Selby District Council

Agenda

Meeting:	**Executive**
Date:	**Thursday, 1 February 2018**
Time:	**4.00 pm**
Venue:	**Committee Room - Civic Centre, Doncaster Road, Selby, YO8 9FT**
To:	**Councillor M Crane (Chair), Councillor J Mackman (Vice-Chair), Councillor C Lunn, Councillor C Metcalfe and Councillor R Musgrave**

1. Apologies for Absence

2. Minutes

The Executive is asked to approve the minutes of the meeting held on 4 January 2018.

3. Disclosures of Interest

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

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

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

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

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

4. Corporate Peer Challenge Feedback and Next Steps (Pages 1 - 22)

Report E/17/44 presents the feedback report from the recent Corporate Peer Challenge and outlines an Improvement Plan to implement the recommendations from the report.

5. Financial Results and Budget Exceptions Report to 31 December 2017 (Pages 23 - 46)

Report E/17/45 presents the financial results and budget exceptions report to 31 December 2017.

6. Treasury Management - Monitoring Report for Q3 (Pages 47 - 54)

Report E/17/46 reviews the Council's Treasury Management Activity for the 9 month period 1 April 2017 to 31 December 2017 and presents performance against the Prudential Indicators.

7. Treasury Management – Treasury Management Strategy Statement 2018/19, Minimum Revenue Provision Policy Statement 2018/19, Annual Investment Strategy 2018/19 and Prudential Indicators 2018/19 (Pages 55 - 102)

Report E/17/47 presents for approval the proposed Treasury Management Strategy together with the Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2018/19, Capital Strategy 2018/19 and Prudential Indicators 2018/19 as required by the Department of Communities and Local Government and CIPFA (as updated 2017).

8. Draft Revenue Budget and Capital Programme 2018/19 and Medium Term Financial Plan (Pages 103 - 124)

Report E/17/48 presents the draft revenue budget; capital programmes and outline Programme for Growth for 2018/19 to 2020/21.

Janet Waggott

Janet Waggott
Chief Executive

Date of next meeting
Thursday, 1 March 2018 at 4.00 pm

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

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Selby District Council

REPORT

Reference: E/17/44

Item 4 - Public

To:	**The Executive**
Date:	**1 February 2018**
Status:	**Non Key Decision**
Report Published:	**24 January 2018**
Author:	**Stuart Robinson, Head of Business Development & Improvement**
Executive Member:	**Mark Crane, Leader of the Council**
Lead Officer:	**Stuart Robinson. Head of Business Development & Improvement**

Title: Corporate Peer Challenge Feedback and Next Steps

1. Summary:

1.1 The LGA delivered a Corporate Peer Challenge on behalf of Selby DC in November 2017. We have now received the final Feedback Report. The Feedback Report contains a number of recommendations for how we could improve.

1.2 We have committed to use the Peer Challenge as a tool for improvement and have developed a draft Improvement Plan in response to the findings and recommendations of the LGA team.

1.3 Executive are asked to approve the Improvement Plan subject to any comments made by full Council. The Leader previously confirmed that the report and the improvement plan would be made available and presented to Council on 20 February 2018.

2. Recommendations:

2.1 That Executive consider the attached Feedback Report and agree to its publication.

2.2 The Executive consider and approve the attached Draft Improvement Plan.

2.3 The Executive present the Feedback Report and Improvement Plan to Council on 20 February and seek comments on the Improvement Plan.

3. Reasons for recommendation

3.1 The primary purpose of the Peer Challenge was to support Selby DC to deliver its stated objectives and meet residents' aspirations. Delivering on the seven key recommendations made in the report will help ensure this happens. Being open and transparent in how we do this will help ensure we get stakeholders – including Members - bought into our continuing improvement and delivery.

4. Introduction and background

4.1 The LGA delivered a Corporate Peer Challenge on behalf of Selby DC in November 2017. The LGA team spent 3 days onsite between 14 – 16 November, during which they:

- Spoke to more than 85 people including a range of council staff together with councillors and external stakeholders;
- Gathered information and views from more than 45 meetings, visits to key sites and additional research and reading; and
- Collectively spent more than 250 hours to determine their findings – the equivalent of one person spending nearly 7 weeks in Selby DC.

The team presented initial feedback on the last day followed by a draft report.

5. The Report

5.1 The LGA team have now produced their final Feedback Report (see Appendix A). The Report contains seven key recommendations:

1. ***Refresh the Corporate Plan on an annual basis and ensure the wording and language is reflected in other corporate documents****. This will ensure there is read-through between what the vision is and what is being delivered and achieved.*
2. ***Council action plans should be reviewed to focus on a shorter number of key actions*** *and a clearer steer provided to staff on what needs to be delivered, by when and by whom.*
3. ***Better define and articulate the Programme for Growth and its governance processes*** *so that there is clarity on what the priorities are and how their delivery will be managed.*
4. ***Review and improve scrutiny arrangements*** *to ensure that there is healthy and adequate challenge within the Council to help with improvements*
5. ***Develop more effective mechanisms to provide wider and up to date insights into customer and residents' aspirations and needs****. This will ensure that service developments and transformations are based on accurate information about needs and wants.*

6. ***Strengthen internal and external communication*** *to ensure key messages are clearly communicated and successes celebrated. This will ensure that everyone is aligned to the agreed priorities, can easily understand their role in the delivery of these and that the 'Selby Brand' is well established.*

7. ***Develop a more strategic approach to organisational and workforce development*** *to pull together how the Council will attract, retain, support, develop, recognise and reward its people to meet its priorities.*

5.2 A Draft Improvement Plan has been developed in response to the seven recommendations and other issues raised in the Feedback Report (see Appendix B).

5.3 Issues for consideration

5.3.1 **Publication of the Feedback Report**

LGA guidance suggests that the decision as to whether to make public the findings of the Corporate Peer Challenge rests with the local authority. However, it is suggested that we make the Report public – via the council website – for the following reasons:

- The Report is a positive and fair assessment of the Council's current position; and
- Transparency is a 'good thing'. Being open and honest with stakeholders will help secure 'buy-in' – not only into how we respond to the recommendations but into the wider Council agenda.

Assuming the Executive agrees to publication, direction is sought as to the preferred level of publicity and media interest.

5.3.2 **Improvement Plan sign off**

In line with the stated intention to use the Peer Challenge as a mechanism to affirm current progress and identify areas for improvement, a Draft Improvement Plan has been developed. The Draft Improvement Plan addresses not only the seven key recommendations (see para 5.1) but also responds to additional matters highlighted by the LGA within the body of the Feedback Report, including:

- Ensuring economic growth and development delivers improved outcomes for local people;
- Exploring further options for 'Better Together' projects;
- Reviewing CEFs;
- Reviewing Executive portfolios to ensure clarity of responsibilities;
- Reviewing the governance framework around officer decision making to empower officers to make appropriate decisions;
- Exploring opportunities to work with voluntary and community sector partners to improve and deliver services at the grassroots level; and
- Accelerating the emerging digital and transformational agenda.

