance Loans	30,000	30,000	0	
ICT Bids	245,000	149,000	15,000	
<b>New Bids - Revenue</b>				
Civicapay implementation	625	625	625	
Microphone system	0	6,000	6,000	
Implementation of My View	3,500	3,500	3,500	
Repair Diagnostic Tool	1,075	1,075	1,075	
Industrial Unit Improvement Programme	(20,000)	(20,000)		
Closed burial grounds maintenance budget	18,000	18,000	18,000	
Selby Town Abbey 950 addt maintenance programme	18,500			
<b>New Bids - Capital</b>				
Transforming Customer Services	110,000			
Civicapay implementation	36,100			
Microphone system	40,000			
Computer refresh (rolling programme)			49,500	
Microsoft licencing			85,000	
Industrial unit improvement programme	50,000	50,000	50,000	This is a 3 year fixed term bid - the specific programme of works is still to be defined.
South Milford retaining wall works	15,000			
Contingencies	260,000	260,000	260,000	Savings plan includes proposal to reduce base budget to £100k p.a. for the Operational Contingency with a further £150k Commissioning Contingency to be funded from the Contingency Reserve - reviewed annually and subject to sufficient in reserve.
<b>Net Budget before contribution to/(from) Reserves*</b>	<b>12,118,532</b>	<b>11,191,574</b>	<b>10,787,777</b>	
<b>Contribution To Reserves</b>				
Asset Management	200,000	200,000	200,000	
ICT	141,000	141,000	141,000	
PFI	295,156	302,759	309,672	
Pension Equalisation Reserve	100,000	100,000	100,000	Savings plan includes proposal to cease these contributions
District Election	34,000	34,000	38,000	
Special Projects/(Programme for Growth)	5,465,664	-	-	
Local Plan	50,000	50,000	50,000	
Business Rates Equalisation	3,320,595			Resources available after budget support requirements
<b>Contribution From Reserves</b>				
Asset Management	(497,002)	(128,998)	(53,825)	
ICT	(321,100)	(149,000)	(149,500)	
PFI	(426,788)	(435,323)	(444,030)	
District Election	(136,000)	-	-	
Local Plan	(97,500)	(167,500)	-	
Special Projects / Programme for Growth	(1,066,745)	(594,820)	(299,820)	Reducing in line with service budget P4G spend
Business Rates Equalisation	-	(745,349)	(293,504)	Drawdown required to support the revenue budget - subject to savings delivery
<b>NET REVENUE BUDGET</b>	<b>19,179,812</b>	<b>9,798,343</b>	<b>10,385,770</b>	
Grant RSG	-	-	-	RSG no longer included in finance settlement from 2019/20
NNDR	- 2,426,683	- 2,363,000	- 2,410,000	Per Provisional Settlement allowing for N&WY 75% BRR Pilot - 19/20 safety net. 20/21 and 21/22 at pre-pool baseline
New Homes Bonus	- 1,954,761	-	-	Per Provisional Settlement
Special and Specific Grants*	(105,117)	-	-	Levy Surplus per Provisional Settlement and estimate for Council Tax Support
Business Rates Collection Fund Deficit/(Surplus)	(7,980,000)	-	-	Per MTFS
Council Tax to be Levied	- 5,595,251	- 5,763,662	- 5,937,143	Assuming £3 increase in Band D charge in 19/20 and 1.81% tax base growth
Council Tax Collection Fund Deficit/(Surplus)	23,000	-	-	
<b>Shortfall / (surplus)</b>	<b>1,141,000</b>	<b>1,671,680</b>	<b>2,038,627</b>	
<b>Savings Plan</b>	<b>- 1,141,000</b>	<b>- 1,607,000</b>	<b>- 1,972,000</b>	<b>See Appendix C for detail</b>
<b>Shortfall/(Surplus) after savings</b>	<b>(0)</b>	<b>64,680</b>	<b>66,627</b>	
<b>Tax Base</b>	<b>31,395.19</b>	<b>31,709.14</b>	<b>32,026.23</b>	
<b>Band C Tax</b>	<b>178.22</b>	<b>181.77</b>	<b>185.38</b>	

## HOUSING REVENUE ACCOUNT SUMMARY 2019/20 to 2021/22

	2019/20 Original £	2020/21 Original £	2021/22 Original £	Comments
Operational Services	3,008,700	3,014,950	3,042,430	All salary costs removed (except Cleaners), only inflation increases reflected.
Commissioning, Contracts & Procurement	108,720	112,070	115,530	Increase in grounds maintenance contract
New Revenue Bids -Not yet approved	10,000	12,500	20,000	New revenue bid- Fire Risk Assessment & Asbestos removal
<b>Service Budgets</b>	<b>3,127,420</b>	<b>3,139,520</b>	<b>3,177,960</b>	
CEC Recharges from GF	2,775,200	2,830,704	2,887,318	Reflects charges for salaries and overheads attributable to the HRA
<b>Net Service Budget</b>	<b>5,902,620</b>	<b>5,970,224</b>	<b>6,065,278</b>	
Capital A/c Adjustment Capital Chgs	(1,296,640)	(1,296,640)	(1,296,640)	Reversal of Depreciation Charges
Contingency	75,000	75,000	75,000	To support housing development costs / properties held for redevelopment
Debt Management Expenses	6,000	6,000	6,000	Support TM costs, part of NYCC contract
Investment Income	(135,000)	(135,000)	(135,000)	Based on MTFS assumptions
HRA Debt - Payment of Interest	2,712,860	2,379,060	2,331,230	Assumes borrowing up to debt cap at current PWLB Maturity rate.
Provision for Bad & Doubtful Debts	260,480	267,150	273,940	Assume increase in provision for tenants on benefits as a impact of Universal Credit
<b>Net Budget before contribution to/(from) Reserves</b>	<b>7,525,320</b>	<b>7,265,794</b>	<b>7,319,808</b>	
<b>Contribution To Reserves</b>				
Comp Development Cont	50,000	50,000	50,000	Contribution to ICT Reserve
HRA Debt - Voluntary MRP	1,260,000	1,260,000	1,260,000	Provision to repay self financing debt
<b>NET HRA REVENUE BUDGET</b>	<b>8,835,320</b>	<b>8,575,794</b>	<b>8,629,808</b>	
Dwelling Rents	(11,840,000)	(12,143,000)	(12,452,000)	1% Rent reduction for 4 years, 19/20 being the last - CPI + 1% Assumed going forward
<b>Shortfall / (surplus)</b>	<b>(3,004,680)</b>	<b>(3,567,206)</b>	<b>(3,822,192)</b>	To fund the HRA investment programme
<b>Planned Savings</b>	<b>(214,000)</b>	<b>(214,000)</b>	<b>(214,000)</b>	HRA Savings Target
<b>Net Surplus available for Major Repairs</b>	<b>(3,218,680)</b>	<b>(3,781,206)</b>	<b>(4,036,192)</b>	Transfer to / (from) MRR to meet demands of capital programme and new build



GENERAL FUND NEW BIDS 2019/20 - 21/22

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term	Funded From
		19/20	20/21	21/22	19/20	20/21	21/22			
<p><b>Transforming Customer Services</b> - To make the necessary alterations to the Civic Centre reception area to ensure it is fit for purpose for face to face contact with the customer</p>	Councils budget proposals and MTFS include a savings target to be achieved through relocating the CCC				110,000	0	0	Moving the CCC is a stand-a-lone project but it is inextricably linked with the Council's ambition to channel shift providing access to services 24/7 online, but it will also ensure customers are our focus removing the disconnect between the current Market Cross location and the civic centre. CCC staff will be able to more easily discuss customer issues with service areas and service areas will reconnect with their customers increasing the accountability of each business area to manage customer experience. Negotiations with Dransfield (the Landlord) have commenced to seek an alternative tenant for the property from July 2019. (the earliest date a move could take place) Based on indicative costing provided and based on exiting the lease, Payback on the capital investment required to alter the Civic Centre reception could be achieved within 2 years. <b>The full year saving on this will be £220k per annum from 20/21 which will contribute to the asset rationalisation and transformation savings identified within the savings plan</b>	One off	Asset Mgmt
<b>Net Cost of Bid</b>		0	0	0	110,000	0	0			
<p><b>Implementation of CivicaPay</b> -Initial software licence</p>	<p>ICT Strategy 2018-2020 sets a programme for delivery of a digital workforce Success would be demonstrated by the increase number of services available to customers to complete transactions online and the measured 'take up' of customer transactions.</p>				11,100			- The ability to take payment online (epayments) is a central strand of the Council's Digital Strategy. It is cheaper for the Council and often more convenient for the customer - who now expect to be able to transact with service providers 24/7 - SDC currently use Northgate Paris Software to process epayments, currently running at almost 4000 transactions per month. the 2 main drivers for using an alternative provider are	One off	ICT
-Conversion of existing PARIS solution to CivicaPay					25,000			- 1 - Paris is not compliant with PCI-DSS regulations. There are considerable fines associated with non-compliance following data compromise (from ten to hundreds of thousands of pounds).	One off	ICT
-50,000 transactions p/a		3,500	3,500	3,500				- 2 Paris has been bought by Civica and is being phased out. it is expected to become unsupported within 18 months.	Perm	Revenue
-Hosting		6,000	6,000	6,000				- The proposal is to move from Paris to Civica's own epayments software - Civica Pay	Perm	Revenue
-Maintenance and Support		6,685	6,685	6,685				- CivicaPay is used in over 150 local authority sites, serving over 15m UK citizens, processing 16m payments annually, a service with 99.99% availability. By implementing the hosted e-payments and income management solution this will help SDC deliver greater automation, efficiency gains and cost savings whilst at the same time providing service improvements to the customer working towards the Digital Transformation agenda. Civica Pay is fully PCI DSS and PA DSS compliant.	Perm	Revenue
-Savings		-15,560	-15,560	-15,560				- Whist Civica initially proposed to move current Paris customers to Civica Pay for no additional costs, it has become apparent that this is not the case. However, the costs are significantly better than procuring new software from scratch - several years ago SDC were quoted c. £80k for Civica Pay.	Perm	Revenue
<b>Net Cost of Bid</b>		625	625	625	36,100	0	0			
<p>Page 9 Selby Town additional maintenance programme</p>	The work supports the corporate and economic development priority to help the district's market towns reach their potential and supports delivery of two time restricted P4G initiatives - Selby 950 and potentially the Tour de Yorkshire in 2019.	18,500						Review and where needed paint railings in Selby Abbey grounds Review and where needed paint or replace 16 x benches in Micklegate, Church Hill, Portholme Road field, James Street Replace 5 x litter bins on the Market Place	One off	P4G
<b>Net Cost of Bid</b>		18,500	0	0	0	0	0			
Replacing microphone system in the Council Chamber	Working with others and co-developing the way in which services are delivered		6,000	6,000			40,000	The current microphone system is very out dated and has now become not cost effective to repair the faults that occur due to the excessive costs of repair. This is further compounded by the fact that there is no maintenance contract. There are now only 37 working microphones which does not even equal the number of Members on the Council which is 31. If any more microphones stop working, it would have a major impact on Council meetings with particular concern over public involvement and the ability to understand the business which goes on in meetings. This presents a great risk on the Council's reputation with the public and with Members. A more robust and modern system is required that can also able the feature of electronic voting. This feature now comes as standard in many modern systems and is a feature at many other authorities. A new system also gives the Council an opportunity to explore other functionality such as audio recording of meetings which can assist the decision making process.	Perm	Revenue
								- Currently, estimated process have been sought from companies and if the bid is approved, a more detailed specification will be compiled.	One off	ICT
								- This bid meets the Council's priorities by working with others and co-delivering the way in which services are delivered. This work will help to continually improve value for money in the business.		
<b>Net Cost of Bid</b>		0	6,000	6,000	40,000	0	0			

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term	Funded From							
		19/20	20/21	21/22	19/20	20/21	21/22										
Implementation of MyView	- Empowering and involving people in decisions about their area and their services - Facilitating people to access and use alternative service delivery channels - By devolving the right amount of responsibility, to the right people, at the right time. - Use Self Service to heighten employees' engagement with HR and communication throughout the council	5,000	5,000	5,000				- 'Digital workforce' is one of the three key priorities of the Digital Strategy agreed by Executive in July. - MyView (or similar) would provide employees with self service functionality to process common HR transactions - such as the approval of leave, absence management and management of the expenses claim process. Hundreds of such transactions take place every month and currently these are all processes that are paper based and undertaken manually. - Automating these transactions would increase efficiency and help create the technology enabled culture that we seek for employees - which would help with our aim of also encouraging customers to take up digitally enabled services. - MyView is currently used by NYCC and it is expected that - whilst an exercise would be undertaken to assess the full VFM of MyView - NYCC would provide SDC with access to MyView under the Better Together collaboration. - Not only would it be expected that both parties would benefit from economies of scale and pace of implementation but the adoption of MyView by SDC would also help streamline the payroll process as SDC staff would essentially connect directly to NYCC HR system. NYCC have already indicated that this would significantly reduce our payroll costs based on the current provision and their may be scope for further savings, e.g. via use of electronic payslips. Until this is confirmed the bid reflects the worst case. - Links directly to the corporate priority of delivering great value - Use of self service to heighten employees engagement with HR and communication throughout the Council - The impact on other service areas are that HR would be affected as they will have completed a full reworking of their service delivery model based on the implementation of MyView - the lack of revenue to support this would not realise the return on investment for the project. - Not implementing HR self service will limit the scope for increased efficiency and prevent SDC from realising savings on the provision of payroll services from NYCC.	Perm	Revenue							
	Savings on the current maintenance costs	-1,500	-1,500	-1,500					Perm	Revenue							
	Initial Licensing & Implementation								One off	ICT							
<b>Net Cost of Bid</b>		<b>3,500</b>	<b>3,500</b>	<b>3,500</b>	<b>0</b>	<b>0</b>	<b>0</b>										
Equipment Refresh	- The Corporate Plan sets out that the Council will 'deliver great value' and modern, secure devices, suitable for officers and councillors to undertake their roles, are crucial to use systems effectively and ensuring services are efficient, delivering value for money. - The ICT Strategy 2018-2020, sets a programme for delivery of a digital workforce and this bid ensures the benefits continue to be realised in the future.						49,500	- The ICT Business Case for the shared service with NYCC identified that in order for them to be able to maintain the estate we would need to refresh our ICT equipment. A bid was placed and is secured for the update of our equipment for 18/19, 19/20, 20/21. - This bid is to secure funding for an annual refresh for 2021/22. - The funding will be used to update approx. one third of the organisations devices (a mix of tablets, laptops and desktops) which will have been purchased in 2018/19. This will continue to drive the future benefits of the Digital Workforce project by ensuring officers and councillors continue to work from devices suitable to undertake their roles.	Perm	ICT							
<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>49,500</b>										
Replacement of repair diagnostic tool Purchase of customer repair diagnostic tool and surveying tool	Essential to maintain the existing level of service Section Improvement Plan Initiative	6,075	6,075	6,075				An up to date diagnostic tool allows for repairs to link to our schedule of rates and ensures accuracy in diagnosing repairs / costs and the correct resource to carry out the work - resulting in more repairs completed right first time. Two additional options are available: 1. To allow customers to use a version of the diagnostic tool through the tenant portal which would increase options for self serve and save time for the back office team in diagnosing repairs 2. Provision of a surveying tool for trades teams to complete asset surveys electronically and allow updates to transfer automatically to the back office system therefore reducing administrative time  The software potentially would reduce reliance upon the contact centre for customers to report repairs as this would enable self service. The software would link directly to the new schedule of rates so that job costing is more accurate and the right trade is applied to the job Applying the right trade first time results in improved customer service Failure to replace the diagnostic software would impact on the time for back office staff to correctly diagnose repairs - this tool simplifies the procedure meaning that non-technical staff can raise works orders. failure to implement the customer facing diagnostics would reduce available functionality through the new tenant portal	one off	ICT							
									Savings on the current maintenance costs	-5,000	-5,000	-5,000				perm	Revenue
																perm	Revenue
<b>Net Cost of Bid</b>		<b>1,075</b>	<b>1,075</b>	<b>1,075</b>	<b>0</b>	<b>0</b>	<b>0</b>										
Industrial unit improvement programme	Making the district a great place to do Business				50,000	50,000	50,000	This is a replacement bid. The stock condition survey completed in 2014/15 vastly underestimated the levels of works required to ensure the units continue to offer a viable option for small businesses. Costs are estimates only. Works required include:  - Internal refurbishment of communal areas (Prospect and Vivars Centre). - Refurbishment of individual unit facilities as they become void to provide an attractive proposition for potential tenants. - Replacement of corroding roof sheeting and failing skylights.	Fixed Term	Asset Mgmt							
	Previous bid in 2018/19 GF21 £25000	-20,000	-20,000						Asset Mgmt								
<b>Net Cost of Bid</b>		<b>-20,000</b>	<b>-20,000</b>	<b>0</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>										
Works to South Milford Retaining Wall					15,000			To undertake significant remedial works required to a retaining wall at South Milford.	One Off	Asset Mgmt							
On-Going Maintenance Programme		18,000	18,000	18,000				Provide an annual investment budget of £1.5k per Closed Burial site to carry out remedial works and repairs.	Perm	Revenue							
<b>Net Cost of Bid</b>		<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>15,000</b>	<b>0</b>	<b>0</b>										
<b>Total Value of new GF Bids</b>		<b>21,700</b>	<b>9,200</b>	<b>29,200</b>	<b>251,100</b>	<b>50,000</b>	<b>99,500</b>										

Funding	19/20	20/21	21/22	19/20	20/21	21/22
ICT Reserve				76,100	0	49,500
Asset Management Reserve				175,000	50,000	50,000
P4G	18,500					
Contingency	0					
Revenue	3,200	9,200	29,200			
<b>Total</b>	<b>21,700</b>	<b>9,200</b>	<b>29,200</b>	<b>251,100</b>	<b>50,000</b>	<b>99,500</b>

## HRA NEW BIDS 2019/20 - 21/22

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term	Funding
		19/20	20/21	21/22	19/20	20/21	21/22			
To procure the services of an appropriately qualified and competent Fire Risk Assessment specialist to complete individual assessments of circa 230 communal areas across SDC stock, providing legislatively compliant assessments and action plans for each property	SDC are required under the Regulatory Reform (Fire Safety) Order 2005 to complete and maintain Fire Risk Assessments for all communal areas located within our properties and to ensure we have a best practice approach to fire safety				75,000			- In the wake of Grenfell we have reviewed our approach to fire risk prevention for our flats and communal areas. - Although NYCC have undertaken fire risk assessments on some of our properties (offices, commercial units, community centres, Ousegate Lodge etc.) through our health and safety contract, it is evident that assessments relating to the communal areas in our domestic stock has not been updated and maintained. - Since it could be argued the Council does not currently comply with the requirements of the Regulatory Reform (Fire Safety) Order 2005, appropriate resource should be secured as soon as possible.	One off	Major Repairs Reserve
Capital improvement works resulting from FRA action plans (estimated as based on findings)					25,000	50,000				
Ongoing revenue budget implications to maintain stock to correct standard once achieved	Compliance with the Regulatory Reform (Fire Safety) Order 2005 is a statutory responsibility, with penalties for non-compliance including unlimited fines and imprisonment.		2,500	10,000				- The bid for capital funding will result in an ongoing maintenance responsibility for the Council in order to maintain the required standards moving forwards. This is difficult to quantify, but is estimated to be circa £10,000 per annum initially. - The Council will also need to ensure at least one member of staff undertakes appropriate training to enable review of the FRA's every 12 months. - Procurement colleagues have identified a fully compliant framework (which SDC can access at no additional cost) for undertaking the assessment part of the programme.	Perm	HRA Revenue
<b>Net Cost of Bid</b>		<b>0</b>	<b>2,500</b>	<b>10,000</b>	<b>100,000</b>	<b>50,000</b>	<b>0</b>			
To undertake a complete assessment of all SDC properties to provide a legislatively compliant record of asbestos containing materials.	Compliance with the Control of Asbestos Regulations 2012 is a statutory responsibility, with penalties for non-compliance including unlimited fines and imprisonment. The programme will deliver a complete assessment of our stock and ensure SDC is able to manage asbestos containing materials within our property portfolio in a legislatively compliant manner.				120,000	120,000	120,000	- The Council has an obligation under legislation to monitor the condition of asbestos containing materials within its property portfolio. - This will necessitate re-inspection of properties on an annual basis by a competent individual. - To ensure the Council complies with the requirements of the Control of Asbestos Regulations 2012, appropriate resource should be secured as soon as possible. - The risk of not undertaking this work is that we may fail in our statutory duty as a landlord, potentially exposing customers, visitors, employees and contractors to the risk of exposure to asbestos fibres.	Perm	Major Repairs Reserve
To provide funding to facilitate removal of asbestos containing materials where their condition or location is considered inappropriate for management in situ.		10,000	10,000	10,000						
<b>Net Cost of Bid</b>		<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>120,000</b>	<b>120,000</b>	<b>120,000</b>			
Door replacement programme.	Effectively maintain the condition of the SDC housing stock				197,600	197,600	197,600	This is a replacement bid based on replacing the doors to 5% of our properties per year. Costs are based on currently procured rates (circa £650/door).	Perm	Major Repairs Reserve
<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-160,000</b>	<b>-160,000</b>	<b>-160,000</b>	<b>Previous Cyclical Repairs bid £160K perm.</b>		
Window Replacement programme	Effectively maintain the condition of the SDC housing stock				453,300	453,300	453,300	This is a replacement bid based on replacing windows to 5% of our properties per year. Costs are based on currently procured rates (circa £2,200/property).	Perm	Major Repairs Reserve
<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-120,000</b>	<b>-120,000</b>	<b>-120,000</b>	<b>Previous bid in 17/18 £130K 18/19 £120K perm.</b>		
Kitchen Replacements	Effectively maintain the condition of the SDC housing stock				180,000	180,000	180,000	This is a replacement bid based on replacing kitchens in 2% of our properties per year. Costs are based on most recently procured rates +2.5% for inflation (circa £3,000/property).	Perm	Major Repairs Reserve
<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-130,000</b>	<b>-130,000</b>	<b>-130,000</b>	<b>Previous bid in 17/18 £140K 18/19 £130K perm.</b>		
Bathroom Replacements	Effectively maintain the condition of the SDC housing stock				134,400	134,400	134,400	This is a replacement bid based on replacing bathrooms in 2% of our properties per year. Cost are based on most recently procured rates +2.5% for inflation (circa £2,152.50/property)	Perm	Major Repairs Reserve
<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-30,000</b>	<b>-30,000</b>	<b>-30,000</b>	<b>Previous bid in 17/18 £30K 18/19 £30K perm.</b>		
CO detection installation system	Effectively maintain the condition of the SDC housing stock				226,600	0	0	Installation of mains powered CO detection (assumes 75% of properties require new installation) to deliver best practice level of detection across property portfolio.	One off	Major Repairs Reserve
<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>226,600</b>	<b>0</b>	<b>0</b>			
CO detection replacement system	Effectively maintain the condition of the SDC housing stock				0	37,800	37,800	Installation of replacement mains powered CO detection (assumes 25% of properties with existing installation require replacement) to deliver best practice level of detection across property portfolio.	One off	Major Repairs Reserve
<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37,800</b>	<b>37,800</b>			
Communal area refurbishment programme					230,000	230,000	230,000	Links to sustainable tenancies. Estimated costs for refurbishing the communal entrances and staircases of our domestic blocks across the district. The programme will tie in with potential works identified through the FRA process. Estimated costs are based on completing 10% of our blocks per annum (circa £10,000/block).	Perm	Major Repairs Reserve
<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>230,000</b>	<b>230,000</b>	<b>230,000</b>			
Footpath Repairs					172,500	172,500	172,500	Refurbishment of Council owned footpaths across the district. Inspections in recent years have identified circa 4,000 metres of path which is in need of replacement. Bid based on replacing circa 1,500m/annum @ approximately £112.20/metre)	Perm	Major Repairs Reserve
<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>172,500</b>	<b>172,500</b>	<b>172,500</b>			
Energy efficiency programme - pilot programme of replacing solid fuel or electric only heating with air source heat pump systems.					150,000	0	0	Links to sustainable tenancies. Estimated costs for pilot programme of switching 12 to 15 properties from solid fuel or electric only heating to energy efficient air source heat pump systems. Programme would look to upgrade other energy efficiency measures at the same time to maximise benefits e.g. doors, windows, cavity wall insulation etc.) Estimated costs circa £10,000/property).	One off	Major Repairs Reserve
<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>150,000</b>	<b>0</b>	<b>0</b>			
Sewage pumping station replacement programme					120,000	120,000	120,000	Many of our sewage pumping stations are reaching the end of their lifecycles and are in need of replacement. The programme is aimed at replacing 2 stations per annum based on estimated costs received from our existing contractor of £60,000 per station. This bid covers SDC funding all works pending a report to assess if we fully fund or recharge private owners connected	Perm	Major Repairs Reserve
<b>Net Cost of Bid</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>120,000</b>	<b>120,000</b>	<b>120,000</b>			
<b>Total Value of new HRA Bids</b>		<b>10,000</b>	<b>12,500</b>	<b>20,000</b>	<b>1,644,400</b>	<b>1,255,600</b>	<b>1,205,600</b>			

Funding	19/20	20/21	21/22	19/20	20/21	21/22
Revenue	10,000	12,500	20,000			
Capital Receipts						
HRA Major Repairs Reserve				1,644,400	1,255,600	1,205,600
	<b>10,000</b>	<b>12,500</b>	<b>20,000</b>	<b>1,644,400</b>	<b>1,255,600</b>	<b>1,205,600</b>

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term	Funding
		19/20	20/21	21/22	19/20	20/21	21/22			



**Savings Plan**

Strategic Category	Lead	General Fund - Potential Saving	2018/19 Forecast £000's	2019/20 Target £000's	2020/21 Target £000's	2021/22 Target £000's	Update/Comments
Growing resources	Leadership Team	Income generation	0	12	120	185	Proposals to be considered for 2019/20 including a 1.5% increase above standard rates of inflation on some existing discretionary income where considered appropriate. Further opportunities to be identified for 2020/21 onwards.
Growing resources	Julie Slatter	Asset rationalisation - Ex Profiles Gym	14	28	28	28	Ex Profiles Gym let to a charity for a term to early 2020 then rolling annually thereafter.
Growing resources	Julie Slatter	Asset rationalisation - Market Cross	0	48.5	97	97	Achieving this saving is dependent upon the contact centre move from Market Cross. This will require redevelopment of the Civic Centre to accommodate and finding a tenant to replace us. This remains under discussion but works are unlikely to be completed in the current financial year and this savings plan assumes the move happening half way through 2019/20. Police co-location is now expected in February 2019, this saving reflects the new rent level following negotiations.
Growing resources	Dave Caulfield	New SDHT Loans	1.3	100	100	100	Loans currently made to the Selby District Housing Trust will generate £18.3k of interest returns in 2018/19. From 19/20 loans include Riccall, Ulleskelf, and Ousegate. The revised and expanded Housing Development Programme agreed by Executive in January 2018 identifies a significant role for the SDHT in delivery which will provide further loan opportunities for SDC. Targets will be updated as new loans are approved.
Growing resources	Dave Caulfield	Commercial property acquisition	0	50	100	250	The current programme for growth has £3.5m earmarked for commercial property acquisition which will generate a direct return on investment. At this level, a return of circa 7% would be required on these acquisitions to achieve the full £250k target. Current market conditions suggest that this level of return is unlikely in the short to medium term. Two former bank buildings have been purchased and plans for their redevelopment are in progress - together these are targeted to achieve £100k of net income per annum. In order to achieve the £250k target it is likely that additional investment funds would be needed but this will be kept under review as the programme moves through delivery. Indicatively with a return of 4%-5%, a further £1.5m - £3m invested would be needed to achieve the £250k return in 20/21. Progress will be monitored as projects are delivered - subject to availability and should it be considered beneficial to increase the funds available for investment, a business case would be brought for consideration.

Strategic Category	Lead	General Fund - Potential Saving	2018/19 Forecast £000's	2019/20 Target £000's	2020/21 Target £000's	2021/22 Target £000's	Update/Comments
Growing resources	Dave Caulfield	Business Rates Growth	0	0	100	200	The Economic Development team will deliver the Council's Economic Development Strategy and proactively foster new inward investment and indigenous business growth. This is however high risk due to uncertainties regarding the BRR system reset from 20/21. This cautious target assumes that the reset brings the Council out of its current safety net position and enables modest year on year growth to be realised. The pipeline of business growth forecast through the Economic Development Framework suggests significant opportunities ahead but the level of funding that will ultimately delivered to the Council is subject to the future Local Government financing system. Post the system reset and next spending review, a clearer forecast of the potential for this income will be established.
Growing resources	Karen Iveson	Property Fund Investment	0	200	200	200	Investment of £5m in 2 property funds at an estimated net return of 4% p.a. - actual returns subject to fund performance. Funds placed at the end of October 2018. 2018/19 returns offset by entry fees.
Growing resources	Karen Iveson	Increase cap on investment income - NEW	0	50	50	50	£300k cap included in MTFS - potential to reassess and increase if outlook for interest rates remains high but reducing balances will counteract so this brings some risk. Balances and expected rates for 2019/20 suggest that this is low risk for that year. Thereafter this will be kept under review and confirmed as cashflow forecasts are updated and interest rates are known.
<b>Total Growing Resources</b>			<b>15.3</b>	<b>488.5</b>	<b>795</b>	<b>1110</b>	
Transforming	Leadership Team	Process improvements /on-line transactions	42.5	200	250	300	Channel shift project on track with PID and funding approved and additional savings identified for delivery in next two years. Quick wins already being delivered in phase 1 with implementation of Revs & Bens online forms - latest information shows half of all new benefit claims being made online. The new housing/asset management system will be fully implemented by early 19/20 with online self-serve functionality for tenants. Potential savings are currently being collated but the savings remain at risk until these are confirmed. Savings expected from changes in DR arrangements, new Licensing System, roll out of tablet devices and modern.gov software for councillors and IDOX environmental health system. Project brief for 'Digital Workforce Project' to support a more flexible and mobile workforce currently being developed. The savings represent approximately 12 FTE most of which should be achievable through natural turnover. Should there be transition costs the Spend to Save Reserve remains available to cover such costs.

Strategic Category	Lead	General Fund - Potential Saving	2018/19 Forecast £000's	2019/20 Target £000's	2020/21 Target £000's	2021/22 Target £000's	Update/Comments
Transforming	Dave Caulfield	Planning service review	60	100	100	100	This saving, which was targeted to achieve £200k by 2018/19, has been reviewed following the Government's increase of planning fees and with it the requirement to reinvest in the service. Some internal efficiencies have been achieved in 2018/19 and further are planned for 2019/20.
Transforming	Dave Caulfield	Planning service review			100	100	This saving is part of the planning service review above - longer term savings require benefits to be realised from the Enterprise system.
<b>Total Transforming</b>			<b>102.5</b>	<b>300</b>	<b>450</b>	<b>500</b>	
Commissioning	Julie Slatter	Environmental contract		40	40	40	The Environmental service contract could deliver savings but this would be dependent on approval for changes to the provision of clinical waste. A report on options will be brought forward for consideration by the Executive.
Commissioning	Julie Slatter	Procurement partnership		12	12	12	Selby is exiting the North Yorkshire Procurement Partnership from April 2019, which will achieve £12k saving in the general fund. Approved by the Executive 4/10/2018.
Collaboration	Julie Slatter	Work carried out for third parties	30	30	30	30	Work for another District Council has been agreed and at present is expected to continue.
Commissioning	Julie Slatter	Contract renewals		10	20	20	A saving is expected from five contract renewals due in 19/20.
<b>Total Collaboration &amp; Commissioning</b>			<b>30</b>	<b>92</b>	<b>102</b>	<b>102</b>	
Technical/housekeeping	Karen Iveson	Remove contributions to pension reserve - NEW	0	100	100	100	This mitigates above inflationary rises in future pension contributions - risk to be managed within base budget from 2019/20
Technical/housekeeping	Karen Iveson	Reduce contingencies - NEW	0	160	160	160	£260k is included in the revenue budget to cover unforeseen items - £110k for operational items and £150k for additional commissions from the Executive. This option would reduce the operational contingency to £100k (the minimum advisable for operational purposes) and draw down funding from the Contingency reserve for additional Executive Commissions as part of the annual budget process. The Contingency reserve would be topped up through windfalls/in-year surpluses.
<b>Total Technical/Housekeeping</b>			<b>0</b>	<b>260</b>	<b>260</b>	<b>260</b>	
<b>To be delivered not budgeted</b>			<b>148</b>	<b>1,141</b>	<b>1,607</b>	<b>1,972</b>	

HRA - Potential Saving	2018/19 Forecast £000's	2019/20 Target £000's	2020/21 Target £000's	2021/22 Target £000's	Update/Comments
Process improvements /on-line transactions	0	194	194	194	The new housing/asset management system will be fully implemented by early 19/20 with online self-serve functionality for tenants and streamlined back office processes. Potential savings are currently being collated but the savings remain at risk until these are confirmed. Project brief for 'Digital Workforce Project' to support a more flexible and mobile workforce currently being developed.
Commissioning & collaboration	0	8	8	8	Further saving still to be identified.
NYCC Procurement Partnership		12	12	12	Selby is exiting the North Yorkshire Procurement Partnership from April 2019, which will achieve £12k saving in the general fund. Approved by the Executive 4/10/2018.
<b>To be delivered not budgeted</b>	-	<b>214</b>	<b>214</b>	<b>214</b>	



**2019/20 – 2021/22 GENERAL FUND CAPITAL PROGRAMME**

	Estimated Programme 2019/20 £	Estimated Programme 2020/21 £	Estimated Programme 2021/22 £
<b><u>PROJECTS</u></b>			
Asset Management Plan Leisure Centres & Park	19,002	75,998	825
Enhancement of Car Parks	300,000		
<b><u>New Bids</u></b>			
Transforming Customer Services	110,000		
Industrial Unit Improvement Programme	50,000	50,000	50,000
Works to South Milford Retaining Wall	15,000		
Housing Development (Loans to SDHT)	7,694,300		
<b><u>Grants</u></b>			
Disabled Facilities Grants	346,958	346,958	346,958
Repair Assistance Loans	30,000	30,000	
<b><u>ICT Hardware &amp; Systems Within ICT Strategy</u></b>			
Virtual Servers, Software & Storage	25,000		
Northgate Benefits & Taxation system development	15,000	15,000	15,000
Disaster Recovery Improvements	20,000		
Microsoft Licensing	85,000	85,000	85,000
Laptop Refresh	40,000	33,000	49,500
<b><u>New bids</u></b>			
Civica Pay	36,100		
Microphone System	40,000		
<b>Implementation &amp; Infrastructure Costs</b>	<b>261,100</b>	<b>133,000</b>	<b>149,500</b>
Mobile Working Solution / Digital Workforce	60,000	16,000	
<b>TOTAL</b>	<b>8,886,360</b>	<b>651,956</b>	<b>547,283</b>
<b><u>SUMMARY OF FUNDING</u></b>			
Capital Receipts	30,000	30,000	
Grants & Contributions	346,958	346,958	346,958
Reserves	815,102	274,998	200,325
S106 Commuted Sums	220,000		
Borrowing	7,474,300		
<b>TOTAL</b>	<b>8,886,360</b>	<b>651,956</b>	<b>547,283</b>

**2019/20 – 2021/22 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME**

<b>PROJECTS</b>	Estimated Programme 2019/20 £	Estimated Programme 2020/21 £	Estimated Programme 2021/22 £
<b>PROJECTS</b>			
<u>Current Projects</u>			
Electrical Rewires	240,000	240,000	240,000
Central Heating - Gas	470,000	470,000	470,000
Central Heating - Solid Fuel	75,000	75,000	75,000
Roof Replacements	400,000		
Damp Surveys & Works	220,000	220,000	220,000
Door & Window Replacements	120,000	120,000	120,000
Kitchen Replacements	130,000	130,000	130,000
Pre Paint & Cyclical Repairs	160,000	160,000	160,000
Void Property Repairs	145,000	145,000	145,000
Fencing & Gates	40,000	40,000	40,000
Bathroom Replacements	30,000	30,000	30,000
Pointing Works	300,000	300,000	300,000
<u>New Projects</u>			
Community Centre Refurbishment	30,000		
Sheltered Homes Adaption	165,000	150,000	
Empty Homes Programme	700,000	700,000	
Estate Enhancements	100,000		
St Wilfrids Court Refurbishment	100,000		
New Build Projects	2,280,000		
<u>New Bids</u>			
Fire Risk Assessments	100,000	50,000	
Asbestos Assessments	120,000	120,000	120,000
Door Replacements	37,600	37,600	37,600
Window Replacements	333,300	333,300	333,300
Kitchen Replacements	50,000	50,000	50,000
Bathroom Replacements	104,400	104,400	104,400
Co Detection Installation Programme	226,600		
Co Detection Replacement Programme		37,800	37,800
Communal Area Refurbishment Programme	230,000	230,000	230,000
Footpath Repairs	172,500	172,500	172,500
Energy Efficiency Programme	150,000		
Sewage Pumping Station Replacement Programme	120,000	120,000	120,000
<b>TOTAL</b>	<b>7,349,400</b>	<b>4,035,600</b>	<b>3,135,600</b>
<b>SUMMARY OF FUNDING</b>			
Revenue Contributions	4,369,400	3,335,600	3,135,600
Borrowing	1,900,000		
Capital Receipts	340,000	280,000	
HCA Grant Funding	210,000	210,000	
S.106 Commuted Sums - affordable housing subsidy	530,000	210,000	
<b>TOTAL</b>	<b>7,349,400</b>	<b>4,035,600</b>	<b>3,135,600</b>

## Programme for Growth 2018/19 Financial Year Project Updates

## Multi Year schedule for the project lifespan pending amendments for the EDF Action Plan

Project	Lead Officer	Original Budget £	Revised Budget £	Position @ 31 December 2018			Update
				Spend to date £	Forecast £	Forecast Variance £	
Healthy Living Concepts Fund	Angela Crossland	82,176	82,176	385	82,176	0	The project has now been initiated with North Yorkshire County Council (NYCC) to develop Local Cycle and Walking Infrastructure Plans for the 3 towns. Project will be delivered over 2018-19/2019-20. Sustainable Travel Packs and cycle maps also being developed in 2018-19. The remaining £27,000 is earmarked for projects related to Selby Health Matters Action Plan (3 year plan). A Workshop with Inspiring Healthy Lifestyles (IHL) and NYCC Public Health will take place in January 2019 which should support identification of further potential IHL initiatives.
Visitor Economy (Tourism & Culture)	Angela Crossland	542,193	542,193	37,466	542,193	0	This is a multi-year fund covering 3 years of projects to deliver the Visitor Economy Strategy & Action Plan agreed by Executive in March 2018. The staffing is now in place and a 3 year costed work plan has been finalised. We are currently looking at commissioning baseline activity data.
Celebrating Selby 950	Angela Crossland	200,000	50,000	551	50,000	0	The contract for a 950 Co-ordinator/Curator is in place and will result in be a spend of £5k in this financial year. The second part of this contract will begin in April 2019. The remaining £45k will be carried into 2019/20 as match funding for bids to the Art Council and Heritage Lottery Fund to deliver a dynamic and exciting programme of events.
Retail Experience - Tadcaster Linear Park	Angela Crossland	160,003	160,003	9,150	160,003	0	Moving to final design and costing. Draw down of YorVenture grant expected early 2019 to support Final scheme design checks underway.
Growing Enterprise	Iain Brown	111,761	76,761	-2,984	76,761	0	Phase 2 of Ad: Venture and Digital Enterprise match-funded fees results in forecast expenditure of £55K in Q4. Selby District Business Week may now be funded by Leeds City Region (LCR) Growth Service giving a forecast revised down to £1K in Q4. Final payment on CoStar license is £4K in Q3 with contract terminating in Oct '19. £35k has been approved to be re-allocated to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.
Marketing Selby's USP	Mike James	78,108	78,108	27,853	78,108	0	We have invested in creating new material to tell the story of our strategic big development sites, which will be ready to share from the New Year. This now includes a focus on material that can tell the positive benefits of growth for people already living and working in the area e.g. access to higher skilled jobs and a wider range of employment opportunities. Meanwhile we have continued our engagement with LCR LEP to ensure that Selby's story is included in the regional campaign in the lead-up to MIPIM 2019.
Tour De Yorkshire	Angela Crossland	0	150,000	0	150,000	0	Selby town is hosting the SDC to host the finish of the first stage of Tour de Yorkshire (TdY) in May 2019, which will give the town a massive publicity boost in the year of the Abbey's 950 celebrations
Retail Experience - STEP	Angela Crossland	108,340	108,340	30,176	108,340	0	The Pop-up installations have now been moved to other locations in the town centre to complement/test the ideas proposed for the car park refurbishment project. A networking/membership drive event for the Selby Town Enterprise Partnership (STEP) is proposed for March 2019. There is a re-focusing of STEP priorities to align with the Tourism and Culture and Towns Regeneration work streams.
Towns Masterplanning (Regeneration)	Angela Crossland	150,000	120,000	0	120,000	0	Brief in draft for approval to for next stage of work. Brief to include 2 phases of approach. Phase 1 - stakeholder and literature review of previous work/data. Phase 2 will be a deliverables plan for each town centre. An internal Project Delivery scoping meeting is scheduled for early in the New Year and it will be aligned to work around potential Future High Street Fund bids. It is anticipated that the project will split into separate work streams for each town and across financial years. It has been approved that £30k is will be re-allocated to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.
Strategic Sites Masterplanning	Iain Brown	246,613	200,613	4,486	200,613	0	Funded due diligence work on Olympia Park, Portholme Road, Edgerton Lodge and Selby Station Masterplan. Likely future projects will include strategic infrastructure response to Sherburn Employment sites, improvements to the area around the railway station in Selby and the Crosshills site. Planned Q4 expenditures include £30K consultant work on Station Cycle and walk ways to support a future Transforming cities Fund bid; £25K funding for Church Fenton to jointly commission a detailed business plan for the Create Yorkshire film and creative industries hub. £46k is approved to be re-allocated to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.