It should be noted that many of the actions included in the Draft Improvement Plan are already identified in our work plans. However, we have taken the opportunity to bring them forward. New areas for improvement will be highlighted.

Executive is asked to consider and approve the Draft Improvement Plan subject to any comments by Council.

Once approved, it is proposed to monitor progress on delivering the Improvement Plan via quarterly Corporate Performance Reporting which is considered by both Executive and Overview and Scrutiny.

5.3.3 **Full Council engagement**
It was agreed to bring the results of the Peer Challenge to Council on 20 February 2018. Executive are asked to confirm the proposal to share the Draft Improvement Plan with Council and seek feedback prior to making it Final.

6. Legal/Financial Controls and other Policy matters

Legal Issues

6.1 None

Financial Issues

6.2 Delivery of the Improvement Plan should be achievable within previously agreed budgets. Where additional funding is required, further reports will be produced to support decision making.

Impact Assessment

6.3 Equality, Diversity and Community Impact Assessment screening will be carried out for each key improvement action as required.

7. Conclusion

7.1 Peer Challenge is one of the primary tools in the LGAs work to support councils to self-improve. Implementation of the attached Improvement Plan will help ensure Selby DC takes advantage of the opportunity provided by the recent Peer Challenge and addresses the identified areas for improvement.

Contact Officer:
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Appendices:
Appendix A Corporate Peer Challenge Feedback Report
Appendix B Draft Improvement Plan

APPENDIX A

Corporate Peer Challenge

Selby District Council

14th – 16th November 2017

Feedback Report

[see separate document]

APPENDIX B

Corporate Peer Challenge – Improvement Plan

Formal Recommendations:

1. Refresh the Corporate Plan on an annual basis and ensure the wording and language is reflected in other corporate documents.
2. Review Council action plans to focus on a shorter number of key actions.
3. Better define and articulate the Programme for Growth and its governance processes.
4. Review and improve scrutiny arrangements to ensure that there is healthy and adequate challenge within the Council to help with improvements
5. Develop more effective mechanisms to provide wider and up to date insights into customer and residents' aspirations and needs.
6. Strengthen internal and external communication to ensure key messages are clearly communicated and successes celebrated.
7. Develop a more strategic approach to organisational and workforce development.

Ref.	Action	Lead	By when
Recommendation 1: Refresh the Corporate Plan annually and ensure wording and language is reflected in other corporate documents. Improved prioritisation will ensure we focus our attention on the most important areas and ensure there is read-through between what the vision is and what is being delivered and achieved.			
CPC1.1	Develop a priority-led, SMART 2018/19 Delivery Plan for the Corporate Plan 2015-20	S Robinson	April 2018
CPC1.2	Set robust outcome focussed targets aligned to the Delivery Plan and incorporate into quarterly Corporate Performance Monitoring.	S Robinson	June 2018
CPC1.3	Publish Annual Report 2017/18	S Robinson	July 2018
CPC1.4	Develop new Corporate Plan for 2020 and beyond	S Robinson	Sept 2019
Recommendation 2: Review Council action plans to focus on a shorter number of key actions. SMARTER action plans will ensure we deliver against our refined priorities and a provide a clearer steer to staff on what needs to be delivered, by when and by whom			
CPC2.1	Agree corporate suite of Action Plans	Leadership Team	March 2018
CPC2.2	Review and update agreed Action Plans to deliver revised priorities – and incorporate into performance monitoring	ALL	May 2018
Recommendation 3: Better define and articulate the Programme for Growth and its governance processes This will help provide clarity on what the priorities are and how their delivery will be managed – supporting delivery and future sustainability			
CPC3.1	Define and prioritise projects to be funded by P4G as part of the Corporate Delivery Plan and monitor through Corporate Performance arrangements.	Directors	April 2018

Ref.	Action	Lead	By when
Recommendation 4: Review and improve scrutiny arrangements. More effective Scrutiny arrangements will help ensure that there is healthy and adequate challenge within the Council to help with improvements			
CPC4.1	Review existing arrangements and report recommendations to Executive	G Marshall	April 2018
CPC4.2	Develop proposals for revised arrangements and implement	G Marshall	April 2018
Recommendation 5: Develop more effective mechanisms to provide better insight into customer and residents' aspirations and needs. Wider and more up to date insight will improve our understanding of the views of Selby residents and ensure that service developments and transformations are based on accurate information about needs and wants.			
CPC5.1	Update Customer Strategy	A Crossland	March 2018
CPC5.2	Develop the Council approach to making best use of business intelligence – including expanding the availability and effective use of robust customer insight - to support effective decision making.	A Crossland/ S Robinson	June 2018
Recommendation 6: Strengthen communication to ensure key messages are clearly communicated and successes celebrated. Stronger internal and external communication will ensure that all stakeholders are aligned to the agreed priorities, can easily understand their role in the delivery of these and that the 'Selby Brand' is well established.			
CPC6.1	Develop a Communications Plan for 2018/19 aligned to the priorities included in the 2018/19 Corporate Delivery Plan	S Robinson	May 2018
CPC6.2	Develop new approaches to recognising and celebrating success – and communicating this internally and externally.	S Robinson	March 2018
CPC6.3	Develop further communications tools – e.g. website, intranet, community messaging, social media etc – and mechanisms to ensure messages, ideas and views filter from top-down and bottom-top	S Robinson	June 2018
Recommendation 7: Develop a more strategic approach to organisational and workforce development. This will pull together how the Council will attract, retain, support, develop, recognise and reward employees to ensure we are resourced to deliver our priorities			
CPC7.1	Develop a strategic Organisational & Workforce Development Plan	S Robinson	June 2018

Additional Recommendations:

Ref.	Action	Lead	By when
Additional Recommendation: Economic growth and development that delivers improved outcomes for local people			
ADD1	Ensure the principles of inclusive growth are embedded in the Economic Growth Framework – focusing on the outcomes that will be achieved – and develop a SMART, focused Delivery Plan.	D Caulfield	April 2018
Additional Recommendation: Explore further options for 'Better Together' projects			
ADD2	Explore further options for 'Better Together' projects with NYCC; with other districts; and with NYCC and other districts together.	K Cadman/ Leadership Team	Sept 2018
Additional Recommendation: Review CEFs			
ADD3	Undertake a review of the role of CEFs to include more targeted engagement and decision making of local residents/groups and agree in advance of re-contracting.	A Crossland	July 2018
Additional Recommendation: Review Executive portfolios to ensure clarity of responsibilities			
ADD4	Review Executive portfolios in line with development of the Corporate Delivery Plan – ensuring each priority action has a lead portfolio holder - to ensure clarity of responsibilities	G Marshall	April 2018
Additional Recommendation: Review governance framework around officer decision making to empower officers to make appropriate decisions			
ADD5	Review governance framework around officer decision making to empower officers to make appropriate decisions	G Marshall	June 2018
Additional Recommendation: Explore opportunities to work with voluntary and community sector partners to improve and deliver services at the grassroots level.			
ADD6	Explore opportunities to work with voluntary and community sector partners to improve and deliver services at the grassroots level.	A Crossland	March 2019
Additional Recommendation: Accelerate the emerging digital and transformational agenda			
ADD7	Develop and implement the Roadmap for the Digital Strategy 2017-20	S Robinson	March 2020

Corporate Peer Challenge

Selby District Council

14th – 16th November 2017

Feedback Report

1. Executive Summary

Selby District Council is an ambitious council with a good overall understanding and awareness of the opportunities and challenges the place brings. There is strong political and managerial leadership with a sound financial base supporting the protection of front-line services.

The Council is ambitious to grow the local economy and this is clearly shared by elected Members, staff and the Council's strategic partners with a strong sense of purpose behind it. Everyone the peer team spoke to was signed up to the growth agenda and recognised the need to balance the delivery of this ambition with the day to day delivery and protection of front-line services.

The building blocks to deliver economic growth in Selby district are clearly in place and opportunities have been identified to support the delivery. Partnerships are strong and there is clear commitment from the Council and its partners to maximise the opportunities the local area can bring. Partners are heartened by the commitment shown by Council staff to the agenda they have signed up to and as a result they are also committed and have signed up to that same agenda.

The Council's Better Together Programme with North Yorkshire County Council is working well, has achieved some good outcomes and has the potential to deliver even more. The peer team was impressed by this programme and would encourage the Council not to lose sight of the opportunities that can arise by developing this programme of work further.

Members and officers know Selby district the place and are as one in understanding their priorities in order to make a difference. There has been a "sea change" at Selby District Council with members and officers now "aligned to the vision going forward". Priorities are clearly articulated in the corporate plan and the clear focus on economic growth demonstrates a desire to develop a new economic future for the area which could have significant economic and social benefits.

Members and officers work well together and there is evidence that the Council's stated values are embedded within the organisation. There has been change in the managerial leadership of the organisation recently and this is now leading to the Council becoming a more confident and secure organisation. There is good understanding of the nature and scale of the challenges the Council faces and the political and managerial leadership team has grasped these in a positive way. There are good trusting relations between senior Members and staff and clarity of understanding of Member and officer roles and responsibilities.

Staff at Selby District Council are knowledgeable, committed, enthusiastic and open to new ways of working. Partners commented that they find Council staff to be "personable and approachable", open to new ways of working and who now act as facilitators to the delivery of their shared vision.

In moving forward, the peer team would suggest that the Council should "keep it simple" when developing its strategic plans and should always be clear about what is important

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and communicate this internally and externally. If strategic plans are kept simple then everyone will understand what the key messages are, what the priorities are and how they will be delivered. In essence, key stakeholders will find it easier to align themselves to helping with the delivery of them.

The peer team would also recommend the Council to strengthen the relationship between strategy and benefits to local communities by promoting a consistent yet simplified, message which clearly spells out the benefits of economic growth for local people and how the quality of their lives could be improved in the future. This should be backed up by robust outcome targets against the ambitions. Delivery should be monitored and performance managed against the agreed outcome targets.

The peer team found the Council to be an emerging organisation that is now settling down into its newly focused role with an abundance of energy and commitment. Therefore, in order to harness this energy into the future the peer team would recommend a more strategic approach to organisational development that recognises success and achievements and celebrates these together.

2. Key recommendations

There are a range of suggestions and observations within the main section of the report that will inform some 'quick wins' and practical actions, in addition to the conversations onsite, many of which provided ideas and examples of practice from other organisations. The following are the peer team's key recommendations to the Council:

1) ***Refresh the Corporate Plan on an annual basis and ensure the wording and language is reflected in other corporate documents.*** This will ensure there is read-through between what the vision is and what is being delivered and achieved.

2) ***Council action plans should be reviewed to focus on a shorter number of key actions*** and a clearer steer provided to staff on what needs to be delivered, by when and by whom.

3) ***Better define and articulate the Programme for Growth and its governance processes*** so that there is clarity on what the priorities are and how their delivery will be managed.

4) ***Review and improve scrutiny arrangements*** to ensure that there is healthy and adequate challenge within the Council to help with improvements

5) ***Develop more effective mechanisms to provide wider and up to date insights into customer and residents' aspirations and needs.*** This will ensure that service developments and transformations are based on accurate information about needs and wants.

6) ***Strengthen internal and external communication to ensure key messages are clearly communicated and successes celebrated.*** This will ensure that everyone is aligned to the agreed priorities, can easily understand their role in the delivery of these and that the 'Selby Brand' is well established.

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7) ***Develop a more strategic approach to organisational and workforce development*** *to pull together how the Council will attract, retain, support, develop, recognise and reward its people to meet its priorities*

3. Summary of the Peer Challenge approach

The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected your requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with you. The peers who delivered the peer challenge at Selby District Council were:

- **Garry Payne** (Chief Executive, Wyre Borough Council)
- **Councillor Neil Clarke** (former leader of Rushcliffe Borough Council)
- **Tracy Aarons** (Deputy Chief Executive, Mendip District Council)
- **Steve Capes** (Head of Regeneration and Policy, Derbyshire Dales District Council)
- **Frances Marshall** (Adviser, LGA)
- **Satvinder Rana** (Programme Manager, LGA)

Scope and focus

The peer team considered the following five questions which form the core components looked at by all Corporate Peer Challenges cover. These are the areas we believe are critical to Councils' performance and improvement:

1. *Understanding of the local place and priority setting:* Does the Council understand its local context and place and use that to inform a clear vision and set of priorities?

2. *Leadership of Place:* Does the Council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?

3. *Organisational leadership and governance:* Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?

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4. *Financial planning and viability:* Does the Council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?

5. *Capacity to deliver:* Is organisational capacity aligned with priorities and does the Council influence, enable and leverage external capacity to focus on agreed outcomes?

In addition to these questions, the Council asked the peer team to comment on how well it is achieving its stated vision of making the Selby district 'a great place'; re-assurance about the Council's capacity to transform the way it operates to ensure future sustainability; a view on how well the Better Together arrangements with the County Council are working - specifically to deliver the aims of making the best use of joint assets and to join up services across both councils; and to give a view on how realistic and achievable the Council's plans to enable growth and investment in the district are and whether they deliver the required outcomes.