Project	Lead Officer	Original Budget £	Revised Budget £	Spend to date £	Forecast £	Forecast Variance £	Update
Access to Employment	Iain Brown	100,000	40,000	0	40,000	0	Liaison with local businesses has emphasised the increasing severity of labour market challenges at Sherburn-in-Elmet. This will likely be exacerbated by the impending development of S2. Through collaboration managed by the Economic Development team between Arriva, WYCA, and Sherburn based businesses, we are close to a transport solution to improve scheduled public transport services. The option for Selby District Council to underwrite short term risk using P4G funding is being considered if necessary to achieve a collective agreement between all stakeholders. Forecast spend - £25k in Q4. £60k has been approved to be re-allocated to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.
Empty Homes	June Rothwell Simon Parkinson	115,475	115,475	15,427	115,475	0	Overall the project is progressing well and there have been some good early results and the Empty Homes Officer has directly helped bring empty homes back into use by offering advice and assistance to owners. Homes England Grant funding has been secured to support the options of voluntary and compulsory purchase. A total of £390,000 has been secured, subject to individual business cases for the properties, to purchase and repair the empty homes, bringing them to a habitable standard. This indicative funding is to bring back in to use 10 empty properties up to 2020, providing up to £39,000 per property. We are currently pursuing our first Compulsory Purchase Order and a report will be taken to executive in December 2018. The process can be long and quite complex but a successfully CPO will send the message that this is a priority for us. We can also use the funding to purchase 'right to buy' buy backs and this is something we will consider on a case by case basis.
Selby District Housing Trust	Iain Brown	38,300	38,300	1,000	38,300	0	This fund is to support SDHTs role in the more ambitious HDP approved by Executive in January 2018 a new post of Trust Housing officer has been established but is currently unfilled. The post will be advertised again in the New Year.
Stepping Up' Housing Delivery	Iain Brown	49,862	24,862	11,045	24,862	0	The Project will support the implementation of the Housing Development Programme approved by the Executive in January 2018. It has been approved to reallocate £25K to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.
Olympia Park	Iain Brown	435,000	435,000	81,424	435,000	0	The majority of the surveys and reports have now been completed on the site, and the lead developer is using these to inform the a review of the potential viability of alternative engineering design solutions to address the flood and ground condition issues identified through this up to date survey work. This will inform the creation of a comprehensive masterplan for the development of the whole site. This evidence base and masterplan will support the submission of a planning application. The Council has a dedicated project manager to lead the delivery of this key site. We are also continuing to work with our legal and property advisers to explore strategies for the delivery of the site, ensuring we maintain a number of options. The Council has secured £8.878m Housing Infrastructure Funding and is now progressing discussions with Homes England regarding the agreement of grant conditions and drawdown of the Housing Infrastructure Fund investment.
Making our Assets work	Iain Brown	230,000	180,000	7,907	180,000	0	The budget is targeted at funding due diligence work to bring the Council's assets to the market. These include small garage sites, Portholme Road, Edgerton Lodge, Barby Road depot and Bondgate. The Executive has recently authorised the former Barby Road Depot site to be marketed for employment use. £1.7k valuation fees for Barby Depot during Q4. It has been approved to reallocate £50K to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.
Commercial property acquisition fund	Iain Brown	3,500,000	3,500,000	453,640	3,500,000	0	Two additional units are under review and are subject of discussions around developing a business case. £650K planned to cover further potential acquisition.
High Street shop fronts	Angela Crossland	100,000	100,000	0	100,000	0	Scope in place and workshop arranged with Historic England to explore heritage development initiatives. This initiative is also interdependent with the Towns Masterplanning project. Funds are allocated to be spent within next 2 financial years and as such £50k is to be carried forward to support year 2. A project officer has now been assigned to lead this from within the Communities and Partnerships team.
New lane - Public Realm	Iain Brown	230,000	200,000	0	200,000	0	This project has been delayed and new timelines are to be determined because of current capacity issues at both SDC and NYCC. The design work will be completed in 2018/19. No expenditure anticipated in 18/19. It has been approved to reallocate £30k to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.
		<b>6,844,983</b>	<b>6,201,831</b>	<b>677,526</b>	<b>6,201,831</b>	<b>0</b>	

P4G Budget Position		£'000
P4G Investment Fund Fund - Per MTFs		10,934
Less Spend to Date		-666
		<b>10,268</b>

Project	Lead Officer	Original Budget £	Revised Budget £	Spend to date £	Forecast £	Forecast Variance £	Update
Existing P4G & Carried Forward Projects			6,202				
HDP Feasibility & SDHT Support Post			251				
<b>Balance Before Salaries</b>			<b>3,815</b>				
P4G Salaries 17/18			635				
P4G Salaries 18/19 (Forecast)			988				
Additional Staffing Resources			643				
Remaining Salaries			1,377				
<b>P4G Contingency</b>			<b>172</b>				

## Reserve Balances 2018 - 2021

Description	Estimated Balance 31 March 18 £	Use £	Transfers £	Contribs £	Estimated Balance 31 March 19 £	Use £	Contribs £	Estimated Balance 31 March 20 £	Use £	Contribs £	Estimated Balance 31 March 21 £	Use £	Contribs £	Estimated Balance 31 March 22 £	Comments
<b>Revenue Reserves</b>															
<b>General Fund</b>															
<b>Reserves to fund future commitments:</b>															
PFI Scheme	3,643,442	- 418,430		292,169	3,517,181	- 426,788	295,156	3,385,549	- 435,323	302,759	3,252,985	- 444,030	309,672	3,118,627	
ICT	573,571	- 1,068,272	500,000	191,000	196,299	- 321,100	191,000	66,199	- 149,000	191,000	108,199	- 149,500	191,000	149,699	
Asset Management	1,004,960	- 1,057,848	250,000	200,000	397,112	- 497,002	200,000	100,110	- 128,998	200,000	171,112	- 53,825	200,000	317,287	Future commitments require top up of £250k
Election	113,934			34,000	147,934	- 136,000	34,000	45,934		34,000	79,934		38,000	117,934	
	5,335,908	- 2,544,550	750,000	717,169	4,258,527	- 1,380,890	720,156	3,597,793	- 713,321	727,759	3,612,231	- 647,355	738,672	3,703,548	
<b>Reserves to fund growth and improvement:</b>															
Special Projects/Unallocated	-	- 5,000,000		5,000,000	-		4,192,250	4,192,250			4,192,250			4,192,250	Assumes £5m of renewable energy income is allocated to Property Funds in 2018/19 and remainder to BRER to support savings plan. Subject to confirmation of receipts in 2019/20 the remainder of renewable energy receipts (after £3.2m is held in BRER to support the revenue budget and £25k is allocated to P4G), is available for allocation.
Special Projects / Programme for Growth	7,307,569	- 7,499,598		880,000	687,971	- 1,066,745	1,273,414	894,640	- 594,820		299,820	- 299,820		-	P4G resources/spend 2018/19 to 2019/20 = £9.461m
S106 Affordable Housing Commuted Sums	3,490,610	- 1,098,940		1,218,744	3,610,414	- 750,000	2,437,488	5,297,902	- 210,000	1,223,266	6,311,168			6,311,168	Funds ring-fenced and spend subject to progress on housing developments
Discretionary Rate Relief Fund	268,492	- 100,000			168,492			168,492			168,492			168,492	
NYCC Collaboration	50,000				50,000			50,000			50,000			50,000	
Spend To Save (Business Development)	498,452	- 313,924	150,000		334,528			334,528			334,528			334,528	
	11,615,123	- 14,012,462	150,000	7,098,744	4,851,405	- 1,816,745	7,903,152	10,937,812	- 804,820	1,223,266	11,356,258	- 299,820	-	11,056,438	
<b>Reserves to mitigate financial risk:</b>															
Pensions Equalisation Reserve	741,643		750,000	100,000	91,643		100,000	191,643		100,000	291,643		100,000	391,643	
Business Rates Equalisation	1,604,415	- 845,751		2,804,000	3,562,664		3,320,595	6,883,259	- 745,349		6,137,910	- 293,504		5,844,406	Resources held to support revenue budget to 2021/22 - drawdown is subject to savings delivery
Local Plan	550,231	- 479,360	250,000	50,000	370,871	- 97,500	50,000	323,371	- 167,500	50,000	205,871		50,000	255,871	
Contingency	497,600	-	250,000		247,600			247,600			247,600			247,600	
General Fund	1,653,222	- 150,000			1,503,222			1,503,222			1,503,222			1,503,222	Minimum working balance £1.5m
	5,047,111	- 1,325,111	900,000	2,954,000	5,776,000	- 97,500	3,470,595	9,149,095	- 912,849	150,000	8,386,246	- 293,504	150,000	8,242,742	
<b>Total GF Revenue reserves</b>	<b>21,998,142</b>	<b>- 17,882,123</b>	<b>-</b>	<b>10,769,913</b>	<b>14,885,932</b>	<b>- 3,295,135</b>	<b>12,093,903</b>	<b>23,684,700</b>	<b>- 2,430,990</b>	<b>2,101,025</b>	<b>23,354,735</b>	<b>- 1,240,679</b>	<b>888,672</b>	<b>23,002,728</b>	
<b>HRA</b>															
HRA Unallocated Balance	2,266,697				2,266,697			2,266,697			2,266,697			2,266,697	
C/fwd Budgets (HRA)	1,651,796	- 1,651,796			-			-			-			-	
Major Repairs Reserve - Capital Programme	4,330,024	- 3,922,796		3,070,443	3,477,671	- 4,369,400	3,218,680	2,326,951	- 3,335,600	3,781,206	2,772,557	- 3,135,600	4,036,192	3,673,149	
<b>Sub Total</b>	<b>8,248,517</b>	<b>- 5,574,592</b>	<b>-</b>	<b>3,070,443</b>	<b>5,744,368</b>	<b>- 4,369,400</b>	<b>3,218,680</b>	<b>4,593,648</b>	<b>- 3,335,600</b>	<b>3,781,206</b>	<b>5,039,254</b>	<b>- 3,135,600</b>	<b>4,036,192</b>	<b>5,939,846</b>	
<b>Total Revenue Reserves</b>	<b>30,246,659</b>	<b>- 23,456,715</b>	<b>-</b>	<b>13,840,356</b>	<b>20,630,300</b>	<b>- 7,664,535</b>	<b>15,312,583</b>	<b>28,278,348</b>	<b>- 5,766,590</b>	<b>5,882,231</b>	<b>28,393,989</b>	<b>- 4,376,279</b>	<b>4,924,864</b>	<b>28,942,574</b>	
<b>Capital Reserves</b>															
General Fund Receipts (after P4G removed)	1,220,043				1,220,043			1,220,043			1,220,043			1,220,043	
HRA Receipts	3,205,327	- 625,000		500,000	3,080,327	- 370,000	500,000	3,210,327	- 310,000	500,000	3,400,327		500,000	3,900,327	
Other Capital Receipts	493,000	- 325,000			168,000			168,000			168,000			168,000	
Capital Receipts (HRA Reserved)	23,205	- 253,205		230,000	0	- 250,000	250,000	0			0			0	
<b>Total GF Capital Receipts</b>	<b>4,941,575</b>	<b>- 1,203,205</b>	<b>-</b>	<b>730,000</b>	<b>4,468,370</b>	<b>- 620,000</b>	<b>750,000</b>	<b>4,598,370</b>	<b>- 310,000</b>	<b>500,000</b>	<b>4,788,370</b>	<b>-</b>	<b>500,000</b>	<b>5,288,370</b>	

## Minutes

### Policy Review Committee

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Venue:	Committee Room - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Tuesday, 15 January 2019
Time:	5.00 pm
Present:	Councillors J Deans (Chair), K Arthur and J Shaw-Wright
Officers present:	Karen Iveson, Chief Finance Officer, Sharon Cousins, Licensing Manager and Victoria Foreman, Democratic Services Officer
Others present:	Councillor C Lunn, Executive Lead Member for Finance and Resources and Councillor C Pearson, Executive Lead Member for Housing, Health and Culture
Public:	0
Press:	0

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#### 21 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors J Cattanach and M Hobson.

#### 22 DISCLOSURES OF INTEREST

There were no disclosures of interest.

#### 23 MINUTES

The Committee considered the minutes of the meeting held on 17 December 2018.

#### RESOLVED:

**To approve the minutes of the Policy Review Committee held on 17 December 2018 for signing by the Chair.**

**26 DRAFT REVENUE BUDGET AND CAPITAL PROGRAMME 2019/20 AND MEDIUM TERM FINANCIAL PLAN (PR/18/7)**

The Committee received the report of the Chief Finance Officer and were afforded the opportunity to comment on the Draft Revenue Budget and Capital Programme 2019-20 and Medium Term Financial Plan.

Councillor C Lunn, Executive Lead Member for Finance and Resources was also present at the meeting.

Members noted that at its meeting on 10 January 2019 the Executive discussed the budget report, which asked the Executive to recommend that the draft budgets, bids and savings be approved for public consultation and submitted to Policy Review Committee for comment.

The Chief Finance Officer explained that the budget report presented the draft revenue budget, capital programmes and latest forecast for the Programme for Growth for 2019/20 to 2021/22. The 2019/20 budgets showed a forecasted balanced budget after taking into account planned savings and reserve drawdowns.

Members noted that in 2019/20 it was proposed that circa £3.7m be transferred to the Business Rates Equalisation Reserve to provide future revenue support in line with the previously approved MTFs policy. In 2020/21 £745k would be drawn down from this reserve and a further £294k would be required in 2021/22. The on-going use of reserves to support the revenue budget in this way was not a long term sustainable solution and therefore achievement of efficiency savings and additional income generation remained crucial, as plans for Business Rates and Council Tax growth were brought to fruition.

The Committee acknowledged that the draft budget also included Capital Programme proposals for the General Fund and HRA which, with exception of housing development loans and programmes (which were funded through borrowing) were funded from reserves and external funding. Subject to the outcome of the 2019 Spending Review, Fairer Funding Review and wider economic risks, plans were in place to deliver a sustainable budget going forward.

The Chief Finance Officer updated the Committee on the discussions that were had at Executive meeting on 10 January 2019; the draft minutes of the meeting were circulated to the Committee. The Executive had resolved to amend the proposed increase in council tax to £3 for an average band D property. The Executive Member for Finance and Resources explained that the financial impact of this amendment would be that an additional £63k would need to be found to fund Council services, and would require the Council to draw down more from its reserves in the short term. Members noted that there would also be an ongoing impact to the council tax income base and required savings for future years.



Members debated the report in full and queried a number of issues, including the outcome of the government's upcoming Fairer Funding Review, the impact of the 1% reduction in housing rents on the Housing Revenue Account and the future of renewable energy business rates from Drax Power.

Members also queried whether a one year freeze in council tax had been considered. The Executive Member confirmed that whilst this had been considered, it had been rejected as the effect it would have on the council tax income base was too detrimental.

The Committee were pleased to note that the Council was continuing to explore investing more of its reserves, but accepted that the economic environment in which the Council was operating was uncertain. Whilst the Council had already made some investment decisions, i.e. the recent purchase of former bank premises in Tadcaster and Selby, future investments needed to be carefully considered and the Council's capital protected. Borrowing to invest and investing outside of a Council's own area were not encouraged by the government. Officers confirmed that it was estimated that current investments in property funds could give a return of around 4%, which was a prudent estimate. Members acknowledged that even high street investment was risky in the present financial climate.

Officers explained that the Council was always looking to identify new savings, and that should it be required, some process improvement savings could be brought forward if others were not realised.

Members noted that the levels of borrowing identified in the report were due to the Council borrowing from its own balances to finance the planned loans to Selby and District Housing Trust; the loans would be paid back, most likely over a period of 30 to 40 years.

Lastly, the Committee queried the expected return in revenue of the Programme for Growth (P4G). Officers explained that it was difficult to precisely estimate such a return. The effects of the P4G, such as more houses being built, would increase the council tax base and therefore council tax income. However, there were accompanying costs to be considered in relation to new homes, such as the need for more bin collections, street cleansing and other Council services. It was expected that the P4G would encourage more businesses to invest in the district, in turn increasing the amount of business rates retained by the Council, but this was subject to the government's review of the Local Government funding formula and the Business Rates Retention System.

**RESOLVED:**

- i) To note the Draft Revenue Budget, Capital Programme 2019-20 and Medium Term Financial Plan, including the amended proposed increase in council tax to £3 for an average band D property.**

- ii) To note the draft budgets, bids and savings for public consultation.**

The meeting closed at 5.55 pm.



**Report Reference Number: E/18/43**

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**To: Executive**  
**Date: 6 February 2019**  
**Status: Key Decision**  
**Ward(s) Affected: All**  
**Author: Peter Williams, Head of Finance**  
**Lead Executive Member: Cllr C Lunn, Lead Executive Member for Finance & Resources**  
**Lead Officer: Karen Iveson, Chief Finance Officer**

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**Title: Financial Results and Budget Exceptions Report to 31st December 2018**

**Summary:**

At the end of quarter 3, the General Fund is indicating an outturn surplus of (£71k). There are a number of variances (positive & negative) which make up this surplus including; shortfall on planned savings, staffing savings; changes in waste and recycling income and higher investment income. The HRA is indicating an outturn surplus of (£401k), (£348k) at Q2, which is mainly driven by lower external borrowing requirements, investment income, offset by lower rents and grants.

Planned savings for the year have already been achieved in the HRA. However, General Fund savings are showing a forecast shortfall of £198k. Details of the planned savings and their status can be found in Appendix B.

The capital programme is currently forecasting an underspend of (£8,425k); (£4,817k) GF and (£3,608k) HRA; In the GF the majority relates to loans to Selby & District Housing trust, Disabled Facilities Grants, asset maintenance and ICT systems some of which will be required to be carried forward to 2019/20 to meet project profiles. Similarly within the HRA a significant saving has been identified but will be required to be carried forward to join up programmes of work. Headlines can be found in the report below with a more detailed analysis in Appendix C.

Programme for Growth was established as part of the budget setting process. These projects are delivered over multiple years, and so are shown at total project value rather than in year delivery.

**Recommendations:**

Recommendations:

It is recommended that:

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

## Reasons for recommendation

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

### 1. Introduction and background

- 1.1 The revenue budget was approved by Council on 22 February 2018, this report and associated appendices present the financial performance as at 30 December 2018 against the budget.

### 2. Main Report

#### General Fund Revenue

- 2.1 Details of forecast variances against budget are set out at Appendix A.