The peer challenge team has attempted to address all these points within the main body of the report.

The peer challenge process

It is important to stress that this was not an inspection. Peer challenges are improvement focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a Council's own performance and improvement. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared for the peer challenge by reviewing a range of documents and information in order to ensure they were familiar with the Council and the challenges it is facing. The team then spent 3 days onsite at Selby District Council, during which they:

- Spoke to more than 85 people including a range of Council staff together with Councillors and external partners and stakeholders.

- Gathered information and views from more than 45 meetings, visits to key sites in the area and additional research and reading.

- Collectively spent more than 250 hours to determine their findings – the equivalent of one person spending more than 7 weeks in Selby District Council.

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit (14th – 16th November 2017). In presenting feedback, they have done so as fellow local government officers and members, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. We appreciate that some of the feedback may be about things you are already addressing and progressing.

4. Feedback

4.1 Understanding of the local place and priority setting

Selby District Council is an ambitious council with a good overall understanding and awareness of the opportunities and challenges the place brings. It is seen as a leader among the North Yorkshire districts which engages positively with its stakeholders and understands its place and potential. The ambition for economic growth is clearly shared by elected Members, staff and strategic partners. The Leader and the Chief Executive are driving the growth agenda through visionary leadership within the Council and advocacy with external stakeholders. There will always be a need to bolster understanding of this agenda by continuously engaging with all Members, officers and partners.

Members and officers have an intuitive understanding of Selby district the place and are able to articulate what the key opportunities and challenges are. However, the data that sits behind this understanding is perhaps lacking. There is therefore potential to develop a better understanding of the community's needs by collating appropriate data through, for example, residents' surveys. This can then be used to support the intuitive understanding of the place and local communities; as well as assist with evidence-based decision-making.

There is clarity of ambition for the place with clear priorities articulated in the Corporate Plan 2015-2020. However, the actions that sit beneath this plan need to be refined and shorter in number. Some of the action plans that the peer team saw and reviewed contained numerous steps which were not really actions but rather statements and intents. The number of activities set out in action plans are broad and wide ranging and there is a danger that the Council could lose focus and spread its capacity too thinly. The peer team would therefore recommend that the Council should break down its programme of activities into annual priorities for delivery with a clear picture of the expected outcomes, particularly as they relate to the quality of people's lives. This will enable the Council to better sequence activities, performance manage them and deploy its capacity more effectively by tackling the things that are most important first.

The Council's economic growth ambitions are clearly articulated in the Economic Development Framework 2017–2022….and beyond, which has 3 key strategic priorities, 7 priority growth sectors and a focus on unlocking 5 key sites for development, developing skills in the local population and regenerating market towns. The task now should be to fine-tune the strategy and communicate it among Members, staff, partners and the community to ensure wide and deep buy-in to the new vision, which is critical. The Programme for Growth supporting this framework needs to be more clearly aligned to the key priorities and the proposed actions need to be clearly defined, agreed, articulated and communicated internally and externally. This was a specific request from business partners, community groups and elected Members to enable them to understand why the Programme of Growth has been developed as it has.

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Furthermore, the relationships between strategy and benefits to local communities could also be strengthened and the vision communicated more consistently. The vision and economic ambitions are talked about in a number of documents, but there should be better read-across these and the ambitions condensed down into simple messages. This will help business partners to align their efforts to the priorities and will help local communities to better understand, in simple form, what it is that the Council and its partners are trying to achieve and how they are investing in the local area. This will require strengthening outcome targets and performance management against ambitions to demonstrate how the vision and economic growth are delivering outcomes for local communities.

4.2 Leadership of Place

There is a very clear focus on economic growth in Selby district and this is a key driver for the Council and its partners. Partnerships are strong and relationships with strategic partners, including North Yorkshire County Council, the business community, Selby College and the two Local Enterprise Partnerships (LEPs) - e.g. Leeds City Region and York, North Yorkshire & East Riding LEPs - are good. The Council is very well regarded by the two LEPs and is seen as “punching above its weight”, “a place to do business” and a “leader in the sub-region”. It has secured a substantial infrastructure loan to kick-start the Sherburn2 business park development and funding for the Olympia Park. Importantly, it has cleverly cultivated relationships so that it remains aligned with both LEPs.

The very strong and positive comments from partners place Selby district in a very good position. For example, it has clear aspirations for growth, its LEPs are saying some really positive things about the way the Council delivers services, and its business partners are signed up to the ambitions for the local area – all these point to a great opportunity for the Council to maximise its relationships and move forward with its ambitions and plans.

Nevertheless, the Council’s ability to deliver its ambitions still needs to be demonstrated. So whilst people see some Members and officers as leaders in the locality and at the forefront of some things, the Council as a whole needs to more clearly articulate what it is hoping to achieve, when it is going to do it and what has been achieved. This will help to increase its credibility around delivery among its citizens and partners.

The Better Together programme is a productive partnership between Selby District Council and North Yorkshire County Council. It is underpinned by strong working relations between the District Council and County Council which sees the Chief Executive of Selby District Council also engaged as an Assistant Chief Executive at North Yorkshire County Council. The programme has streamlined operations, created opportunities, and brought a raft of tangible benefits to both Councils. The programme is seen as setting a blueprint and partners are hopeful that other districts will follow suit and join in. All the evidence the peer team saw pointed to an impressive programme that is working and delivering benefits, and it is surprising that other districts are not taking advantage of that. However, regardless of whether other districts come on board or not the peer team would recommend that the two existing partner organisations should continue with it as it is clearly working.

There is positive change in the Council's cultural thinking and this is reflected in the way elected Members, senior officers and managers go about their business. Members, and in particular the Leader, have been described as committed, supportive and understanding. They are passionate about their communities and the place and have a good understanding of the issues that need to be addressed. The peer team was particularly impressed with the work being done by the Community Engagement Forums (CEFs) within their communities through the creation of partnership boards, localised development plans and money from the Community Fund for small-scale local projects and initiatives. There is great potential in using the CEFs to bolster the Council's engagement with local communities and develop its capacity for the future. In doing so, thought should be given to resourcing implications and the need to ensure CEF plans reflect aspirations of all.

4.3 Organisational leadership and governance

There is strong political and managerial leadership supported by good governance and decision making arrangements across the Council. Executive members have a good understanding of their portfolios and the new management team has brought a positive dynamic into the organisation which has improved staff morale.

However, greater clarity of responsibilities is needed where portfolios overlap, for example delivery of economic growth. There will always be overlap with portfolio holders, particularly if your ambitions are around inclusive growth, as that can make it very difficult to separate out the responsibilities of portfolio holders. Nevertheless, a little more thought needs to be given to bring more clarity so that officers understand who they need to brief and who they need to approach to get a decision.