General Fund Account – Q3 2018/19	Budget	Forecast	Variance
	£000's	£000's	£000's
Net Revenue Budget	18,351	18,082	(269)
Settlement Funding including RSG/NDR and other Grants	(4,198)	(4,198)	(0)
<b>Amount to be met from Council Tax</b>	<b>14,153</b>	<b>13,884</b>	<b>(269)</b>
Council Tax	(5,403)	(5,403)	0
Collection Fund Surpluses	(7,724)	(7,724)	0
<b>Shortfall/(Surplus)</b>	<b>1,026</b>	<b>757</b>	<b>(269)</b>
Savings Target	(358)	(161)	198
Net Surplus / (Deficit) transferred from Business Rates Equalisation Reserve	(668)	(668)	0
<b>Net Revenue Budget</b>	<b>0</b>	<b>(71)</b>	<b>(71)</b>

- 2.1.2 The main forecasted variances against the General Fund deficit are:

- A £198k shortfall on planned savings as outlined in the planned savings section of this report and in more detail in Appendix B.
- Salary savings of (£236k) as a result of vacancies being held to mitigate the shortfall in planned savings, it is anticipated that this may increase as the impact of frozen posts is realised.
- Additional income of (£178k) expected in investment interest due to buoyant cash balances and the recent rates rise, although £43k is above the £300k ceiling and will be transferred to the contingency reserve.
- Planning Fee income & Pre Application advice anticipated to exceed target (£142k), through large applications and fee increases with £60k of this contributing towards the planned savings target for Planning.

- Shortfall in Housing Benefit Admin Grant, £124k. This grant continues to reduce year on year and the impact is being reviewed as part of the 2019/20 budget setting process.
- The careful management of waste collection rounds reducing the need for additional vehicles may generate up to (£105k) savings for the year across all 3 collection services, although recycling income remains volatile and current forecasts suggest a shortfall of £63k due to the price per tonne of recyclable materials, although this is offset by (£52k) for recycling contractors, gate fees and disposal costs.

## 2.2 Housing Revenue Account (HRA)

Housing Revenue Account – Q3 2018/19	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	11,075	10,627	(448)
Dwelling Rents	(11,940)	(11,893)	47
<b>Shortfall / (Surplus)</b>	<b>(865)</b>	<b>(1,266)</b>	<b>(401)</b>
Savings Target	0	0	0
<b>Net Surplus / (Deficit) transferred to Major Repairs Reserve</b>	<b>865</b>	<b>865</b>	<b>0</b>
<b>Net Revenue Budget</b>	<b>0</b>	<b>(401)</b>	<b>(401)</b>

2.2.1 The main forecasted variances against the HRA surplus are :-

- External borrowing is expected to be lower due to work programmes being funded from grants and internal borrowing in the short term. It is anticipated that external borrowing will be needed in the future, but a saving of approximately (£374k) is expected this year.
- Investment interest, as a result of buoyant cash balances and a recent rise in interest rates, is expected to exceed budget by (£73k).
- Housing Rents are anticipated to be lower than target by £47k this is due in the main too long term void properties requiring greater investment. Budget is available in the capital programme to address this.

## 2.3 Planned savings

The General Fund savings target for the year is £360k. Current forecasts indicate a shortfall against this target of (£198k) with further risk in some additional areas. The key areas to note are as follows:

- Planning savings of £200k were set but this is now not expected to be met with the latest forecast indicating a £60k saving this year. Income remains buoyant for the year through large applications and is anticipated to be exceeded.
- Asset rationalisation had a target of £50k saving to be generated from Police Co-location to the Civic Centre. This will not happen in the current

year but plans for the Civic Centre extension are progressing. The Police Co-location move will complete in April 2019/20.

- Collaboration with another local council has generated £30k of additional income.
- Details of all planned savings can be found in Appendix B.

## **2.4 Capital Programme**

2.4.1 The capital programme shows a forecast underspend of (£4,817k) in the General Fund the variance is made up of :-

- Loans to Selby & District Housing Trust are anticipated to be (£4,128k) under budget for 2018/19, this is due to the profile and progress of on-site developments. Costings outlining packaging up smaller sites for development to deliver value for money and further details of phase 2 and 3 development were presented to the Executive on 6 December 2018.
- IHL have completed inspections of the items in the planned maintenance programme for 2018/19 and no works are required to leisure facilities. This budget of (£30k) will be rolled over to cover future maintenance works and the 19/20 maintenance works programme.
- Various ICT system programmes and upgrades are (£184k) lower than expected, the majority of this is slippage and will be carried forward to 2019/20 to continue projects.
- The car park improvement programme is progressing well, as the funding is for works across all the district funding will be required to be carried forward (£182k).
- A significant underspend is likely for Disabled Facilities Grants (£243k), although the grant budget available and spend have increased this year to £205k with a projected spend of £354k. Work is taking place to encourage more applications through the new in-house team and the lifeline service.

2.4.2 The HRA capital programme is anticipating to date a underspend of (£3,608k) for the year made up of:-

- A small saving (£29k) is anticipated on the completion of the Byram Park Road Housing Development with the scheme complete in February 2019.
- Savings of (£75k) are anticipated on Environmental Improvement works as there are no plans to progress any more works beyond the projects identified.
- Due to the profiling of the implementation of the Housing & Asset Management system (£44k) is required to be carried forward to complete the project.
- Slippage is expected on the pointing and roofing schemes (£904k), this is in relation to the Hillside scheme in Tadcaster currently under consultation.
- The Empty Homes Programme is unlikely to be fully committed this year due to the length of time required to progress a CPO and identifying suitable RTB buy backs (£400k), slippage anticipated.

- All contracts have been reviewed and renewed which has slowed spend on planned and cyclical maintenance and budgets will be carried forward to support the new capital programme in 2019/20.
- The next phase of HRA housing development is not expected to commence on site before September 2019, (£1,200k) will need to be carried forward to support the developments.

2.4.3 Capital receipts in the HRA are expected to be £76k higher than forecast. 4 houses have been sold during October & November (13 year to date) in line with budget setting assumptions. However, retained receipts for the year to date are £10k for use on housing development and are much lower than expected.

### **3. Programme for Growth**

3.1 A project by project progress report can be found in Appendix D.

3.2 Good progress overall continues to be made across the range of PfG projects with the full £6.7m of project budgets forecast to be spent over the lifetime of the programme. Some highlights include:

- Health Living Concepts Fund - has jointly funded Local Cycling and Walking Infrastructure Plans with North Yorkshire County Council which can then be used to secure funding for infrastructure investment
- Visitor Economy (Tourism and Culture) – 2 key staff appointed to oversee this work with 3 year action plan agreed. They are playing a key role in delivery of other PfG projects such as Celebrating Selby 950 and the Tour de Yorkshire which will both be delivered in 2019.
- Growing Enterprise – this jointly funds our SME Business Advisor post and work through Ad:Venture and Digital Enterprise which has secured significant grant aid and expert support for local businesses in the district.
- Retail Experience (STEP) – this has funded the pop-up public realm in Selby Town and led to a re-invigorated STEP which is now driving forward a range of initiatives to support the high street and enhance the town centre
- Empty Homes – the project is progressing well, the Empty Homes Officer has directly helped to bring empty properties back into use, we have secured significant Homes England funding for this and we are now pursuing our first CPO to bring an empty property back into use
- Making our Assets work – we are now working on a Joint Venture to develop Edgerton Lodge for housing and have secured significant Homes

England funding through Accelerated Construction to redevelop Portholme Rd and Bondgate, including funding for groundworks.

3.3 Progress has not been as good on a number of other projects including:

- Tadcaster Linear Park - but this is now moving to final scheme design and costings to enable start on site in 2019.
- Town Masterplanning – this was paused to focus less on strategy and more on project delivery but recent opportunities such as the government's £600m+ Future High Street Fund are emphasising the importance of having a clear vision and set of priorities in place for town centres to enable subsequent projects to be funded. We will therefore be re-engaging on this project to develop bespoke visions and delivery plans for each of the three towns.

3.4 A key issue looking forward is to ensure that the PfG is properly aligned with the recently adopted EDF Action Plan for 2019 and 2020 and that the right resources are in place to ensure this can be delivered. Executive (January 2019) approved our proposed re-allocation of PfG resources to deliver the EDF Action Plan. The justification for this is outlined in more detail below.

3.5 In the Council's Medium Term Financial Strategy (MTFS), which seeks to make the Council more financially self-sufficient, one of the three key strands is growing our resources through investment in economic and housing growth to drive growth in Council Tax and Business Rates.

3.6 The Council's Corporate Plan refresh (2018) sets out clear ambitions for housing and economic growth and the Economic Development Framework (EDF) sets out the key priorities and actions required to deliver this. The report to Executive (January 2019) set out the excellent progress achieved since the framework was launched in November 2017 but also responded to the LGA Peer Review by identifying a smaller number of priorities to focus on. A key means of resourcing and delivering the EDF is the Programme for Growth (PfG) and that report set out proposals for re-aligned the Programme for Growth to ensure it reflects and helps to deliver these priorities.

3.7 The Report made it clear that the proposed Economic Development Framework Delivery Plan for 2019 and 2020 requires funding to maintain and extend the staffing resource at the Council, similarly the Housing Development Programme, and projects such as the Nat west Banks requires appropriate resource. This can be funded within existing budgets by transferring funds from existing allocations in the agreed PfG project budgets. The cost of the required staffing measures identified for delivery of the EDF is circa £166kp.a (£500k over 3 years). Work is ongoing to confirm the resource requirements for the housing and assets work but is likely to be in the region of £300k over 3 years (£100k per annum).



3.8 The amount within the existing PfG budget that is available for transfer to a PfG resources pot is currently £643k as set out in the January report to Executive (Appendix E). This means that over £140k plus the £172k still unallocated in the PfG will remain available to address future resource issues.

#### **4. Alternative Options Considered**

Member's comments on the approach to delivery of the P4G work streams are sought for Programme for Growth.

#### **5. Implications**

Not applicable

##### **5.1 Legal Implications**

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

##### **5.2 Financial Implications**

The financial implications are highlighted in the body of the report and appendices.

##### **5.3 Policy and Risk Implications**

There are no specific policy or risk implications beyond those highlighted in the report.

##### **5.4 Corporate Plan Implications**

**5.4.1** The financial position and performance against budget is fundamental to delivery of the Council's Corporate Plan, achieving value for money and ensuring financial stability.

**5.4.2** The Programme for Growth plays a critical role in delivering the priorities set out in the Corporate Plan and its recent refresh. It also helps to deliver the priorities set out in the Economic Development Framework Year 1 Review, also on this agenda.

##### **5.5 Resource Implications**

**5.5.1** The resource implications for delivering Programme for Growth are set out in the report and appendices.

**5.5.2** Programme for Growth: A separate report was presented to the January Executive titled "Selby District Economic Development Framework 2017 – 2022 – Year one review and delivery plan 2019-2020". This discusses a re-balancing of the existing P4G budget to fund staffing and capacity proposals – see paragraphs 2.9-2.11 of that report and the accompanying Appendix C. These movements all fall within the agreed P4G budget envelope and are not

an additional call on financial resources. Any changes arising from that report will be reported in the final version of this report.

## **5.6 Other Implications**

Not applicable.

## **5.7 Equalities Impact Assessment**

Not applicable.

## **6. Conclusion**

6.1 At the end of quarter 3, the outturn is indicating both a surplus in the General Fund and the HRA.

6.2 Some slippage on capital programmes are forecast.

6.3 The Programme for Growth has funded key staffing and projects integral to delivering the Council's Corporate Plan and Economic Development Framework (EDF) and this report outlines progress on the projects.

6.4 A separate report is to be presented to the January Executive titled "Selby District Economic Development Framework 2017 – 2022 – Year one review and delivery plan 2019-2020". The report highlights the substantial progress made since the Framework was launched at the Selby Growth Conference in November 2017. This direction of travel – Council's investing to stimulate growth – was reinforced at the recent District Council Network Autumn Assembly as the right direction to take in securing the future of places and helping Council's to become self-sustaining.

## **7. Background Documents**

Not applicable.

## **8. Appendices**

*Appendix A – General Fund and Housing Revenue Account Revenue budget exceptions.*

*Appendix B – General Fund and Housing Revenue Account Savings.*

*Appendix C – General Fund and Housing Revenue Account Capital Programme.*

*Appendix D – Programme for Growth.*

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**GF Management Accounts 2018-19**  
**Results as at 31st December**

General Fund

	Previous Year	Latest	Year to Date		Annual Total	Variances		Comment
	Actuals	Approved	Actual	Budget	Forecast	Year to date	Full Year	
	£k	Budget				Actual	Forecast	
<b>Income</b>								
Investment Income	-207	-165	-232	-124	-343	-108	-178	Additional income expected in investment interest due to buoyant cash balances and the recent rates rise. The GF forecast is expected to exceed its £300k ceiling by £43k, this is to be transferred to the Contingency Reserve, a corresponding transfer has been made in the Accounting adjustments line below.
Recharges	-3,020	-3,006			-3,006			
Customer & Client Receipts	-7,309	-4,688	-3,329	-2,703	-4,657	-626	31	Numerous variances. Sale of bins for new developments (£20k), (£33k) Commercial Waste Income from increased customer base, offset by corresponding disposal costs in Supplies & Services below. Planning Fee Income and Advice is currently anticipated to exceed budget by (£82k) due to large applications and National Strategic Infrastructure Projects (NSIPs). There are anticipated income shortfalls in recycling income £63k, due to low prices for recyclates, £29k from private lifeline payers while the service is in transition to trial new service delivery, £40k Assets Team Trading due to staff shortages and Civic Centre Rental income £33k due to loss of hot desk income and delay in the Police Co-location project.
Government Grants	-15,673	-17,793	-10,793	-11,413	-17,650	620	142	Housing Benefit Admin Grant continues to reduce annually, this is partially offset by various smaller DWP new burdens grants grant £124k, including verification of earning and pension alerts, welfare reform changes and Universal Credit Admin changes. There is also £18k shortfall of Lifeline Support Grant due to the withdrawal of funding reported to the Executive in August.
Other Government Grant	-2,137	-1,541	-1,312	-1,156	-1,561	-156	-20	DCLG Property Searches Grant
Other Grants/Contributions Etc	-333	-30			-29			
Budget Savings Required		-358			-161		198	£140k shortfall in planning saving this year. Lower asset rationalisation saving due to contact centre move still being under discussion and will not take place in the current year. These shortfalls have been mitigated by other savings across the services.
<b>Total Service Income</b>	<b>-28,679</b>	<b>-27,582</b>	<b>-15,666</b>	<b>-15,397</b>	<b>-27,408</b>	<b>-269</b>	<b>174</b>	
<b>Expenditure</b>								
Employees	8,049	8,910	4,853	5,315	8,675	-462	-236	£106k GF posts, savings due to vacancies, likely to increase as impact on post freezes feed through. £130k duplicated bid no longer required.
Premises	678	709	554	551	745	3	36	£27k NNDR on corporate buildings as a result of latest RV review and various repair works on general fund property.
Supplies And Services	8,634	11,885	5,844	5,957	11,729	-113	-157	Forecast overspends as follows : transaction Charges for card payments £21k, Trade Waste Disposal from increase in new business £27k, upturn in the requirement for temporary accommodation £16k and costs associated with Communications support to RDC £11k. This is offset by refuse collection contract savings (£105k) across all collection services, the 18/19 budget was increased for additional rounds due to significant property growth in the district over the last 12 months, work continues with the contractor to mitigate the strain. A number of day changes / additional shifts have been undertaken in the first quarter and is likely to increase. Recycling costs are anticipated to be (£52k) below budget for disposal costs and contract fees, offset by corresponding income for the reduced value of recyclates. Demand for discretionary rate relief remains low and a saving against this budget (£71k) is anticipated, this is funded by reserves and a corresponding reduction can be seen in Accounting & non-service budgets below.
Transport	164	147	120	94	144	26	-2	
Benefit Payments	15,256	16,941	10,067	11,152	16,941	-1,085		
Support Services								
Third Party Payments	77	-22		-16	-22	16		
Drainage Board Levy	1,663	1,685	1,685	1,685	1,685			
External Interest Payable	100	75	38	56	75	-19		
Contingency		196			196			
<b>Total Service Expenditure</b>	<b>34,621</b>	<b>40,526</b>	<b>23,160</b>	<b>24,793</b>	<b>40,167</b>	<b>-1,633</b>	<b>-359</b>	
Total Accounting & Non Service Budgets	-5,942	-12,944	-11,549	-11,514	-12,829	-34	114	Corresponding reduction in reserve funding for discretionary rate relief £71k and £43k transferred to contingency reserve for investment income.
<b>Net Total</b>			<b>-4,054</b>	<b>-2,118</b>	<b>-71</b>	<b>-1,937</b>	<b>-71</b>	

Forecast (Surplus) / Deficit

**-1,937**      **-71**

**HRA Management Accounts 2018-19**  
**Results as at 31st December**

HRA

	Previous Year Actuals		Latest Approved Budget		Year to Date		Annual Total		Variances		Comment
	Actual £k	Budget £k	Actual £k	Budget £k	Forecast £k	Year to date		Full Year Forecast £k			
						Actual £k	Full Year Forecast £k				
<b>Income</b>											
Investment Income	-62	-75			-148					-73	Additional income expected in investment interest due to buoyant cash balances and the recent rates rise.
Garage Rents	-98	-100			-103					-3	
Housing Rents	-12,025	-11,940	-9,039	-8,955	-11,893				-84	47	Deficit in rent income anticipated through a number of long term void properties. Work continues to address long term void properties to get them back in to rental including procuring contractors for specific works. Sales to date have some influence but are in line with assumptions made for the year (13 sales to date). The new development scheme at Byram is due to complete early in the new calendar and will have a positive impact on income.
Customer & Client Receipts	-170	-145	-66	-59	-169				-6	-24	Hostel and Temp Accomodation rent income anticipated to exceed budget by (£8k), Property Recharges (£7k) and other smaller amounts including recovered legal costs, property management charges and room hire at the community centres.
Government Grants	-1	-20		-15					15	20	Loss of Supporting People Homelessness funding
Recharges	-14	-18	-7	-14	-18				7		
<b>Total Service Income</b>	<b>-12,370</b>	<b>-12,298</b>	<b>-9,111</b>	<b>-9,043</b>	<b>-12,331</b>				<b>-69</b>	<b>-33</b>	
<b>Expenditure</b>											
Employees	40	2	27	2	36				25	34	Costs of Cleaning staff at the Community Centres - permanent budget adjustment required.
Premises	747	806	453	496	785				-43	-21	The main variance is for Community Centre utilities (£16k) and numerous smaller variances.
Supplies And Services	1,127	1,060	595	611	1,055				-16	-5	There are numerous variances, the main being Tenant Participation costs (£18k) and the use of Sub-contractors (£8k). This is offset by materials £20k due to prices and work done in-house.
Support Services	2,752	2,806			2,806						
Transport	112	113	88	74	111				14	-2	Small saving on fuel and fleet running costs.
Debt Management Expenses	6	6			6						
External Interest Payable	2,413	2,787	1,492	2,090	2,413				-598	-374	No new borrowing anticipated for 2018/19 at this stage but interest rates rises may prompt action to increase borrowing to mitigate future interest costs. This will be kept under review during the year and forecasts will be updated if necessary.
Contingencies		75			75						
Provision for Bad Debts	69	263			263						
<b>Total Service Expenditure</b>	<b>7,266</b>	<b>7,917</b>	<b>2,655</b>	<b>3,274</b>	<b>7,549</b>				<b>-618</b>	<b>-368</b>	
Total Accounting & Non Service Budgets	5,104	4,380			4,380						
<b>Net Total</b>			<b>-6,456</b>	<b>-5,769</b>	<b>-401</b>				<b>-687</b>	<b>-401</b>	

Forecast (Surplus) / Deficit

**-401**

## SAVINGS PLAN

## Indicative Cumulative Profile - GF

Potential Saving	Sponsor	2018/19 Target £000's	2018/19 Forecast £000's	Q3 December 2018	Current Risk
Pest Control	KC	15	15	Completed	Low
Income generation	SR	0	0	Fees and charges are under review as part of the budget process with limited opportunities in 19/20 and further opportunities to be identified from 20/21 onwards . There will not be any additional income from fees and charges in the current year.	High
Process improvements /on-line transactions	JS	70	42.5	Channel shift and housing system projects have been approved. Work has been undertaken that has identified the savings and there is confidence that the target for 19/20 will be exceeded. Current year may see a shortfall due to timing in project delivery, but vacancies are being held to mitigate this in year.	Medium
Planning service review	JC	200	60	£60k of recurring savings have been proposed for 18/19. There are no overall savings from the planning function in the year to date due to overspends on agency staffing which are being addressed, so this has been put in amber in the forecast. There has been an increase in income this year, which will help to mitigate some of this short fall in the current year only. Potential for further savings in 19/20 looks challenging so the target in the revised budget has been reduced to £100k.	High