The relationships between Members and officers at all levels are open, honest and effective. This evidences the 'One Team Selby' approach and is playing out to the Council's advantage among its external partners and providing a secure foundation for staff to deliver quality services. The peer challenge team came across clear and compelling evidence that the Executive and the management team are working very closely and effectively together.

The peer challenge team was impressed with the quality of staff they met. They were motivated and enthusiastic about the future. Staff morale is good and they are "proud to work for the Council". This is sending out a really positive message to external stakeholders and thereby fostering greater confidence in the organisation. In order to further motivate staff and increase productivity, the peer team would encourage empowering staff to make decisions and enable them to operate with more autonomy and greater accountability. Staff are open to this and are quite prepared to be subject to greater accountability if that decision making process is delegated down to.

There are good examples of internal and external communication such as monthly staff briefings, suggestion boxes, blogs, celebration events, conferences, etc. However this can be improved by ensuring messages are clearly communicated from top-to-bottom and vice-versa; and appropriate monitoring to ensure there are no blockages. This was the view of staff and partners who said “sometimes messages get through but sometimes they don’t due to blockages at certain levels”. The Council should therefore collectively ensure that messages, ideas and views are able to filter from top-down and bottom-top.

Scrutiny arrangements in the Council appear weak and are in need of review. Clearly, as in many local authority areas, there is work to be done on thinking this through. We therefore recommend that you explore ways to provide support to the Scrutiny Committee to consider the benefits of aligning and coordinating its work plan with the Corporate Plan. This will enable it to scrutinise the delivery and impacts of the priorities of the Plan. It can do this by scrutinising work through commissions and deep-dives around key work programme areas, strategic priorities, and critical issues impacting on Selby district’s citizens.

4.4 Financial planning and viability

The Council is in a strong financial position and has had a significant financial windfall from business rates. It holds healthy levels of reserves, although nearly £10m has been utilised to pay off the Pension deficit in 2017. Even so, this still leaves significant reserves from business rates for which the plans are not yet clear. The Council therefore needs to take advantage of the windfall and its favourable financial position to generate revenue streams so as to ensure future financial stability. By using this money in a really effective and sustainable way it will help the Council’s financial position, particularly if government grants are reduced in the future. Having adequate income streams will enable the Council to continue delivering services and fulfilling its ambitions for growth.

The Medium Term Financial Strategy (MTFS) is reviewed annually and is realistic with appropriate risk levels identified. There are robust financial management arrangements in place and external auditors have issued an unqualified audit opinion on the Council’s financial statements.

The peer team placed particular focus on the Programme for Growth and thought that the governance for this programme is unclear and there is uncertainty about the process of implementation or its success. It is important to be clear on what the decision making processes are, what the delivery mechanisms are, what is monitored and how and who will performance manage it. The Programme for Growth will give the Council credibility through what it actually delivers and the outcomes it achieves as a result of that delivery. Therefore, all the projects that sit underneath the programme need to be performance managed so that what is being delivered and achieved can be demonstrated. Strengthening these aspects will help the Council gain credibility for the programme and explore more confidently how it can be expanded in the future as things move forward.

There has been financial investment in the corporate priority of economic growth, for example through the enhancement of the economic development team. This is sending out a clear message that the Council is serious about its economic growth ambitions and is becoming more business orientated. Whilst this needs to continue it is also important to ensure that the political and managerial leadership team does not lose sight of the fact that there is a whole suite of services to be delivered which the public need and want now.

There is evidence of significant savings delivered by the Better Together programme with further projected savings by 2021. Cashable savings to date of approximately £400k with a further £1m identified for delivery by 2020 demonstrated the value of this programme. This is in addition to the non-cashable benefits of increased resilience in service delivery and economies of scale through shared services, focused and joined up delivery of services at a community level through the community hubs, innovative platforms for customers and communities to access Council services, and better asset management.

4.5 Capacity to deliver

The Council has aligned its organisational capacity to enable it to deliver against its strategic objectives. Some key service areas have seen increased resources for example the economic development team. However, capacity of other key service areas such as Planning should be regularly reviewed to ensure the delivery of corporate objectives. All Council services will be important to the people of Selby district and they will rightly expect them to be adequately resourced. Regular reviews of capacity should ensure that there is no negative impact on what the Council is trying to achieve for Selby district and its people.

The Council is now settling into its newly focused role and has an abundance of energy and commitment. Staff are geared up to grasp the opportunities and address the challenges that the Council and the local area present. The peer team would therefore encourage the Council to harness this energy into the future through a more strategic approach to organisational development that recognises success and achievements and celebrates these together. Our recommendation is that the Council explores how it can further develop its approaches to recruitment and retention, staff appraisals, rewards, communication and engagement, and training and development. Studying the results of the recently conducted staff survey would be a good point to start this process.

Externally, there are good relationships with strategic partners and plans are being developed to set up an Economic Partnership with the business community and a single development team approach on key development sites with North Yorkshire County Council. This is to be commended as it will help in moving the relationships from one of consultation and engagement to one where joint delivery is planned and implemented.

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There are also good working relationships with the parish and town Councils as well as the voluntary and community sector which help to deliver some local services. Nevertheless, there is potential to develop this approach further and boost the Council's capacity. These partners are up for doing more by working in partnership with the Council to improve and deliver services at the grassroots level. The peer team would therefore encourage more open conversations with them on what needs to be done and how they can help to deliver. By further developing its working relationships with these partners the Council will not only be able to maximise the resources and expertise that come from them, but can also secure ownership of the vision for the place at the grassroots level.

In addition, accelerating the emerging digital and transformational agenda will help unlock efficiencies and service improvements further. The Council has already made some headway in developing innovative access platforms for customers and communities through the Better Together programme. However, there is potential for this to be developed further through more up to date technologies aimed at not only customer facing aspects of services but also how staff manage their work on a day to day basis through more mobile and flexible working.

4.6 Other comments on specific focus areas

The peer team was impressed with the recent work on economic development which is starting to pay dividends. For example, 2,000 more people are in work with ambition to create even more jobs. Business partners were very clear that Selby district was a place they wanted to invest in and it was a place where they were going to deliver some very tangible projects. They are very ambitious for the area and the Council needs to ensure that it plays an important part in that delivery. But more importantly the Council rightly deserves to take the credit for the part it plays in that process of delivery by ensuring, for example, more timely responses to planning applications.

Elected Members and officers have a key role to play in the delivery agenda going forward. For example, actions need to be developed to retain skilled and qualified people within the area. This will mean working with local businesses to identify the type of jobs they will be bringing to the area and then working with schools, colleges and other training providers to develop the appropriate skills among local young people. This will also entail making families and young people aware of what the opportunities are likely to be and helping them to position themselves to fill those jobs.