## SAVINGS PLAN

Asset rationalisation	JS	90	28	Ex Profiles Gym has been let to a tenant generating £28k in 18/19. The remainder of this saving is dependent upon the contact centre move from Market Cross and Police Co-location. The extension to accommodate the Police and the contact centre (telecoms) will be completed by March 2019 some changes to the Civic Centre to accommodate face to face customers will take place in April 2019. Negotiations are ongoing with the landlord of Market Cross to realise the savings in rent. The Police move will take place in April which will generate £69,000 in rent and service charges.	High
Commissioning & collaboration	JS	0	30	The savings expected in 2019/20 have been identified as part of the budget process. The 18/19 target will be met through the work done by another local District Council.	High
New SDHT Loans	DC	17	18.3	Loans currently made to the Selby District Housing Trust will generate £18.3k of interest returns in 2018/19. A number of schemes are currently in progress, with negotiations taking place with developers with a scheme to acquire 12 S106 affordable housing properties recently agreed between SDC and the SDHT at Ulleskelf. The revised and expanded Housing Development Programme agreed by Executive in January 2018 identifies a significant role for the SDHT in delivery which will provide further loan opportunities for SDC. Forecast has been retained at the level of current existing loans, but there is scope for new loans to be made during the year.	Medium
PFI	KI	57	57	Completed	Low
MRP	KI	185	185	Completed	Low
Pension Fund Deficit	KI	419	419	Completed	Low
<b>Total Savings</b>		<b>1,053</b>	<b>855</b>		



**SAVINGS PLAN**

Assumed Savings Target		1,053	1,053
(Surplus) / Shortfall		0	198

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

## SAVINGS PLAN

## Indicative Cumulative Profile - HRA

Potential Saving	Sponsor	2018/19 Target £000's	2018/19 Forecast £000's	Q2 September 2018	Current Risk
Process improvements /on-line transactions	JS	5	5	Business Case for 'channel shift' project approved - implementation of first two phases scheduled for 2018/19. Implementation of Housing Management System is on-going, full implementation expected by July 2019. Project brief for 'Modern Office Project' to support a more flexible and mobile workforce currently being developed. Work is underway as part of the budget setting process to identify where these savings will be generated from.	High
Pension Fund Deficit	KI	226	226	Completed	Low
<b>Total</b>		<b>231</b>	<b>231</b>		
<b>Assumed Savings Target</b>		<b>148</b>	<b>148</b>		
<b>(Surplus) / Shortfall</b>		<b>-83</b>	<b>-83</b>		

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

General Fund	Annual Budget	Year to date Budget	Year to Date Actual	Year to date Variance	Forecast	Forecast Variance	Comments
Selby Park Improvement Work	20,888	15,666	-172	-15,838	20,888	0	A third quotation for replacement of the lights within the park is expected imminently. The quotations received to date would result in the budget being fully spent and we are still intending to complete this work in 2018/19.
DIP System upgrade	23,000	15,000	22,575	7,575	23,000	0	Northgate upgrade for year completed.
Industrial Units - Road Adoption	325,000	243,750	0	-243,750	325,000	0	Further information being sought from NYCC Highways regarding detailed specification requirements to enable formulation of an estimate of costs. Budget costings received from contractor.
GIS System	65,641	49,231	9,960	-39,271	35,000	-30,641	Budget for GIS Digitalisation project is now committed for completion by May 2019. Spend to be phased over 18/19 and 19/20. 18/19 budget required £30k, 19/20 £35k budget required to be carried forward
Benefits & Taxation System upgrade	12,675	9,506	4,000	-5,506	12,000	-675	Software upgrades for legislative changes and E-billing implementation and configuration for Annual billing process in Jan 19. Remaining budget is linked to software upgrade supporting Channel Shift Phase 1 (end date Mar 19). Expected outturn of £12k in 2018/19 although this is subject to upgrade costs for Annual Billing and Legislation changes in January 19 from Northgate. Further consultancy on ebilling required for implementation. No overspends anticipated
ISOX Planning System	37,274	27,956	19,017	-8,939	27,000	-10,274	Committed £13k for standard IDOX upgrades that are due to take place in November 18. Further commitments of £14k towards consultancy and user training on Licensing/Enterprise Planning and Maploader for ARCGIS will be made in 2018/19. Balance to be carried forward to 19/20
ICT - Infrastructure Costs	32,082	24,062	26,895	2,833	32,000	-82	Projects in motion for infrastructure improvements include; Upgrade to door access system, Trades team move to Vivars, Server upgrade for Northgate, Changes to GCSX mail.
ICT - Annual Software Licence	85,000	63,750	0	-63,750	85,000	0	Soft market testing for Microsoft licences in progress. Expect full budget required in 2018/19
ICT - Desktop Replacement Programme	7,448	5,586	4,812	-774	7,448	0	Desktop replacements as required. Not anticipating underspends at this time
ICT - Software	85,194	63,896	0	-63,896	55,000	-30,194	Budget committed to the Digital Foundations Project. Phased spend over 18/19 and 19/20 - Microsoft £55k 18/19 - Citrix £30k 19/20
Committee Management System	18,000	13,500	15,000	1,500	18,000	0	ModernGov software now live and awaiting final invoice to complete the £18k costs in 2018/19

## 2018/19 Selby District Council Capital Programme - To 30 November 2018

General Fund	Annual Budget	Year to date Budget	Year to Date Actual	Year to date Variance	Forecast	Forecast Variance	Comments
Northgate Revs & Bens	12,000	11,250	0	-11,250	12,000	0	Budget anticipated to be used this year on system upgrades following legislative changes in relation to e-billing. Currently awaiting costs for the Benefits/Information@Work integration before commitment. This work will aid the channel shift project. Currently committed £950 to Northgate for HMRC Landlords extract.
Asset Management Plan - Leisure & Parks	30,210	0	0	0	0	-30,210	IHL have completed inspections of the items in the planned maintenance programme for 2018/19. No works are required and items deferred to 2019/20. As part of the budget setting process progress is being made to develop the 2019/20 planned maintenance programme which will include a review of deferred works from 2018/19.
Portholme Road Culvert	371,374	0	0	0	371,374	0	Intention to award letters have been sent to the bidders following evaluation of the tender submissions. Work will commence in the new year and will take approximately 8 weeks with completion due before the end of March 2019. The pre-contract meeting took place on 27th November and agreed commencement of works in January for completion within 8 weeks
Bus Station Refurbishment	53,000	39,750	0	-39,750	43,000	-10,000	An order for replacement of the shelters has been placed and works are expected to commence in January 2019. The total order value for the shelters is circa £42,500 which would result in a saving on the budget overall.
Police Co-Location Project	229,710	172,282	4,334	-167,948	229,710	0	Works commenced on site with a scheduled build of 19 weeks. Based on the anticipated programme, the budget should be fully spent in 18/19 although this may slip if inclement weather affects delivery over the winter months. There has been some minor delay on piling due to discovery of previously unidentified drainage pipe. NYP PM advising delay will be absorbed within existing programme.
Industrial Units Maintenance	0	0	0	0	0	0	Scheme completed, accrual put through at YE for invoices not yet received.
Car Park Improvement Programme	582,376	436,782	76,625	-360,157	400,000	-182,376	Works to Market Cross Car Park now complete. To minimise income loss, improvement works to the car parks will be not be completed concurrently. Contract awarded for works to South Parade and Audus Street. Works are currently scheduled to commence on 7th January 2019 although this may be slightly delayed due to pre-works required by Northern Power Grid. Total contract costs for improvement works is £204,754. Design works on Micklegate and Back Micklegate Car Parks are progressing in parallel and will be finalised in February. As the funding is for a programme of improvement works across the district's car parks, any funding remaining in 18/19 will be rolled to 19/20.
ICT - Channel Shift 1 Website & Intranet	50,000	37,500	10,500	-27,000	25,000	-25,000	Channel Shift Phase 1 solution for Revs and Bens to be implemented across years 18/19 & 19/20. Following market testing and software demonstrations - funds to be reviewed along with Phase 1 and Phase 2 implementation with associated budget for 19/20 spend.
ICT - Channel Shift 2 Website & Intranet	18,000	0	0	0	0	-18,000	Budget committed to the Channel Shift Phase 2 Project in relation to Customer Portal - however as project target completion date is Mar 2020 this will be carried forward.

## 2018/19 Selby District Council Capital Programme - To 30 November 2018

General Fund	Annual Budget	Year to date Budget	Year to Date Actual	Year to date Variance	Forecast	Forecast Variance	Comments
ICT - Channel Shift 3 Website & Intranet	18,000	0	0	0	0	-18,000	Budget committed to Channel Shift Phase 3 Project in relation to Housing Management system, project completion date Mar 2020 so this budget will be carried forward to next year.
ICT - Disaster Recovery Improvements - Software / Hardware	41,500	31,125	0	-31,125	41,500	0	Project started but progress slow, but anticipate being committed before January 19. Project documentation being developed for approvals - £15k Back up solution - £25k Remote Access Solution - £1500 Firewall
ICT - End User Devices - Software / Hardware	96,000	27,000	9,005	-17,995	50,000	-46,000	Budget committed to the Digital Workforce Project, project documentation being developed. Actual spend will follow the Microsoft procurement and will be phased over 18/19 and 19/20 Phased spend forecasts for new end user devices rollout 18/19 £50k 19/20 £46k roll over
ICT - Digital Workforce - Telephones - Mobile Working	40,000	30,000	0	-30,000	35,000	-5,000	Budget committed to the Digital Workforce Project. Project documentation being developed. Actual spend will follow the Microsoft procurement and will be phased over £30k 18/19 to support officers skills to ensure they can work from mobile locations and £10k 19/20 for technical solutions to improve mobile working
New Build Projects (Loans to SDHT)	6,619,900	280,000	373,052	93,052	2,491,970	-4,127,930	These are schemes delivered by SDHT through loans from SDC. Ulleskelf scheme - Handover has taken place on phase 1 - 6 properties, the remaining 6 properties to be completed by March 2019. Riccald scheme is now complete and handover to the Trust has taken place, project is under budget (awaiting final confirmation and final account due September 2019 Exchange has taken place for the purchase of 12 properties at Bridge Wharf, Ousegate and are expected to be complete by January 2019. Further work is to be done on costings on packaging up smaller sites for development to deliver value for money.
Private Sector - Home Improvement Loans	60,000	45,000	-9,564	-54,564	20,000	-40,000	The Repair Loan is a reactive service which is more popular during the last 6 months of the financial year. Much of the funding provides emergency repairs to vulnerable private sector owner occupiers. These repairs (such as boiler and heating replacements) tend to be more apparent during autumn/winter months. Based on last year's Q4 spend the forecast has been reduced.
Disabled Facilities Grants (DFG)	596,960	447,720	204,851	-242,869	354,000	-242,960	Includes C/Fwd. of £250k for Better Care Fund money. New initiatives aimed at increasing take-up of DFG have been approved as part of the Private Sector Housing Assistance Policy 2018. Also, there are on-going discussions regarding the expansion of the adaptations service. By delivering in-house work is on-going to encourage more applications by working with the Lifelines Team. Work also continues to utilise funding on our own homes and also to speed up the overall process including OT sign off and procurement of the work. Currently in 18/19 40 DFG adaptations have been approved totalling £212k As at 13/12/18 the Government have confirmed another £46k made available in 18/19 on DFG therefore the forecast outturn has been adjusted.
	<b>9,531,232</b>	<b>2,090,312</b>	<b>770,890</b>	<b>-1,319,422</b>	<b>4,713,890</b>	<b>-4,817,342</b>	

2018/19 Selby District Council Capital Programme - To 30 November 2018

Appendix C

Housing Revenue Account	Annual Budget	Year to date Budget	Year to Date Actual	Year to date Variance	Forecast	Forecast Variance	Comments
Kitchen Replacements	130,000	97,500	1,321	-96,179	2,000	-128,000	Tender documentation currently being prepared pending issue to market. ITT documentation currently being reviewed and updated to reflect indicative approval of capital bid for 19/20 onwards. Tender likely to be issued in January 2019 with a view to commencing works in April 2019. Budget for 18/19 to be rolled forward to 19/20
Housing & Asset Management System	262,083	196,562	29,248	-167,314	218,083	-44,000	Forms part of the Housing software replacement project that will continue throughout 2018/19 2018/19 Amount committed will be approx. £218k. A total of £44k will be committed in 2019/20
Pointing Works	846,400	634,800	199,895	-434,905	664,000	-182,400	The contractor commenced work 1st October and the programme is expected to be complete by the end of March. Committed approximately 75% of the available budget to the programme as the remaining 25% is being held back to address pointing and wall tie mapping works associated with the Hillside project. Given the position on the latter however, it is envisaged this will need to be rolled forward to 19/20.
Electrical Rewires	240,000	180	94,366	94,186	240,000	0	This budget is used as and when upgrades and partial re-wires are required
Bathroom Replacements	59,860	44,895	8,279	-36,616	59,860	0	Programme commenced as scheduled and is now complete, currently awaiting final account.
Asbestos Surveys	13,232	9,924	12,951	3,027	13,232	0	A programme of works in line with capital projects is on-going. As the capital programme begins to ramp up, this budget will be fully committed and spent before the end of 18/19.
External Cyclical Repairs (Painting & Windows)	320,000	240,000	20,441	-219,559	70,000	-250,000	Contractor pricing of properties surveyed to date received on 31/10. Currently assessing information pending issue of programme of works. As anticipated, the level of works required exceeds the budget available in 18/19. Additional funds sought for window and door replacement works from 19/20 onwards. We have now committed to replacing a small number of doors and windows prior to Christmas, with the bulk of the programme commencing late February/early March 2019 and running through in to 19/20. This will dovetail with the increased capital bid approved by the Executive (subject to Council approval). A carry forward will be submitted for the committed funds in due course
Central Heating System Replacements	295,000	221,250	105,236	-116,014	222,000	-73,000	Currently identifying systems which are nearing the end of their economical lifecycle with a view to implementing a replacement programme early in the new year. Based on previous year's it is anticipated that there will be an underspend on this budget of circa 25% which we will seek to roll forward as in previous years. Looking at the current asset profile, it is envisaged there will be a peak in spend in 22/23. We are seeking to smooth this spike through proactive replacement.

## 2018/19 Selby District Council Capital Programme - To 30 November 2018

Housing Revenue Account	Annual Budget	Year to date Budget	Year to Date Actual	Year to date Variance	Forecast	Forecast Variance	Comments
Roof Replacement	741,636	556,227	19,508	-536,719	20,000	-721,636	Currently undertaking additional investigation and survey works resulting from the Section 20 consultation process and a report is to be provided to SDC by 21/12/18. Progression of works to replace the roofing across the scheme will be subject to the findings and recommendations of the report. It is unlikely any works will be undertaken in 2018/19 and therefore the funding will need to be rolled to 19/20. A carry forward request will be completed in due course.
Damp Works	220,000	165,000	52,709	-112,291	110,000	-110,000	The contract for damp remediation works is now fully complete. A contract mobilisation meeting is currently being scheduled with a view to contract 'go live' from January 2019. Due to the reactive nature of the works it is difficult at the current stage to accurately predict outturn although based on previous year's it is currently predicted to underspend by circa 50%. This will be kept under review and refined through quarter 4.
External Door Replacements	226,051	169,538	21,341	-148,197	0	-226,051	Programme to work in conjunction with the External Cyclical Repairs Programme. The approved capital bids for 2019/20 seek to amalgamate the various budgets for these works and will be required to be carried forward.
Void Property Repairs	145,000	108,750	65,908	-42,842	145,000	0	2 additional staff members allocated to working specifically on voids, full year budget anticipated to be spent by the year end.
Fencing Programme	42,821	32,116	-6,375	-38,491	42,821	0	Phase 1 of the programme completed on time and in budget. Budget maintained at this stage to address any potential issues resulting from winter weather. Phase two programme issued to contractor for completion by end of 18/19. Currently anticipate budget being fully spent.
St Wilfrid's Court	13,000	9,750	0	-9,750	13,000	0	Budget relates to works required to upgrade lifeline equipment and is to be undertaken as part of wider improvement of the property currently seeking an updated fire risk assessment for the building, the findings of which will inform the works required. It is anticipated the assessment will be completed in January 2019 and funds committed to the required improvements thereafter.
Laurie Backhouse Court	28,000	21,000	-10,231	-31,231	43,000	15,000	Original quotations to replace the lift exceeded the available budget by circa £15k. Additional funds will need to be secured in order to complete these works. Additional forecast updated pending Virement signoff Due to the time which has elapsed since the initial tender process was completed, updated pricing to be obtained from the market prior to commissioning the works. It is expected this will be received in January 2019 and an order issued shortly thereafter. The works are currently envisaged to be completed in 18/19. A virement form to cover the expected shortfall in funding will be submitted once the revised pricing is received.

## 2018/19 Selby District Council Capital Programme - To 30 November 2018

Housing Revenue Account	Annual Budget	Year to date Budget	Year to Date Actual	Year to date Variance	Forecast	Forecast Variance	Comments
Environmental Improvement Plan	150,488	112,866	1,579	-111,287	75,000	-75,488	No further progress is anticipated, the reduced forecast reflects current proposed projects. Virement form to be completed to move fund to SZ5021 where overspends are forecasted Awaiting updated pricing prior to completing request for virement. Work on environmental improvement works expected to be completed in 18/19. An underspend is forecast due to a lack of viable projects being identified for investment.
Housing Development Project	1,200,000	0	0	0	0	-1,200,000	Programme for the development of up to 10 HRA properties on small sites, Starts on these sites is not anticipated until September 19. Work including asbestos surveys and garage clearance is being progressed.
Garage Sites - improvements to property	18,572	13,929	8,160	-5,769	18,572	0	Works required are influenced by which sites are identified for potential housing development. This budget will be fully committed and spent during 18/19.
Ousegate Hostel	59,499	44,624	1,080	-43,544	59,499	0	Quotation for works to Units 1 and 5 received on 31/10. Currently assessing information pending works. A revised Fire Risk Assessment for the building was undertaken on 30/11/18 and are currently awaiting the report with findings. Previously identified re-modelling works have been out on hold pending the outcome of the assessment. It is expected all funds will be committed in 18/19
Phase 1 Hsg Dev. Byram / Eggborough Bungalows	0	0	740	740	0	0	Project is now complete
Phase 1 Hsg Dev. Byram Park Road	1,455,711	1,091,783	533,939	-557,844	1,426,929	-28,782	Good progress is being made on site. The project will reach Practical completion in Feb 2019.
Footpath Repairs	12,237	9,178	55	-9,123	12,237	0	Issue of ITT to market delayed until January. Now expecting contract award towards end of January 2019 and commencement of works late February 2019. This budget element will be fully spent on urgent, smaller scale works which will be completed prior to commencement of the contract.
Estate Enhancements	133,000	99,750	8,588	-91,162	133,000	0	Links to the above footpath repairs budget. The contract for the work to be let towards the end of January 2019 specifically for footpaths on our estates.
Community Centre Refurbishment	48,000	0	0	0	0	-48,000	Works on hold pending formal Fire Risk Assessment. Capital bid submitted for FRA programme to commence in 19/20. This programme of assessments will identify and inform the works required at this site. On this basis, funds will need to be rolled from 18/19 to 19/20.
Sheltered homes adaption	180,000	135,000	34,439	-100,561	42,000	-138,000	Specification being put together for both this and the aids & adaptation budget and DFG. To cover installation of wet rooms in suitable void properties. Based on the current spend profile, it is anticipated the outturn position on the budget will be circa £42k although as this is effectively a reactive budget, this may fluctuate based on the voids which come through.