Although relationships with the two LEPs are good, they are at present at the project level and need to be developed at the strategic level so that Selby district is embedded in the LEP strategic framework. This may mean greater strategic involvement of the Council in the work of the LEPs around inclusive growth and the industrial strategy. It can do this by promoting Selby district's strategic development sites so they appear in the future plans of one or both the LEPs.

The successful ‘Selby District Growth Conference’ has galvanised excellent working relationships with the business community. Partners spoke very highly of that Conference and would welcome continuing dialogue with the Council. The peer team would therefore suggest that the Council develops that kind of engagement further so that targeted meetings with key investors, businesses and training providers are held regularly to engender greater interaction and joint delivery of corporate objectives.

In order to deliver inclusive growth and ensure the health and wellbeing of existing and future communities there should be an appropriate range of housing stock, investment in skills, town centres and villages to maximise the benefits of the growth agenda. Economic growth should translate into both social and economic benefit for local people. The Council will need to make sure that local families are aware of the opportunities that may be coming in the future. By working with the business community, schools, colleges and training providers the Council can ensure that the demographics of the local population remain in balance and that money earned locally is kept locally to help the area to continue growing.

The growth ambitions should not therefore simply be about the square footage of land that will be developed but what outcomes will be achieved for the local area and the people who live there. To help achieve this will mean making sure that the right type of houses are built in the right place for the right people; that opportunities to gain the necessary skills are available locally; and that towns and villages are regenerated whilst making sure the local environment is protected and attractive. This will make people want to stay in Selby, to work in Selby, raise their families in Selby and invest in Selby.

5. Next steps

Immediate next steps

We appreciate the senior managerial and political leadership will want to reflect on these findings and suggestions in order to determine how the organisation wishes to take things forward.

As part of the peer challenge process, there is an offer of further activity to support this. The LGA is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this. Mark Edgell, Principal Adviser is the main contact between your authority and the Local Government Association (LGA). His contact details are: Tel: 07747 636 910 and Email mark.edgell@local.gov.uk

In the meantime we are keen to continue the relationship we have formed with the Council throughout the peer challenge. We will endeavour to provide signposting to examples of practice and further information and guidance about the issues we have raised in this report to help inform ongoing consideration.

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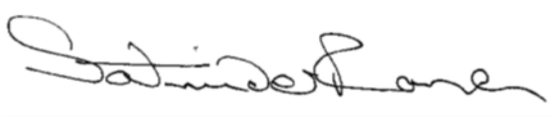
Follow up visit

The LGA Corporate Peer Challenge process includes a follow up visit. The purpose of the visit is to help the Council assess the impact of the peer challenge and demonstrate the progress it has made against the areas of improvement and development identified by the peer team. It is a lighter-touch version of the original visit and does not necessarily involve all members of the original peer team. The timing of the visit is determined by the Council. Our expectation is that it will occur within the next 2 years.

Next Corporate Peer Challenge

The current LGA sector-led improvement support offer includes an expectation that all Councils will have a Corporate Peer Challenge or Finance Peer Review every 4 to 5 years. It is therefore anticipated that the Council will commission their next Peer Challenge before 2022.



Satvinder Rana
Programme Manager

(On behalf of the peer challenge team)

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Selby District Council

REPORT

Reference: E/17/45

Item 5 - Public

To:	**The Executive**
Date:	**1 February 2018**
Status:	**Key Decision**
Report Published:	**24 January 2018**
Author:	**Peter Williams, Head of Finance**
Executive Member:	**Cllr C Lunn, Lead Member for Finance & Resources**
Lead Officer:	**Karen Iveson, Chief Finance Officer**

Title: Financial Results and Budget Exceptions Report to 31 December 2017

Summary:

At the end of quarter 3, the full year forecast for the General Fund shows an estimated surplus of (£304k) ((£146k) quarter 2) and the HRA an estimated surplus of (£453k) ((£378k) quarter 2) against the approved budget. The main drivers of these variances are set out in Appendix A.

Planned savings for the year have already been achieved in the HRA. A number of General Fund savings have also been achieved in Q3, but there is still a further £34k of savings to be achieved in the remaining part of the year. Details of the planned savings and their status can be found in Appendix B.

The capital programme is currently forecasting an underspend of £2.599m, £0.486m on the General Fund programme and £2.113m on the HRA programme. Headlines can be found in the report below with a more detailed analysis in Appendix C.

Programme for Growth 3 was established as part of the budget setting process last year. Across all programmes including salaries an in-year underspend of (£1.8m) due to timing on P4G schemes is anticipated, there is a corresponding reduction in reserve contributions for this. This money is still committed to be spent in full in future years. A summary of progress is set out in Appendix D.

Recommendations:

i. **The Executive endorse the actions of officers and note the contents of the report.**

Reasons for recommendations

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

1. Introduction and background

1.1 The revenue budget was approved by Council on 21 February 2017, this report and associated appendices present the financial performance to 31 December 2017 against the budget.

2. The Report

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

General Fund Revenue

General Fund Account – Q3 2017	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	11,644	11,311	(333)
Settlement Funding including RSG/NDR and other Grants	(5,062)	(5,067)	(5)
Amount to be met from Council Tax	**6,582**	**6,244**	**(338)**
Council Tax	(5,203)	(5,203)	0
Collection Fund Surpluses	(262)	(262)	0
Shortfall/(Surplus)	**1,117**	**779**	**(338)**
Savings Target	(740)	(706)	34
Net Surplus / (Deficit) transferred from Business Rates Equalisation Reserve	(377)	(73)	304
Net Revenue Budget	**0**	**0**	**0**

2.2 The main forecasted variances against the General Fund surplus are:-

- Salary savings of (£90k) across services is driven principally by delays in recruitment to the structure and a post which will no longer be recruited to in this financial year. This position continues to change over the course of the year and is closely monitored.
- Waste and recycling income is expected to deliver an additional (£81k) with more customers than anticipated on the commercial waste contract and higher recycling credits.

- The agreed extension of the waste and recycling contract included an estimated increase in the contract price based on known and anticipated property growth. To date there have been a number of collection day and routing changes to accommodate property growth without increasing vehicles which is delivering a saving against budget (£61k). However, it is anticipated that continuing property growth will mean that additional resources will be required early in 18/19.
- Due to a lower volume of applications, a (£60k) saving is anticipated on the council's discretionary localism rate relief, to date only one application has been received, this is partly funded by Section 31 grant.
- Collaborative working with Ryedale DC has resulted in (£25k) backdated income for HR services and (£30k) current year income for marketing support which was not in the budget.
- There has been an increase in Council Tax court and summons fees collected from customers this year (£28k) as a result of an increase in non-payers.
- The retendering of the insurance contract has resulted in a (£25k) saving for the last five months of the year.
- Investment income is expected to exceed target by (£90k), due to buoyant cash balances and the rate increase in the year.
- Lifeline service income - a continued reduction in the Supporting People Grant due to assessment criteria changes has resulted in a shortfall of £46k. Also, despite efforts to increase take up, private payers income has still not achieved target by £30k, which has been mitigated by a £30k reduction in salaries.
- Benefit Admin Grant £60k, anticipated overall shortfall in admin grant due to reductions in central allocations. We have received further DWP funding to support project and service delivery.
- Renewables business rates income has been confirmed for 2017/18 at £7.5m. This funding is to be transferred to replenish earmarked reserves applied to finance the pension fund deficit in 2016/17.

Housing Revenue Account

Housing Revenue Account – Q3 2017/18	**Budget £000's**	**Forecast £000's**	**Variance £000's**
Net Revenue Budget	11,016	10,670	(346)
Dwelling Rents	(12,070)	(12,100)	(30)
Shortfall / (Surplus)	**(1,054)**	**(1,430)**	**(376)**
Savings Target	(140)	(217)	(77)
Net Surplus / (Deficit) transferred to Major Repairs Reserve	**1,194**	**1,647**	**453**
Net Revenue Budget	**0**	**0**	**0**

2.3 The HRA is anticipating a surplus of £453k. The HRA surplus will be transferred to the Major Repairs Reserve at year end to support the long term management, maintenance and development of council housing. The main forecast variances against budget are:-

- External borrowing has been lower than expected in the year to date due to work programmes being funded from HCA grant and internal borrowing. It is still expected that future development programmes will require external funding, but a saving of approximately (£223k) is expected this year.
- Housing rents are expected to exceed budget by (£30k) in the year, this position is changes as it is influenced by sales, void turnaround time and new tenancies commencing at target rent..
- The retendering of the insurance contract has resulted in a (£16k) saving for the last five months of the year in the HRA.
- Investment income is expected to end the year (£38k) higher due to buoyant cash balances and the rate increase in the year.
- Savings anticipated on solid fuel servicing (£24k) due to transfers to gas central heating, gas servicing (£20k) due to less repairs from modern boilers and the timing of servicing schedules and community centre utilities, repairs and maintenance (£18k) due to less responsive repair requirements.

Savings

2.4 The General Fund has a planned savings target of £740k agreed as part of the 2017/18 budget process. Forecasts indicate that we will achieve a saving of £706K against this total. There is a potential shortfall in Asset Rationalisation which will achieve a saving of £26k from the new tenant in the ex-Profiles Gym against a target of £50k for the year. There remains uncertainty around the timing and agreement of the SDHT loans, so the latest forecast is £17k this year.

2.5 Overall there is an additional £34k savings required to meet the target. However, this will be more than covered by the general fund surplus which is currently forecast. HRA savings for the year have been exceeded from its share of the Pension Fund Deficit.

2.6 Further details of planned savings can be found in Appendix B.

Capital Programme

2.7 The capital programme is currently forecasting an underspend of £2.599m in year although a large proportion is likely to be required to be carried forward to complete programmes in the new year including Car Parks, Portholme Culvert, pointing, roofing, cyclical repairs and door replacements, £0.486m on the General Fund programme and £2.113m on the HRA programme.

2.8 There has been limited spend with the General Fund capital programme although designs, tenders and quote requests are being progressed for several schemes including the car park improvement programme.

2.9 Current forecast spend is £4.732m against a budgeted spend of £5.218m. This is mainly driven by forecasted savings on the Disabled Facilities Grant programme (£194k) and IT (£278k).

2.10 The DFG grant allocation is paid through the Better Care Fund and this year has seen an increase in the grant monies received. In 2017/18 the Better Care allocation is £379,000, compared with the 16/17 allocation of £346,000. This coupled with our own investment and monies carried forward for committed works provides a total of £574,000 available to spend. The expected spend at this stage is projected to be £380,000. The unspent element of the grant will be allocated to a reserve for future use, currently there are no plans to recover any of the grant back but if it does not get used in future years the government may look to recover it.

2.11 IT spend is expected to be £278k lower in year due to projects now set to deliver in 18/19 including a number of individual projects now being rolled into the channel shift project.

2.12 Continued progress is being made on several schemes within the HRA capital programme which shows a forecast spend of £4.08m against a budget of £6.06m. The main variances are as follows:-

2.13 Roofing in Tadcaster and pointing across the district (£1.055m). This combined programme was budgeted at £1.34m but is now expected to be delivered for £1.145m the saving being from the tender submission and the final works required, £285k in the current year and the remaining £860k in 18/19.

2.14 The rolling boiler replacement programme has resulted in fewer repairs and unplanned replacements due to the high standard of boilers installed, resulting in a saving of (£370k).

2.15 The contract for external repairs which includes painting and door replacements is about to get underway, but the delay in commencement of the programme is expected to result in (£255k) slipping into the next financial year.

Programme for Growth

2.16 Approved as part of the budget setting exercise for 2017/18, P4G3 has commenced with a targeted suite of 5 programme themes established including Town Regeneration; Tourism & Culture; Housing; Infrastructure and Business. Work also continues on schemes carried forward from 2016/17 including growing Enterprise; Marketing Selby USP; Strategic Sites and the completion of the Sherburn all weather pitch.

2.17 P4G is showing an in year underspend of (£1.8m) due to timing on P4G schemes, there is a corresponding reduction in reserve contributions for this. This money is still committed to be spent in full in future years.

2.18 Excellent progress has been made on a number of Programme for Growth funded-projects. This includes:

- Sherburn all-weather pitch, which is now completed and opened;
- Selby District Visitor Economy Strategy & Action Plan, which will shortly be submitted to the Executive for approval;
- Marketing Selby USP's, including a range of new branding and marketing materials which were launched at November's successful Economic Growth Conference;
- The Business Space & Accommodation Review, for which specialist commercial property software has been purchased;
- Funding contributions to key District events, including Tour de Yorkshire and Sherburn Craft Festival;
- Healthy Living Concept Fund, which has supported the initiation of Selby District's first Parkrun at Burn Airfield.

A number of Programme for Growth funded-projects are progressing significantly, but have been paused due to external factors. This includes:

- Tadcaster Linear Park, which has been paused to align with Environment Agency works to the River Wharfe in Tadcaster;
- The Empty Homes Programme, for which a new programme has recently been adopted by the Executive.

Although little-to-no Programme for Growth funding has been spent, substantial progress has also been made on a number of other Programme for Growth projects. This includes:

- Church Fenton Studios, where officers have been working closely with the landowner, key strategic partners and potential anchor businesses to create a vision for 'Create Yorkshire' and support the submission of a detailed planning application;
- Growing Enterprise, for which a successful multi-partner event was held in November to engage with over 60 local SMEs and a detailed SME Growth Plan is in development;
- Olympia Park, for which a detailed Housing Infrastructure Fund (HIF) bid was submitted in September to unlock the site (decision expected by end of January).