## 2018/19 Selby District Council Capital Programme - To 30 November 2018

Housing Revenue Account	Annual Budget	Year to date Budget	Year to Date Actual	Year to date Variance	Forecast	Forecast Variance	Comments
Empty Homes Programme - Improvements to Property	600,000	450,000	880	-449,120	200,000	-400,000	This is to enable RTB buy backs and the compulsory purchase of properties that will be brought back in to the HRA. Currently looking at 1 CPO. Progressing with the CPO to be on the Executive Agenda in Q3. Valuations will be obtained but because of the time it takes to progress a CPO it is unlikely this spend will occur until Q4 at the earliest. At this stage we have not identified any suitable RTB buy backs. Expected outturn in 18/19: 3,000-200,000. We will request for the remainder to be carried forward to 19/20 to allow the continuation of the Empty Homes Programme.
Aids and adaptations programme	125,000	93,750	127,002	33,252	127,002	2,002	Links to sheltered homes.
	<b>7,565,590</b>	<b>4,558,372</b>	<b>1,331,059</b>	<b>-3,227,313</b>	<b>3,957,235</b>	<b>-3,608,355</b>	
<b>Total Capital Programme</b>	<b>17,096,822</b>	<b>6,648,684</b>	<b>2,101,949</b>	<b>-4,546,735</b>	<b>8,671,125</b>	<b>-8,425,697</b>	

**Programme for Growth 2018/19 Financial Year Project Updates****Multi Year schedule for the project lifespan pending amendments for the EDF Action Plan**

Project	Lead Officer	Original Budget £	Revised Budget £	Position @ 31 December 2018			Update
				Spend to date £	Forecast £	Forecast Variance £	
Healthy Living Concepts Fund	Angela Crossland	82,176	82,176	385	82,176	0	The project has now been initiated with North Yorkshire County Council (NYCC) to develop Local Cycle and Walking Infrastructure Plans for the 3 towns. Project will be delivered over 2018-19/2019-20. Sustainable Travel Packs and cycle maps also being developed in 2018-19. The remaining £27,000 is earmarked for projects related to Selby Health Matters Action Plan (3 year plan). A Workshop with Inspiring Healthy Lifestyles (IHL) and NYCC Public Health will take place in January 2019 which should support identification of further potential IHL initiatives.
Visitor Economy (Tourism & Culture)	Angela Crossland	542,193	542,193	37,466	542,193	0	This is a multi-year fund covering 3 years of projects to deliver the Visitor Economy Strategy & Action Plan agreed by Executive in March 2018. The staffing is now in place and a 3 year costed work plan has been finalised. We are currently looking at commissioning baseline activity data.
Celebrating Selby 950	Angela Crossland	200,000	50,000	551	50,000	0	The contract for a 950 Co-ordinator/Curator is in place and will result in be a spend of £5k in this financial year. The second part of this contract will begin in April 2019. The remaining £45k will be carried into 2019/20 as match funding for bids to the Art Council and Heritage Lottery Fund to deliver a dynamic and exciting programme of events.
Retail Experience - Tadcaster Linear Park	Angela Crossland	160,003	160,003	9,150	160,003	0	Moving to final design and costing. Draw down of YorVenture grant expected early 2019 to support Final scheme design checks underway.
Growin Enterprise	Iain Brown	111,761	76,761	-2,984	76,761	0	Phase 2 of Ad: Venture and Digital Enterprise match-funded fees results in forecast expenditure of £55K in Q4. Selby District Business Week may now be funded by Leeds City Region (LCR) Growth Service giving a forecast revised down to £1K in Q4. Final payment on CoStar license is £4K in Q3 with contract terminating in Oct '19. £35k has been approved to be re-allocated to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.
Marketing Selby's USP	Mike James	78,108	78,108	27,853	78,108	0	We have invested in creating new material to tell the story of our strategicbig development sites, which will be ready to share from the New Year. This now includes a focus on material that can tell the positive benefits of growth for people already living and working in the area e.g. access to higher skilled jobs and a wider range of employment opportunities. Meanwhile we have continued our engagement with LCR LEP to ensure that Selby's story is included in the regional campaign in the lead-up to MIPIM 2019.
Tour De Yorkshire	Angela Crossland	0	150,000	0	150,000	0	Selby town is hosting the SDC to host the finish of the first stage of Tour de Yorkshire (TdY) in May 2019, which will give the town a massive publicity boost in the year of the Abbey's 950 celebrations
Retail Experience - STEP	Angela Crossland	108,340	108,340	30,176	108,340	0	The Pop-up installations have now been moved to other locations in the town centre to complement/test the ideas proposed for the car park refurbishment project. A networking/membership drive event for the Selby Town Enterprise Partnership (STEP) is proposed for March 2019. There is a re-focusing of STEP priorities to align with the Tourism and Culture and Towns Regeneration work streams.
Towns Masterplanning (Regeneration)	Angela Crossland	150,000	120,000	0	120,000	0	Brief in draft for approval to for next stage of work. Brief to include 2 phases of approach. Phase 1 - stakeholder and literature review of previous work/data. Phase 2 will be a deliverables plan for each town centre. An internal Project Delivery scoping meeting is scheduled for early in the New Year and it will be aligned to work around potential Future High Street Fund bids. It is anticipated that the project will split into separate work streams for each town and across financial years. It has been approved that £30k is will be re-allocated to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.

Project	Lead Officer	Original Budget £	Revised Budget £	Spend to date £	Forecast £	Forecast Variance £	Update
Strategic Sites Masterplanning	Iain Brown	246,613	200,613	4,486	200,613	0	Funded due diligence work on Olympia Park, Portholme Road, Edgerton Lodge and Selby Station Masterplan. Likely future projects will include strategic infrastructure response to Sherburn Employment sites, improvements to the area around the railway station in Selby and the Crosshills site. Planned Q4 expenditures include £30K consultant work on Station Cycle and walk ways to support a future Transforming cities Fund bid; £25K funding for Church Fenton to jointly commission a detailed business plan for the Create Yorkshire film and creative industries hub. £46k is approved to be re-allocated to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.
Access to Employment	Iain Brown	100,000	40,000	0	40,000	0	Liaison with local businesses has emphasised the increasing severity of labour market challenges at Sherburn-in-Elmet. This will likely be exacerbated by the impending development of S2. Through collaboration managed by the Economic Development team between Arriva, WYCA, and Sherburn based businesses, we are close to a transport solution to improve scheduled public transport services. The option for Selby District Council to underwrite short term risk using P4G funding is being considered if necessary to achieve a collective agreement between all stakeholders. Forecast spend - £25k in Q4. £60k has been approved to be re-allocated to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.
Empty Homes	June Rothwell Simon Parkinson	115,475	115,475	15,427	115,475	0	Overall the project is progressing well and there have been some good early results and the Empty Homes Officer has directly helped bring empty homes back into use by offering advice and assistance to owners. Homes England Grant funding has been secured to support the options of voluntary and compulsory purchase. A total of £390,000 has been secured, subject to individual business cases for the properties, to purchase and repair the empty homes, bringing them to a habitable standard. This indicative funding is to bring back in to use 10 empty properties up to 2020, providing up to £39,000 per property. We are currently pursuing our first Compulsory Purchase Order and a report will be taken to executive in December 2018. The process can be long and quite complex but a successfully CPO will send the message that this is a priority for us. We can also use the funding to purchase 'right to buy' buy backs and this is something we will consider on a case by case basis.
Selby District Housing Trust	Iain Brown	38,300	38,300	1,000	38,300	0	This fund is to support SDHTs role in the more ambitious HDP approved by Executive in January 2018 a new post of Trust Housing officer has been established but is currently unfilled. The post will be advertised again in the New Year.
Stepping Up' Housing Delivery	Iain Brown	49,862	24,862	11,045	24,862	0	The Project will support the implementation of the Housing Development Programme approved by the Executive in January 2018. It has been approved to reallocate £25K to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.
Olympia Park	Iain Brown	435,000	435,000	81,424	435,000	0	The majority of the surveys and reports have now been completed on the site, and the lead developer is using these to inform the a review of the potential viability of alternative engineering design solutions to address the flood and ground condition issues identified through this up to date survey work. This will inform the creation of a comprehensive masterplan for the development of the whole site. This evidence base and masterplan will support the submission of a planning application. The Council has a dedicated project manager to lead the delivery of this key site. We are also continuing to work with our legal and property advisers to explore strategies for the delivery of the site, ensuring we maintain a number of options. The Council has secured £8.878m Housing Infrastructure Funding and is now progressing discussions with Homes England regarding the agreement of grant conditions and drawdown of the Housing Infrastructure Fund investment.
Making our Assets work	Iain Brown	230,000	180,000	7,907	180,000	0	The budget is targeted at funding due diligence work to bring the Council's assets to the market. These include small garage sites, Portholme Road, Edgerton Lodge, Barlby Road depot and Bondgate. The Executive has recently authorised the former Barlby Road Depot site to be marketed for employment use. £1.7k valuation fees for Barlby Depot during Q4. It has been approved to reallocate £50K to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.

Project	Lead Officer	Original Budget £	Revised Budget £	Spend to date £	Forecast £	Forecast Variance £	Update
Commercial property acquisition fund	Iain Brown	3,500,000	3,500,000	453,640	3,500,000	0	Two additional units are under review and are subject of discussions around developing a business case. £650K planned to cover further potential acquisition
High Street shop fronts	Angela Crossland	100,000	100,000	0	100,000	0	Scope in place and workshop arranged with Historic England to explore heritage development initiatives. This initiative is also interdependent with the Towns Masterplanning project. Funds are allocated to be spent within next 2 financial years and as such £50k is to be carried forward to support year 2. A project officer has now been assigned to lead this from within the Communities and Partnerships team.
New lane - Public Realm	Iain Brown	230,000	200,000	0	200,000	0	This project has been delayed and new timelines are to be determined because of current capacity issues at both SDC and NYCC. The design work will be completed in 2018/19. No expenditure anticipated in 18/19. It has been approved to reallocate £30k to the Staffing resources budget to fund staffing as set out in the January 2019 report to Executive on the EDF.
		<b>6,844,983</b>	<b>6,201,831</b>	<b>677,526</b>	<b>6,201,831</b>	<b>0</b>	

P4G Budget Position	£'000
P4G Investment Fund Fund - Per MTFS	<b>10,934</b>
Less Spend to Date	-666
	<b>10,268</b>
Existing P4G & Carried Forward Projects	6,202
HDP Feasibility & SDHT Support Post	251
<b>Balance Before Salaries</b>	<b>3,815</b>
P4G Salaries 17/18	635
P4G Salaries 18/19 (Forecast)	988
Additional Staffing Resources	643
Remaining Salaries	1,377
<b>P4G Contingency</b>	<b>172</b>



**Report Reference Number: E/18/44**

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**To: Executive**  
**Date: 6 February 2019**  
**Status: Key Decision**  
**Ward(s) Affected: All**  
**Author: Michelle Oates, Senior Accountant**  
**Lead Executive Councillor Lunn, Lead Executive Member**  
**Member: for Finance and Resources**  
**Lead Officer: Karen Iveson, Chief Finance Officer**

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**Title: Treasury Management – Treasury Management Strategy Statement 2019/20, Minimum Revenue Provision Policy Statement 2019/20, Annual Investment Strategy 2019/20 and Prudential Indicators 2019/20.**

**Summary:**

This report presents for approval the proposed Treasury Management Strategy together with the Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2019/20, Capital Strategy 2019/20 and Prudential Indicators 2019/20 as required by the Department of Communities and Local Government and CIPFA (as updated 2017).

**Recommendations:**

**It is recommended to Council that:**

- i) The Operational Borrowing Limit for 2019/20 is set at £85m**
- ii) The Authorised Borrowing Limit for 2019/20 is set at £90m**
- iii) Councillors delegate authority to the Chief Finance Officer to effect movement within the agreed authorised boundary limits for long-term borrowing for 2019/20 onwards.**
- iv) Councillors delegate authority to the Chief Finance Officer to effect movement within the agreed operational boundary limits for long-term borrowing for 2019/20 onwards.**

- v) **The treasury management strategy statement 2019/20 be approved.**
- vi) **The minimum revenue provision policy statement for 2019/20 be approved.**
- vii) **The treasury management investment strategy for 2019/20 be approved.**
- viii) **The prudential indicators for 2019/20 which reflect the capital expenditure plans which are affordable, prudent and sustainable be approved.**
- ix) **The Capital Strategy for 2019/20 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 programmes. These capital programmes provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 The Council's Treasury Management Strategy is attached at Appendix A. The strategy sets out the limits to borrowing and investments that officers will apply over the coming year in order to ensure the Council's capital investments plans are affordable, prudent and sustainable.
- 1.4 The strategy incorporates Statutory MRP guidance where it has been updated in 2018, which has largely had little impact for this Council. The key difference within the strategy is disclosures relating to Voluntary Revenue Provision payments, (VRP).

## **2. The Report**

### **2.1 Treasury Management Strategy**

- The Council's 'Authorised Limit for External Debt' is £90m for 2019/20, which is the maximum that can be borrowed in the year;
- The 'Operational Boundary' (the maximum amount that is expected to be borrowed) is £85m in 2019/20, which includes £5m headroom for any unusual cashflow purposes, should this be required;
- The increase in borrowing limits reflects the stepping up of the Housing Delivery Programme, which includes HRA investment and loans to Selby & District Housing Trust.
- 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);
- 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 31/12/18 is £59.3 at an average rate of 4.19%;
- Total investments are around £64m at an average rate of 0.89%.
- Investment rates available continue to remain at relatively low levels as a result of the historically low Bank Rate. Whilst the Council is experiencing exceptional annual receipts as a result of Renewable Energy Business Rates, options to earmark some of those receipts for Commercial Investment have been developed, with £5m invested in property funds, and a further £3.5m fund earmarked for direct Commercial Property Investment. Whilst the latter is not strictly classified as Treasury Investment, it is important to recognise the inter-relationship with the Treasury function and the impacts on cashflow and revenue returns. .

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

- The Council is required to determine the amount of MRP it considers prudent for each financial year. The MRP policy is based on the Government's statutory guidance. Under the new guidance, any amount charged above the statutory minimum provision as voluntary payments (VRP), can if needed be reclaimed for use in future years, if required and prudent, providing the cumulative amounts are disclosed each year in the policy.
- MRP for new borrowing will be based on the asset life;

- Total MRP for 2019/20 is £0.255m (£0.179m internal borrowing, and £0.076 for leases).
- VRP for 2019/20 is £1.26m, in relation to HRA external borrowing.

### **2.3 Annual Investment Strategy**

- 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 £36m and £51m over the coming year dependent upon cashflows;
- An average rate of return of 1% has been estimated for 2019/20. and 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 Councils investment priorities and criteria list.
- As part of the monitoring and review of investment options, Property Funds were identified as an instrument for investment following discussions with the County Councils Treasury Management consultants. £5m was placed during 2018/19 and consideration will be given to further investment.

### **2.4 Prudential Indicators**

- The Council plans to spend £18.6m on capital projects in 2019/20;
- This expenditure will be funded from the HRA major repairs reserve, earmarked revenue reserves, 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 0.18% of the General Fund Budget and 35.65% of the HRA net budget in 2019/20.
- Taking into account all capital spending plans during 2019/20 there is a borrowing requirement of £7.474m for the General Fund and £1.900m for the HRA.

## **2.5 Capital Strategy**

- In December 2017, CIPFA issued a revised Treasury Management Code of Practice and Prudential Code. The revised Codes require all local authorities to produce a Capital Strategy. The Capital Strategy provides a high level overview of how capital expenditure, capital financing and treasury management contribute to the provision of Corporate and service objectives and takes account of stewardship, value for money, prudence, sustainability and affordability. As a result, a Capital Strategy is now included as **Appendix F** to this report.
- The current economic environment is resulting in low returns on traditional treasury management investments. As a result, the Council is currently progressing an alternative strategic approach to managing cash resources through alternative, non-core investments, in addition to the Extended Housing Delivery Programme, encompassing loans to SDHT. Alternative investments are currently earmarked as capital expenditure and as such are included in the Capital Programme.
- The Capital Strategy provides a projection of how capital expenditure plans, including alternative investment plans, impact on capital borrowing and repayment plans.
- The Capital Programme currently includes existing investment in Property Funds, a Commercial Property investment fund and further loans to support the Housing Delivery Programme. Whilst there are no plans at present to place further investments with Property Fund, it will remain a consideration, subject to performance of current investment and pending purchase of commercial property.

## **3. Implications**

### **3.1 Legal Implications**

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

### **3.2 Financial Implications**

There are no financial implications as a result of this report. However, the – Chief Finance Officer 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

**6. Appendices**

Appendix A – Treasury Management Strategy 2019/20  
Appendix B – Minimum Revenue Provision Policy 2019/20  
Appendix C – Capital Prudential Indicators 2019/20  
Appendix D – Borrowing Strategy 2019/20  
Appendix E – Annual Investment Strategy 2019/20  
Appendix F – Capital Strategy 2019/20

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**TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20****1.1 Introduction**

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 in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

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, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

CIPFA defines treasury management is as:

"The management of the local authority's borrowing, 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."

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.

## 1.2 Reporting requirements

### 1.2.1 Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

### 1.2.2 Treasury Management Reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

**a. 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;
- an investment strategy (the parameters on how investments are to be managed).

**b. 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.

**c. An Annual Treasury Report** – This year end report provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

**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.

**1.3 The suggested Treasury Management Strategy for 2019/20 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, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

**1.4 Training**

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 Link Asset Services and further training will be arranged as required.

**1.5 Treasury Management Consultants**

The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

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 the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

**MINIMUM REVENUE PROVISION POLICY STATEMENT 2019/20****1. Introduction**

- 1.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement

**2. Minimum Revenue Provision Policy**

- 2.1 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 2019/20 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.

**(b)** From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be *either*:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);
- **Depreciation method** – MRP will follow standard depreciation accounting procedures (option 4);

These options provide for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made. Although there were transitional arrangements in place up to the end of 2016/17, the Council already adopted the full requirements and therefore had no impact on the revenue budget.

Total General Fund MRP for 2019/20 is estimated at £0.255m (£0.179m internal borrowing, and £0.076 for leases).

- 2.2 **MRP Overpayments** - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments (VRP), can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019 the total VRP overpayments were £11.28m. This relates to VRP charged for the repayment of HRA self-financing debt of £8.32m, and additional

payments of £2.96m in relation to General Fund liabilities.

**THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22****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**

<b>Capital Expenditure</b>	<b>2017/18 Actual £'000</b>	<b>2018/19 Est. £'000</b>	<b>2019/20 Est. £'000</b>	<b>2020/21 Est. £'000</b>	<b>2021/22 Est. £'000</b>
General Fund	771	4,092	1,412	652	547
HRA	2,721	5,157	7,349	4,036	3,136
Commercial activities / Non-financial Investments*	114	12,077	9,874	0	0
<b>Total</b>	<b>3,606</b>	<b>21,326</b>	<b>18,635</b>	<b>4,688</b>	<b>3,683</b>

\* Commercial activities / non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.



- 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 An updated Housing Delivery Programme is currently in progress which sets out ambitions to extend the programme for both the Council and Selby & District Housing Trust. The forecast capital spend and loans to the Trust are included in Capital estimates shown in Table 1. In addition, a refresh of the HRA business plan is currently being updated which will require a review of the Council’s borrowing requirement, which depending on timing, will be brought as a mid-year update to this strategy or included in the 2020/21 strategy.
- 2.5 Capital expenditure plans at present include Alternative Investments in Property Funds (invested £5m in 2018/19) and a Commercial Property Acquisition Fund (£3.5m spread across 2018/19 – 2019/20).

**Table 2: Financing of Capital Expenditure**

- 2.6 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).

<b>Capital Expenditure</b>	<b>2017/18 Actual £'000</b>	<b>2018/19 Est. £'000</b>	<b>2019/20 Est. £'000</b>	<b>2020/21 Est. £'000</b>	<b>2021/22 Est. £'000</b>
General Fund	771	4,092	1,412	652	547
HRA	2,721	5,157	7,349	4,036	3,136
Commercial Activities / Non-financial Investments	114	12,077	9,874	0	0
<b>Total</b>	<b>3,606</b>	<b>21,326</b>	<b>18,635</b>	<b>4,688</b>	<b>3,683</b>
<b>Financed By:</b>					
Revenue & Reserves	-756	-9,210	-3,965	-485	-200
Capital Receipts	-274	-496	-370	-310	0
Grants	-179	-597	-557	-557	-347
Major Repairs Reserve	-1,364	-2,530	-4,369	-3,336	-3136
Borrowing - Leases					
<b>Net Financing Need</b>	<b>1,033</b>	<b>8,493</b>	<b>9,374</b>	<b>0</b>	<b>0</b>

- 2.7 The net financing need for commercial activities / non-financial investments included in the above table against expenditure is shown below:

Commercial activities / non-financial investments £m	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual £'000	Est. £'000	Est. £'000	Est. £'000	Est. £'000
Capital Expenditure	0	5,977	7,474	0	0
Financing costs	0	0	0	0	0
<b>Net financing need for the year</b>	<b>0</b>	<b>5,977</b>	<b>7,474</b>	<b>0</b>	<b>0</b>
Percentage of total net financing need %	-	<b>70%</b>	<b>80%</b>	-	-

### 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. The Council is asked to approved the CFR projections below:

**Table 3: Capital Financing Requirement**

	2017/18 Actual £000	2018/19 Est. £000	2019/20 Est. £000	2020/21 Est. £000	2021/22 Est. £000
CFR General Fund	1,937	1,756	1,577	1,399	1,221
CFR GF Leases	232	158	82	3	3
CFR Commercial / Non-financial investments	558	6,516	13,923	13,820	13,568
<b>Total CFR General Fund</b>	<b>2,726</b>	<b>8,430</b>	<b>15,582</b>	<b>15,222</b>	<b>14,793</b>
CFR HRA	51,067	52,323	52,963	51,703	50,443
<b>Total CFR</b>	<b>53,793</b>	<b>60,752</b>	<b>68,544</b>	<b>66,924</b>	<b>65,236</b>
<b>Movement in CFR</b>	-608	6,959	7,792	-1,620	-1,689
Movement in CFR represented by:-					
Net Financing need for the year	1,033	8,493	9,374	0	0
Less MRP & Other Financing movements	-1,645	-1,534	-1,582	-1,620	-1,689
<b>Movement in CFR</b>	<b>-612</b>	<b>6,959</b>	<b>7,792</b>	<b>-1,620</b>	<b>-1,689</b>

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

### 3. **Affordability Prudential Indicators**

3.1 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:

3.2 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>2017/18 Actual %</b>	<b>2018/19 Est. %</b>	<b>2019/20 Est. %</b>	<b>2020/21 Est. %</b>	<b>2021/22 Est. %</b>
<b>General Fund</b>	1.02	0.19	0.18	0.22	-0.63
<b>Housing Revenue Account</b>	35.51	33.91	35.65	30.64	30.32

HRA figures reflect 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, plus makes voluntary revenue contributions (VRP).

**BORROWING STRATEGY 2019/20**

- 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 31/12/18**

		<b>Principal</b>		<b>Ave. rate</b>
		£m	£m	%
Fixed rate funding	PWLB	52.8		
	Market	<u>6.5</u>	59.3	4.19
Variable Rate Funding	PWLB	0		
	Market	0	0	0
Other long term liabilities	Leases	0.2	0.2	4.51
<b>TOTAL DEBT</b>			<b>59.6</b>	<b>4.19</b>
<b>TOTAL INVESTMENTS</b>			<b>69.2</b>	<b>0.89</b>

- 1.2 The Council's treasury portfolio position as at 31 December 2018 is shown in Table 1 and the forecasted position at 31 March 2018, 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**

	2017/18 Actual £000	2018/19 F'cast £000	2019/20 F'cast £000	2020/21 F'cast £000	2021/22 F'cast £000
<b>External Borrowing</b>					
Borrowing at 1 April	59,333	59,333	59,333	59,333	52,833
Expected Change in Borrowing	0	0	0	-6,500	0
Leases	232	158	82	3	3
<b>Actual Borrowing at 31 March</b>	<b>59,565</b>	<b>59,491</b>	<b>59,415</b>	<b>52,836</b>	<b>52,836</b>
CFR - the borrowing need	53,793	60,752	68,544	66,924	65,236
Under / (over) borrowing	-5,772	1,262	9,130	14,088	12,400
<b>Investments</b>					
Total Investments	55,092	57,849	50,056	40,053	42,301
Investment Change	18,002	2,757	-7,793	-10,003	2,249
Net Borrowing	4,473	1,642	9,359	12,783	10,535

**2.****Treasury Limits for 2019/20 to 2021/22**

- 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 2017/18, nor are any difficulties envisaged for the current (2018/19) or future years (2020/21 – 2021/22). 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>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Borrowing	77,000	83,000	89,000	89,000	79,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
<b>Total</b>	<b>78,000</b>	<b>84,000</b>	<b>90,000</b>	<b>90,000</b>	<b>80,000</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>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Borrowing	72,000	78,000	84,000	84,000	74,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
<b>Operational Boundary Total</b>	<b>73,000</b>	<b>79,000</b>	<b>85,000</b>	<b>85,000</b>	<b>75,000</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 2017/18 and 2018/19 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 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 Link 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 Link central view.

**Table 5: Link View interest rate forecast – January 2019**

	Bank Rate	PWLB Borrowing Rates (including 0.2% discount)			
		5 year	10 year	25 year	50 year
	%	%	%	%	%
Mar 2019	0.75	2.10	2.50	2.90	2.70
Sept 2019	1.00	2.20	2.60	3.10	2.90
Mar 2020	1.25	2.30	2.80	3.20	3.00
Sept 2020	1.25	2.50	2.90	3.30	3.10
Mar 2021	1.50	2.60	3.00	3.40	3.20
Sept 2021	1.75	2.70	3.10	3.50	3.30

**4 Borrowing Requirement**

- 4.1 The Council is currently forecasting a marginally under-borrowed position in 2018/19. This means that the Council’s capital borrowing is lower 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 maintain an under-borrowed position from 2019/20 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 2019/20.



<b>Under / (Over) Borrowing</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
General Fund	1,126	6,830	13,982	13,622	13,193
HRA	-6,666	-5,410	-4,770	470	-790
Overall Position	-5,540	1,419	9,211	14,091	12,403

\* The table above excludes leases from the under / over borrowed position, unlike table 2 – Forecasted Portfolio Position.

- 4.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 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 2019/20 to 2021/22 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 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 7 : Maturity Structure Fixed Rate Borrowing 2019/20**

<b>Maturity Structure New Borrowing 2019/20</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 £52.8m of PWLB debt and £6.5m of market debt. The portfolio will be kept under review for debt rescheduling options, however, opportunities for rescheduling have been limited.
- 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 2019/20****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 2019/20.

**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 "the guidance", and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes, "the code";
  - (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 2018.
  - (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 This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

(a) 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 suggested 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

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

- (b) 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;
- (c) 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;
- (d) all of the above will be monitored on a weekly basis through Link 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 Link 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;

- (e) 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:-

<b>Maximum Investment Limit</b>	<b>Criteria</b>
£75m	UK “nationalised / Part Nationalised” banks / UK banks with UK Central Government involvement
£20m to £60m	UK “Clearing Banks” and selected UK based Banks and Building Societies
£20m or £40m	High quality foreign banks

- (f) 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.
- (g) 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;
- (h) 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 5 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 two non-specified investments over 365 days, in addition to this Council's direct investment in two property funds.
- (g) bank rate increased to 0.75% in August and underpins investment returns. Investment returns are expected to rise gently over the next 3 years

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 Link 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 Link Asset Services – Treasury Solutions as its external treasury management adviser. Link 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 Link 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, which has been exercised. 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 Chief Finance Officer (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 2017 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 Chief Finance Officer.

- (c) (i) All money in the hands of the Council shall be under the control of the Chief Finance Officer – the officer designated for the purposes of Section 151 of the Local Government Act 1972.
- (ii) The Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer who shall be required to act in accordance with CIPFA's Treasury

11.3 In terms of the Treasury Management role of the Chief Finance Officer, 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:
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;

- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;

**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;

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## **CAPITAL STRATEGY 2019/20**

### **1.0 BACKGROUND**

1.1 The purpose of the Capital Strategy is to demonstrate that the Council takes capital expenditure and investment decisions in line with Corporate and service objectives, and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

1.2 The Capital Strategy comprises a number of distinct, but inter-related, elements as follows:

#### **(a) Capital expenditure (Section 2)**

This section includes an overview of the governance process for approval and monitoring of capital expenditure, including the Council's policies on capitalisation, and an overview of its capital expenditure and financing plans.

#### **(b) Capital financing and borrowing (Section 3)**

This section provides a projection of the Council's capital financing requirement, how this will be funded and repaid. It therefore sets out the Council's borrowing strategy and explains how it will discharge its duty to make prudent revenue provision for the repayment of debt.

#### **(d) Alternative investments (Section 4)**

This section provides an overview of those of the Council's current and proposed **alternative investment activities** that count as capital expenditure, including processes, due diligence and defining the Council's risk appetite in respect of these, including proportionality in respect of overall resources.

#### **(e) Chief Financial Officer's statement (Section 5)**

This section contains the Chief Financial Officer's views on the deliverability, affordability and risk associated with the capital strategy

## 2.0 CAPITAL EXPENDITURE

### Capitalisation Policy

2.1 Expenditure is classified as capital expenditure when it results in the acquisition or construction of an asset (e.g. land, buildings, roads and bridges, vehicles, plant and equipment etc.) that:

- Will be held for use in the delivery of services, for rental to others, investment or for administrative purposes; and
- Are of continuing benefit to the Council for a period extending beyond one financial year.

Subsequent expenditure on existing assets is also classified as capital expenditure if these two criteria are met.

2.2 There may be instances where expenditure does not meet this definition but would be treated as capital expenditure, including:

- Where the Council has no direct future control or benefit from the resulting assets, but would treat the expenditure as capital if it did control or benefit from the resulting assets; and
- Where statutory regulations require the Council to capitalise expenditure that would not otherwise have expenditure implications according to accounting rules

2.3 The Council operates de-minimis limits for capital expenditure. This means that items below these limits are charged to revenue rather than capital. The limits are currently as follows:

- **General Limit:** £10,000

### Governance

2.4 The Executive shall, during each financial year and after consultation with the relevant Overview and Scrutiny Committee(s), approve a capital expenditure programme for the next following and subsequent 2 financial years. Such programmes shall be in a form and in accordance with deadlines approved by the Chief Finance Officer and in accordance with the Council's Financial Strategy. Capital expenditure plans shall be prepared by the respective Director, in conjunction with the Chief Finance Officer for submission to The Executive and then Council for approval.

2.5 The Council's Financial and Contract Procedure Rules provide a framework for the appropriate authorisations for individual schemes to proceed and facilitate the overall management of the Capital Plan within defined resource parameters.

### Capital Expenditure and Funding Plans

2.6 Capital expenditure plans are set out in **Appendix C**.

- 2.7 When expenditure is classified as capital expenditure for capital financing purposes, this means that the Council is able to finance that expenditure from any of the following sources:
- (a) **Capital grants and contributions** - amounts awarded to the Council in return for past or future compliance with certain stipulations.
  - (b) **Capital receipts** – amounts generated from the sale of assets and from the repayment of capital loans, grants or other financial assistance.
  - (c) **Revenue contributions** – amounts set aside from the revenue budget in the Reserve for Future Capital Funding.
  - (d) **Borrowing** - amounts that the Council does not need to fund immediately from cash resources, but instead charges to the revenue budget over a number of years into the future.
- 2.8 The implications of financing capital expenditure from ‘borrowing’ are explained in section 3 below.

### 3.0 CAPITAL FINANCING REQUIREMENT AND BORROWING

#### Context

- 3.1 The County Council is required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (referred to as the ‘Prudential Code’) when assessing the affordability, prudence and sustainability of its capital investment plans.
- 3.2 Fundamental to the prudential framework is a requirement to set a series of prudential indicators. These indicators are intended to collectively build a picture that demonstrates the impact over time of the Council’s capital expenditure plans upon the revenue budget and upon borrowing and investment levels, and explain the overall controls that will ensure that the activity remains affordable, prudent and sustainable.
- 3.3 A summary of the actual prudential indicators for 2017/18, and the estimates for 2018/19 through to 2021/22 are provided in Appendix C.

#### Capital Financing Requirement

- 3.4 When capital expenditure is funded from borrowing, this does not result in expenditure being funded immediately from cash resources, but is instead charged to the revenue budget over a number of years. It does this in accordance with its policy for the repayment of debt, which is set out in Appendix B.
- 3.5 The forward projections of the CFR reflect:
- Additional capital expenditure from borrowing or further credit arrangements resulting in an increase to the CFR and
  - Revenue budget provision being made for the repayment of debt, which results in a reduction to the CFR).
- 3.6 The actual CFR for 2017/18 and forward projections for the current and forthcoming years are as follows:

	2017/18 Actual £000	2018/19 Est. £000	2019/20 Est. £000	2020/21 Est. £000	2021/22 Est. £000
CFR General Fund	1,937	1,756	1,577	1,399	1,221
CFR GF Leases	232	158	82	3	3
CFR Commercial / Non-financial investments	558	6,516	13,923	13,820	13,568
<b>Total CFR General Fund</b>	<b>2,726</b>	<b>8,430</b>	<b>15,582</b>	<b>15,222</b>	<b>14,793</b>
CFR HRA	51,067	52,323	52,963	51,703	50,443
<b>Total CFR</b>	<b>53,793</b>	<b>60,752</b>	<b>68,544</b>	<b>66,924</b>	<b>65,236</b>

- 3.7 The forecast increase in the CFR is a result of the amount of capital expenditure that it is intended to be financed from borrowing based on the current capital programme up to 2021/22. This is primarily due to stepping up the Housing Delivery Programme over the next 3 years.
- 3.8 The Capital Plan includes planned expenditure relating to alternative investments, under the heading of 'Commercial/Non-Financial Investments. This includes loans to deliver the Housing Delivery Programme, investment in Property Funds that took place in October 2018 and a Commercial Property Acquisition Fund. As alternative investment plans continue to be developed and approved the Capital Plan will be updated and due consideration given to the impact on the CFR to ensure plans are sustainable in the long term and proportionate in terms of a balanced risk approach.

### **External borrowing limits**

- 3.9 The Council is only permitted to borrow externally (including via credit arrangements) up to the level implied by its Capital Financing Requirement (CFR). To ensure that external borrowing does not exceed the CFR, other than in the short term, limits are established for external debt, as follows:
- **Authorised limit** – this defines the maximum amount of external debt permitted by the Council, and represents the statutory limit determined under section 3 (1) of the Local Government Act 2003.
  - **Operational boundary** – this is an estimate of the probable level of the Council's external debt, and provides the means by which external debt is managed to ensure that the 'authorised limit' is not breached.
- 3.10 The proposed limits, which are set out in Appendix D, make separate provision for external borrowing and other long-term liabilities, and are based upon an estimate of the most likely but not worst case scenarios. They allow sufficient headroom for fluctuations in the level of cash balances and in the level of the CFR.
- 3.11 Alternative investment activities included in the plan are to be classed as capital expenditure. The Alternative Investments Strategy is still evolving though and, in the event that major initiatives are proposed, in excess of those already in the Capital Programme, it may be necessary to review the current borrowing limits.
- 3.12 The agreed **Operational Boundary** and **Authorised Limits** for external debt are as follows:



Operational Boundary	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Borrowing	72,000	78,000	84,000	84,000	74,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
<b>Operational Boundary Total</b>	<b>73,000</b>	<b>79,000</b>	<b>85,000</b>	<b>85,000</b>	<b>75,000</b>

Authorised Limit for External Debt	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Borrowing	77,000	83,000	89,000	89,000	79,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
<b>Total</b>	<b>78,000</b>	<b>84,000</b>	<b>90,000</b>	<b>90,000</b>	<b>80,000</b>

### **Borrowing strategy**

3.13 The Councils Borrowing Strategy is set out in Appendix D.

3.14 The Council's capital borrowing is slightly higher than the underlying need to borrow. As a result of the capital expenditure plans the Council is expected to be in an under-borrowed position from 2018/19 onwards. This has been a prudent strategy as investment returns are low and counterparty risk is relatively high – this approach will be carefully monitored during 2019/20.

3.15 The use of internal borrowing has been an effective strategy in recent years as:

- Rising cash balances as a result of MRP set aside mean available cash for the medium to longer term;
- It has enabled the Council to avoid significant external borrowing costs; and
- It has mitigated significantly the risks associated with investing cash in what has often been a volatile and challenging market.

3.16 Further long term external borrowing may be undertaken, in excess of the current forecasts, in the event that it is not possible or desirable to sustain the anticipated internal borrowing position.

3.17 The external borrowing requirement will be kept under review long term external loans will be secured within the parameters established by the **authorised limit** and **operational boundary** for external debt (as set out within Appendix B).

- 3.18 Opportunities to generate savings by refinancing or prematurely repaying existing long term debt will also be kept under review. Potential savings will be considered in the light of the current treasury position and the costs associated with such actions.

### **Minimum Revenue Provision**

- 3.19 The Council sets cash resources aside from the Revenue Budget each year to repay the borrowing. This practice is referred to as the minimum revenue provision (MRP) for the repayment of debt.
- 3.20 The Capital Financing Requirement (CFR) provides a measure of the amount of capital expenditure which has been financed from borrowing that the Council yet to fund from cash resources.
- 3.21 Statutory guidance requires MRP to be provided annually on a prudent basis. In accordance with the requirement to make a prudent 'revenue provision for the repayment of debt', the Council ensures that debt is repaid over a period that is commensurate with the period over which the capital expenditure provides benefit. This is achieved by applying the methodology set out in Appendix B. The revenue budget provision for MRP charges in 2019/20 has been compiled on a basis consistent with this policy.

## **4.0. Alternative Investments**

### **Introduction**

- 4.1 The prolonged low interest rate environment has resulted in reduced returns on treasury management investments. Moreover, the introduction of the general power of competence has given local authorities far more flexibility in the types of activity they can engage in. These changes in the economic and regulatory landscape, combined with significant financial challenges, have led many authorities to consider different and more innovative types of investment.
- 4.2 CIPFA recently issued an update to its Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Management Code). One of the main changes introduced by the new Code is to require authorities to incorporate all of the financial and non-financial assets held for financial return in authorities' annual capital strategies.
- 4.3 Separately, the Department for Communities and Local Government consulted on changes to its statutory Guidance on Local Authority Investments. As a result, updated Statutory investment guidance and MRP guidance was issued in 2018. The guidance reinforced the need for commercial investment activity to be financially sustainable, proportionate to overall resources and the Council should have access to the appropriate level of expertise to make informed decisions.
- 4.4 The following paragraphs provide an overview of the Council's current approach to commercial investment activity. This section of the Capital Strategy will need to be updated as the Council's own agenda for commercial investments evolves.
- 4.5 It is worth highlighting that all commercial investment activities are subject to approval in accordance with the Council's governance framework for decision making.

### **Alternative Investment Objectives**

- 4.6 The primary objectives of the commercial investment activities are:

- Security – to protect the capital sums invested from loss; and
- Liquidity – ensuring the funds invested are available for expenditure when needed.

- 4.7 The generation of **yield** is distinct from these prudential objectives. However, once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities.
- 4.8 Non-core activities and investments are primarily undertaken by the Council in order to generate income to support the delivery of a balanced budget. Such investments are only entered following a full assessment of the risks and having secured expert external advice (i.e. where it is relevant to do so)
- 4.9 To ensure that alternative investment plans are financially sustainable, the Council has carefully considered the internal funds available for investment. Since 2014/15 the Council has received substantial payments in relation to Renewable Energy Business Rates, allowing the Council to earmark specific reserves for investment in growth initiatives, known as the Programme for Growth. This has enabled funds to be created for investment in Property funds and Commercial Property.
- 4.10 In relation to loans to third parties, cash balances have been consistently high and are forecast to remain healthy, which has enabled balances to be earmarked for lending. However, to ensure the Council's own future spending plans are not hampered by lack of available cash, loan rates are set at a level to mitigate any potential borrowing needs, at PWLB plus a margin to ensure an adequate return will still be achieved.

#### **Investment Properties**

- 4.9 Options are currently being considered for the acquisition of land and buildings for investment purposes rather than for the supply of goods or services or for administrative purposes. Such assets will be classified as Investment Properties.
- 4.10 Investment properties will be measured at their fair value annually (which will ensure the valuation reflects the market conditions at the end of each reporting period). The fair value measurement will enable the Council to assess whether the underlying assets provide security for capital investment. Where the fair value of the underlying assets is no longer sufficient to provide security against loss, mitigating actions will be considered, to ensure that appropriate action is taken to protect the capital sum invested.
- 4.11 The approach to the acquisition of an investment property portfolio is still being developed. An Investment Property Strategy is currently being formulated and will be submitted to Executive for approval.

#### **Loans to Third Parties**

- 4.12 Loans to third parties will be considered, as part of a wider strategy for local economic growth, for example loans provided to further delivery of the Housing Delivery Programme. However they may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.
- 4.13 Such loans will be considered when all of the following criteria are satisfied:
- The loan is given towards expenditure which would, if incurred by the Council, be capital expenditure;

- The purpose for which the loan is given is consistent with the Council's corporate / strategic objectives and priorities;
- Due diligence is carried out that confirms the Council's legal powers to make the loan, and that assesses the risk of loss over the loan term;
- A formal loan agreement is put in place which stipulates the loan period repayment terms and loan rate (which will be set at a level that seeks to mitigate any perceived risks of a loss being charged to the General Fund, and takes appropriate account of state aid rules) and any other terms that will protect the Council from loss;
- Prior to any loan being granted, the Council's own cashflow requirements are reviewed to ensure that appropriate levels of liquidity will be maintained.

### **Property Funds**

- 4.14 During 2018/19 approval was granted to earmark funds from the Programme for Growth reserve for investment in Property funds. It was identified as an opportunity to diversify the Council's investment portfolio, whilst meeting the objectives set out in 4.6 and 4.7 above.
- 4.15 The Council undertook an interview and selection process along with the County Council and employed the specialist services of Link Asset Services to act as advisor and guide both Councils through the due diligence and application process.
- 4.16 At present the Council has a £5m holding split between two funds, units were bought on the secondary market in October 2018. Estimated returns on property funds are split between two elements, share of income generated within the fund and the capital value of units held.
- 4.17 The Council recognises that due to the nature of fluctuating capital value, returns can go down as well as up throughout the life of the investment. While investments in Property Funds are not classed as capital expenditure, due to the nature of the funds when the Council disinvests in the funds and its original investment is repaid, it will be classed as a capital receipt and accounted for accordingly. A cash backed reserve has been created to earmark these funds which will also help to mitigate against potential losses.

## **5.0 SECTION 151 OFFICER STATEMENT**

### **Background**

- 5.1 The Prudential Code for Capital Finance in Local Authorities (the Prudential Code) plays a key role in capital finance in local authorities. Local authorities determine their own programmes for investment that are central to the delivery of quality public services. The Prudential Code was developed by CIPFA as a professional code of practice to support local authorities in taking their decisions. Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003.
- 5.2 In financing capital expenditure, local authorities are governed by legislative frameworks, including the requirement to have regard to CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.
- 5.3 In order to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability, the Prudential Code requires authorities to have in place a Capital Strategy that sets out the long term context in which capital expenditure and investment decisions

are made, and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

**5.4** The Prudential Code requires the Chief Financial Officer to report explicitly on the affordability and risk associated with the Capital Strategy. The following are specific responsibilities of the Section 151 Officer:

- recommending clauses, treasury management policy/practices for approval, reviewing regularly, and monitoring compliance;
- submitting quarterly treasury management reports;
- submitting quarterly capital budget update 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.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed

- 5.5** The Capital Strategy provides an overview of the governance process for approval and monitoring of capital expenditure. These processes are well established and are highly effective in ensuring delivery of the Authority's capital investment plans. In addition, the Capital Strategy and Prudential Indicators also demonstrates that the capital expenditure, investment and financing plans of the Authority are robust, affordable and sustainable.

SELBY DISTRICT COUNCIL ANNUAL INVESTMENT STRATEGY 2019/20 – 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>	Government Backed	After consultation with Treasury Management Advisor

SELBY DISTRICT COUNCIL ANNUAL INVESTMENT STRATEGY 2018/19 – NON-SPECIFIED INVESTMENTS

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><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>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 <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>Where non UK domiciled - a minimum Sovereign rating of AA- for the country in which an organisation is domiciled</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>2 years subject to potential future review with a maximum of no longer than 5 years</p>
<p><b>Callable Deposits</b></p>	<p>A) Enhanced Income – potentially higher return</p>	<p>Organisations</p>	<p>To be used in-</p>	<p>50% of agreed</p>	<p>£5m</p>	<p>2 years</p>



Investment	<p>A) Why use it?</p> <p>B) Associated Risks?</p>	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>with credit rated deposit takers (Banks &amp; Building Societies) with maturities greater than 1 year</p>	<p>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>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>	<p>assessed as having “high credit quality”</p> <p>Plus</p> <p>Where non UK domiciled - a minimum Sovereign rating of AA- for the country in which an organisation is domiciled</p>	<p>house after consultation with Treasury Management Advisor</p>	<p>proportion (20%) of core cash balance that can be invested for more than 1 year (£12.5m)</p>		<p>subject to potential future review with a maximum of no longer than 5 years</p>
<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”</p> <p>Plus</p> <p>Where no UK domiciled - 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>AA or</p>	<p>In-house on a</p>			<p>2 years</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 a financial institution that is guaranteed by the UK Government</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 comparisons to gilts B) Interest rate risk; yield subject to movement during life off bond which could impact on price	Government backed	"buy and hold" basis after consultation with Treasury Management Advisor or use by Fund Managers	25% of greed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)	n/a	subject to potential future review with a maximum of no longer than 5 years
<del>Bonds issued by Multilateral development banks</del> (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					
<b>UK Government Gilts</b> with maturities in excess of 1 year Custodial arrangements required prior to purchase	A) Excellent credit quality Liquid - If held to maturity, yield is known in advance Liquid - 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

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>Collateralised Deposit</b>	<p>A) Excellent credit quality</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>	Backed by collateral of AAA rated Local Authority LOBO's	In-house via money market broker or direct	100% of agreed proportion (20%) of core cash funds that can be invested for more than 1 year (£20m)	£5m	
<b>Property Funds</b>	<p>A) Attractive rates of return over period invested and in theory very liquid</p> <p>B) Period over which the investment will actually be held is not known at outset</p> <p>Credit risk as potential for greater deterioration of credit quality over a longer period</p>	Organisations assessed as having "high credit quality"	To be used in-house after consultation with the Treasury Management Advisor	100% of agreed proportion (20%) of core cash funds that can be invested for more than 1 year (£20m)	£5m	5 years subject to potential future review with a maximum of 10 years

## APPROVED LENDING LIST 2019/20

Maximum sum invested at any time (The overall total exposure figure covers both Specified and Non-Specified investments)

	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	75.0	364 days	-	-
Natwest Bank	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	-	-
Bank of Scotland	GBR	75.0	6 months	-	-
Lloyds	GBR				
HSBC	GBR	30.0	364 days		
Goldman Sachs International Bank	GBR	40.0	6 months		
Standard Chartered Bank	GBR	40.0	6 months	-	-
Nationwide Building Society	GBR	40.0	6 months	-	-
Leeds Building Society	GBR	20.0	6 months	-	-
<b>High quality Foreign Banks</b>					
National Australia Bank	AUS	20.0	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	6 months	-	-
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 31 December 2017

## SCHEDULE D

**APPROVED COUNTRIES FOR INVESTMENTS**

Based on the lowest available rating

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

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**Report Reference Number: E/18/45**

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**To:** 6 February 2019  
**Status:** Non Key Decision  
**Ward(s) Affected:** All  
**Author:** John Raine, Head of Technical Finance  
**Lead Executive Member:** Councillor Cliff Lunn, Lead Executive Member for Finance and Resources  
**Lead Officer:** Karen Iveson, Chief Finance Officer

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**Title: Treasury Management – Quarterly Update Q3 2018/19**

## **Summary:**

This report reviews the Council's borrowing and investment activity (Treasury Management) for the period 1<sup>st</sup> April to 30<sup>th</sup> November 2018 (Q3) and presents performance against the Prudential Indicators.

**Investments** – On average the Council's investments totalled £64.3m over the first three quarters at an average rate of 0.77% and earned interest of £331k (£231k allocated to the General Fund; £100k allocated to the HRA) which is £171k above the year to date budget. Whilst cash balances are expected to reduce over the year, and Brexit is creating uncertainty in the markets, returns are forecast in the region of £491k (£343k GF, £148k HRA), a budget surplus of £251k. It is proposed that any amount allocated to the GF above £300k is transferred to the contingency reserve, in line with the approved Medium Term Financial Strategy.

**Borrowing** – Long-term borrowing totalled £59.3m at 30<sup>th</sup> November 2018, (£1.6m relating to the General Fund; £57.7m relating to the HRA), Interest payments of £2.5m are forecast for 2018/19, a saving of £0.3m against budget, which is due to deferral of borrowing assumed for the Housing Development Programme. The Council had no short term borrowing in place as at 31 March 2018, and has not undertaken any during 2018/19.

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

Property Funds – At the end of October, £5m was invested in Property Funds, split equally between Blackrock and Threadneedle. Returns achieved against Property Fund investments will be allocated against the GF savings target. Entry fees will be treated as revenue expenses and offset against returns in year one.

### **Recommendations:**

- i. Councillors endorse the actions of officers on the Council's treasury activities for Q3 2018/19 and approve the report.**
- ii. Note that investment income allocated to the General Fund, over the £300k threshold is to be transferred to Contingency Reserve.**

### **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 2018/19 and covers the period 1 April to 30 November 2018. 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 22 February 2018.
- 1.4 The two key budgets related to the Council's treasury management activities are the amount of interest earned on investments £240k (£165k General Fund, £75k HRA) and the amount of interest paid on borrowing £2.729m (£75k General Fund, £2.787m HRA).

#### **2. The Report**



## **Interest Rates and Market Conditions**

- 2.1 After weak economic growth of only 0.1% in quarter one, growth picked up to 0.4% in quarter 2 and to 0.6% in quarter 3. However, uncertainties over Brexit look likely to cause growth to have weakened again in quarter four. After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. In the event of a disorderly exit, the MPC have said that rates could go up or down, though it is probably much more likely to be down so as to support growth. Financial markets are still pricing in the next increase in Bank Rate for the second half of 2019. Investment income forecasts therefore reflect a stable rate for the remainder of 2018/19.
- 2.2 The Council's treasury advisors Link Asset Services – Treasury Solutions summarised the key points associated with economic activity in Q3 2018/19 :
- The economy lost some momentum after a strong quarter ended 30.9.18;
  - There was a further acceleration in wage growth;
  - Early signs that lower oil prices will soon depress inflation;
  - The Chancellor delivered a giveaway in the autumn Budget;
  - The MPC was stuck in a state of Brexit inertia;
  - Parliament was deadlocked over Brexit;
  - Equity markets worldwide were hit hard by global growth fears.
- 2.3 Deposit rates at the start of 2018/19 have gradually increased, as the rate increases in Q3 17/18 and Q2 18/19 have filtered through into investments placed by the pooled Treasury Fund. Current forecasts suggest there will be no further increase until Q2 19/20, and therefore Treasury investment income has been forecast in line with expectations.

## **Interest Rate Forecasts**

- 2.4 The interest rate forecasts from Link Treasury advisors are as follows;

Table 2: Forecast for Interest Rates

Link Asset Services Interest Rate View													
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

## **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 Investment of cash balances of the Council are managed as part of the investment pool operated by North Yorkshire County Council (NYCC). In order to facilitate this pooling, The Councils Annual Investment strategy and Lending List has been aligned to that of NYCC.
- 2.9 NYCC continues to invest in only highly credit rated institutions using the Link 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 year.
- 2.10 The Council's investment activity in the NYCC investment pool up to Q3 2018/19 was as follows:-
- Balance invested at 30 November 2018           £62.74m
  - Average Daily Balance Q3 18/19               £66.38m
  - Average Interest Rate Achieved Q3 18/19    0.75%
- 2.11 The average return to Q3 2018/19 of 0.75% compares with the average

benchmark returns as follows:

- 7 day 0.58%
- 1 month 0.61%
- 3 months 0.79%
- 6 months 0.91%
- 12 months 1.05%

### **Borrowing**

- 2.13 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 year.
- 2.14 The TMSS indicated that there was no requirement to take long term borrowing during 2018/19 to support the budgeted capital programme. However, the borrowing requirement is largely dependent on the Housing Development Programme and whilst it is expected that this will be funded by internal borrowing, this will continue to be reviewed.
- 2.15 The Council approved an Authorised Borrowing Limit of £84m (£83m debt and £1m Leases) and an Operational Borrowing Limit of £79m (£78m debt and £1m Leases) for 2018/19.
- 2.16 The strategy, in relation to capital financing, is to continue the voluntary set aside of Minimum Revenue Provision (MRP) payments from the HRA in relation to self-financing debt in order to create capacity to internally borrow to support the Housing Delivery Programme. £1.26m is budgeted for 2018/19 but actual borrowing is currently deferred.
- 2.17 As a result, the Council was in an over-borrowed position of £5.69m as at 30 November 2018. This means that capital borrowing is currently in excess of the Council’s underlying need to borrow. The slight increase compared to the year-end position is a result of the in-year HRA self-financing set aside and timing of new capital expenditure which will increase as the year progresses, reducing the over-borrowed position.
- 2.18 The 2018/19 Treasury Management Strategy forecasts an under-borrowed position by the end of 18/19, rising to £14.5m by the end of 20/21 as loans are made to support the Housing Trust, and HRA Housing Investment Programme. Plans to undertake any additional long term borrowing in the short/medium term will be kept under review as the Extended Housing Delivery Programme progresses and while borrowing rates remain low.

## **Capital Strategy**

- 2.19 The Capital Strategy was included as part of the Council's Annual Treasury Management and Investment Strategy 2018/19, approved in February 2018. The Capital Strategy sets out how capital expenditure, capital financing and treasury management contribute to the provision of Corporate and service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
- 2.20 Alternative non-treasury investments are considered as part of the Capital Strategy. Given the technical nature of potential alternative investments and strong linkages to the Council's Treasury Management function, appropriate governance and decision making arrangements are needed to ensure robust due diligence in order to make recommendations for implementation. As a result, all investments are subject to consideration and where necessary recommendations of the Executive.
- 2.21 Options for alternative investments currently being explored are Commercial Property investments, which will be subject to individual business case approval, and Property Funds.

## **Commercial Property Investments**

- 2.22 To date there have been two successful bids on Commercial Properties, one in Selby town and one in Tadcaster, both buildings are ex-Natwest Bank Properties. The first successful bid was placed for the Tadcaster property, which completed during Q2 18/19. The second in Selby, which completed towards the end of Q3 18/19. Business cases are currently being developed for the on-going use of the buildings, which means that costs relating to managing the properties, such as Business Rates, security etc. will need to be funded through the Programme for Growth budget until an income stream is generated or the properties are sold on. To date costs of around £7k have been incurred.

## **Property Funds**

- 2.23 On 6<sup>th</sup> September 2018, The Executive approved exemption of the Council's procurement rules to invest £5m in Property funds, which have been selected through a procurement exercise carried out by the NYCC Treasury Team, in conjunction with the Council's joint treasury advisors, Link, who were commissioned to support the selection process.
- 2.24 Throughout September and October, the Treasury team progressed the complex application process to buy into the secondary market of Blackrock and Threadneedle Funds, to place £2.5m per fund, direct

investment on behalf of SDC. This included application under Mifid II regulations as the holdings will be wholly owned by SDC. The units were purchased on 31 October 2018.

- 2.25 Returns will be monitored once regular valuation statements are being received, but based on historical performance, it is anticipated that returns will be in the region of 4.86%, total return (5.07% Income, - 0.21% Capital), roughly 4% above forecast income from Treasury cash deposits. However, as the fund returns are linked to capital value, it has been proposed to create a dedicated reserve to ensure that the Council has the capacity to withstand any losses due to market fluctuations.
- 2.26 It has been proposed that The Council funds would be required for up to 5 years as an initial investment horizon, however as referenced above it is recognised that the Property Market values can decrease as well as increase, and so the duration of the investment will be kept under review to help minimise the risk of losses in capital value.

### **3. Alternative Options Considered**

3.1 Not Applicable

### **4.0 Implications**

#### **4.1 Legal Implications**

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

#### **4.2 Financial Implications**

4.2.1 The Councils investment income during the year has been highlighted through in-year monitoring and is reported in the surplus outturn position for the General Fund and HRA.

4.2.2 Going forward investment in property funds will generate a revenue income for the Council – based on past performance (which is no guarantee of future performance) return of 4-5% could be achieved which would give annual income of circa £200k based on £5m invested. The funds will be established and monitored through our existing treasury arrangements but given the specialist nature of these investments an additional fee of 1% of revenue returns (£2k based on estimated returns) will be charged by NYCC plus a one off fee of £3.5k.

4.2.3 Fund entry fees came in lower than anticipated at £83k on the secondary market, which includes fees from the Broker and Link. These will be funded from the Programme for Growth (Commercial Property Acquisition Fund).

### **5. Conclusion**

- 5.1 The impact of the economy, and the turmoil in the financial markets, continues to have an impact on the Council's investment returns. Forecasts predict steady growth in bank rates over the long term over and above the 0.50% increase over the last 12 months. Whilst returns remain relatively modest, rate increases earlier than forecast and better than expected cash flows, largely as a result of the timing of collection fund cash-flows has resulted in a positive outlook for 2018/19 in performance against budget.
- 5.2 The Council's debt position is in line with expectations set out in the Strategy, with no immediate changes on the horizon. However, as the Housing Delivery programme progresses and interest rates begin to rise, opportunities to optimise the Council's debt portfolio will be kept under review.
- 5.3 The Council operated within approved Strategy Indicators for the quarter, with no breaches on authorised limits. The Prudential Indicators are reviewed annually as part of the Treasury Strategy to ensure approved boundaries remain appropriate; activities to date during 18/19 have not highlighted any concerns.

## **6. Background Documents**

Finance Treasury Management Files

### **Contact Details**

Michelle Oates  
Senior Accountant – Capital & Treasury  
North Yorkshire County Council

### **Appendices:**

Appendix A – Prudential Indicators as at 30 November 2018

## Prudential Indicators - As at 30 November 2018

Note	Prudential Indicator	2018/19 Indicator	Quarter 3 Actual
1	Mid Year Capital Financing Requirement £'000	61,404	53,802
	Gross Borrowing £'000	59,487	59,487
	Investments £'000	34,869	69,239
2	Net Borrowing £'000	24,618	-9,752
3	Authorised Limit for External Debt £'000	84,000	59,487
4	Operational Boundry for External Debt £'000	79,000	59,487
5	Limit of fixed interest rates based on net debt %	100%	100%
	Limit of variable interest rates based on net debt %	30%	0%
6	Principal sums invested for over 364 days		
	1 to 2 years £'000	20,000	0
	2 to 3 years £'000	15,000	0
	3 to 4 years £'000	5,000	0
	4 to 5 years £'000	5,000	5000
7	Maturity Structure of external debt borrowing limits		
	Under 12 months %	20%	0.00%
	1 to 2 years %	20%	0.00%
	2 to 5 years %	50%	10.96%
	5 to 10 years %	50%	0.00%
	10 to 15 years %	50%	0.00%
	15 years and above %	90%	89.04%

1. Capital Financing Requirement – this is a measure of the Council's underlying need to borrow long term to fund its capital projects.

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.





**Report Reference Number: E/18/46**

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**To: Executive**  
**Date: 6 February 2019**  
**Status: Non-key decision**  
**Ward(s) Affected: All**  
**Author: Palbinder Mann, Democratic Services Manager**  
**Lead Executive Cllr Mark Crane, Leader of the Council**  
**Member:**  
**Lead Officer: Janet Waggott, Chief Executive**

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**Title:** Nomination for the Rural Services Network

**Summary:**

The Rural Services Network (RSN) is a body that campaigns for rural services, ensuring that people's opinions in rural areas are represented and that a fair deal for rural communities is received to maintain their social and economic viability. The RSN has around 140 local authorities as members including Selby District Council. The Council however has not appointed a representative for the RSN Therefore the Executive is asked to consider appointing a representative.

**Recommendations:**

To appoint a representative to the Rural Services Network.

**Reasons for recommendation:**

To ensure the District Council's views are taken into account and represented on the Rural Services Network.

**1. Introduction and background**

1.1 The RSN is the national champion for rural services, ensuring that people in rural areas have a strong voice. They have four priorities for their work, which are:

- Public Sector Funding
- Barriers to Access

- Future of Rural Areas
- Health and Wellbeing

1.2 The RSN has 140 local authorities as members which includes Selby District Council however the Council has not appointed a representative to the RSN.

## **2. The Report**

2.1 The Rural Services Network has written to all Chief Executives about a number of key issues that rural authorities need to be aware of.

2.2 The correspondence has stated that while the RSN has 140 members, only a third of these authorities have nominated members to the network in relation to meetings and other matters. They have therefore asked all authorities to nominate a representative for the RSN. This is considered as an Executive appointment to an outside body and therefore has been brought before the Executive to consider.

2.3 The RSN has stated that while it acknowledges it may not always be possible for Members to attend meetings, it will be hold regional seminars and introducing a communication specifically for nominated members to ensure those members and their authorities are kept fully updated about the work of RSN on behalf of their members and their communities.

## **3. Alternative Options Considered**

The alternative option is not appoint a member however this means the Council will have no representative on the RSN.

## **4. Implications**

### **4.1 Legal Implications**

There are no legal implications arising from the report.

### **4.2 Financial Implications**

Travel expenses may be incurred for the nominated member attending

## **5. Conclusion**

The Executive is asked to consider appointing a representative to the RSN.

### **Contact Officer:**

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