Some projects have not yet been initiated, and are being reviewed at the request of the Executive. This includes:

- Stepping Up Housing Delivery, which has been superseded following the adoption of the Council's ambitious new Housing Development Programme;
- Access to Employment, which will provide critical labour links to key employment locations and will be re-assessed following further business engagement;

The Programme for Growth is showing a forecasted underspend in the year of £1.5m, with a forecasted spend of £879k against £2.4m in the budget.

As illustrated above however, significant progress has been achieved that puts the Council in a strong position to proactively review the Programme for Growth and re-prioritise projects accordingly. This was a key recommendation from the Council's Corporate Peer Challenge in November.

Work is therefore underway, taking on board the clear steer from the Executive to focus on a smaller suite of 'bricks and mortar' projects that will deliver the Council's Corporate Plan and Economic Development Framework, whilst providing a commercial return on investment.

2.19 Appendix D provides a financial breakdown of the current programme.

3. Legal/Financial Controls and other Policy matters

Legal Issues

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

Financial Issues

3.2 The financial issues are highlighted in the report. The revenue position continues to change over the course of the year as more detailed data becomes available largely resulting from the likelihood of additional income from increased demand for services countered by increased costs – performance is monitored closely and remedial action will be taken or proposed to the Executive should this be necessary.

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

4. Conclusions

4.1 At the end of quarter 3, the outturn is indicating a surplus in both the General Fund and HRA which demonstrates that the Council's spending plans for the year are fully supported and progress against the savings plan is broadly on track.

4.2 At this stage in the year some savings are forecast on the capital programme and some projects will complete in 2018/19 while some will require funds to be carried forward to 2019/20 to progress or complete.

4.3 Significant progress has been achieved on Programme for Growth that puts the Council in a strong position to proactively review the Programme for Growth and re-prioritise projects accordingly.

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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BUDGET EXCEPTIONS REPORT

October 2017 - December 2017

General Fund Income

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Investment Income	(100)	(90)	On-going	Earnings from investments are currently expecting to exceed budget, this is due to buoyant cash balances, this will be closely monitored as current interest rate returns may not be achieved going forward.
Customer & Client Receipts	(4,457)	(120)	On-going	Recycling & Waste Collection income is a key driver of this variance due to latest forecasts on recycling activity and prices, demand for new bins for housing development sites and the continued proactive marketing of the commercial waste service (£81k). Other variances include a backdated recharge of officer time to Ryedale DC for HR support (£25k) and an unbudgeted charge for current year Marketing Support (£30k), increase in forecasted Council Tax collection court costs & summons due to current trends (£28k). (£27k) was received into the Cabinet Office allocation for electoral registration which is offset by costs within supplies and services. There are numerous other forecasted overachievements of budget including; Land Charges (£9k); ICT Recharges (£9k) and Industrial Unit occupancy (£9k). This is offset by an anticipated shortfall in private payer lifeline income £30k, the service is reviewing its products and offer to customers in line with market demands in addition recruitment is being carefully managed to mitigate the impact and telecare income is expected to exceed budget by (£6k). There will be reduced income from Development Management where a reduction in application fees is anticipated due to the 5 year land supply partially mitigated by planning advice for larger schemes £25k, Civic Centre Rent £26k from slippage in the Police Co-location project and Assets Trading from take up of the service £35k.
Government Grants	(17,800)	64	On-going	This shortfall is due to the continued fall of Supporting People Grant £46k, this continued reduction from on-going assessment is not currently being met by private payers. From 1 April 2018 this funding will end completely. The service is constantly looking to expand its customer base balanced with finding operating efficiencies. Continued shortfall of housing benefit admin subsidy £60k. These are partially offset by Local Welfare assistance Grant (£35k) although costs are anticipated against this and DWP Grant for system updates (£7k).
Total Variance - General Fund Income		**(146)**		

General Fund Expenditure

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Employees	8,886	(90)	On-going	Anticipating a saving on salaries as the new structure recruitment process is completed, a number of vacancies are yet to be filled and the recruitment process continues to fill these roles. Vacancies are being carefully managed to also mitigate other service risks such as the lifeline service. Taking this in to account the overall position has worsened slightly due to increased pressure on the Development Management Team requiring specialist advice and agency support which comes at a premium against vacancies to manage large scale complex planning applications and a large amount of appeals relating to the 5 year housing land supply. It is also proving difficult for all Local Planning Authorities to recruit permanent and / or agency staff with the relevant experience to tackle the workload of this nature hence high agency staff costs.
Supplies & Services	10,577	(86)	On-going	Of the overall saving, there are numerous variances that make up this saving, the largest being within Refuse Collection (£116k), this is due to the extension of the contract from April 2017 where anticipated property growth would require further resources for collections. The threshold has not been achieved where a contract price increase would be incurred, this position is reviewed monthly. The retendering of the insurance contract has resulted in a (£25k) saving for the last 5 months of the year. A saving is anticipated on discretionary rate relief (£60k) due to a lack in applications. There are further savings expected on Countryside management (£8k), Climate Change (£21k), Democratic Core, Scrutiny & Standards (£15k) and Partnership Development (£13k). These savings are offset by; Register of Electors £46k due to canvassing but is offset by a grant from the Cabinet office to cover the majority of cost. Waste and Recycling contract charges £55k, the environmental services contract indexation is applied on the contract anniversary each October and budgets are set based on prior year’s inflation forecasts. Inflation during 17/18 is higher than that estimated and as such contract costs are forecasted to be higher than budget, increased income from commercial waste and recycling collection are compensating for this shortfall based on latest forecasts. The North Yorkshire Procurement Partnership contract has been renegotiated, giving an annual cost of £12k; this budget was inadvertently removed as part of the restructure process to support a post that was later excluded. A £23k shortfall is estimated for bank charges in relation to the volume of card payments made to the authority. There are also increase internal audit charges for fraud work £26k.

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Third Party Payments	82	(10)	one-off	Small saving anticipated on the annual contribution to the Home Improvement Agency and contract payments for leisure services.
Budget Savings Required	(424)	34	On-going	Small shortfall in the planned savings target, asset rationalisation will not achieve its target for the year due to part year rental of profile gym, but other savings proposals are being developed by officers.
Total Variance - General Fund Expenditure		**(152)**		
Total Variances - General Fund		**(298)**		

Housing Revenue Account Income

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Investment Income	(25)	(38)	On-going	Earnings from investments are currently expecting to exceed budget, this is due to buoyant cash balances, this will be closely monitored as current interest rate returns may not be achieved going forward.
Housing Rents	(12,070)	(30)	On-going	The current forecast suggests an improved position over budget. The final variance will be influenced by the number of sales (18 to date) the void turnaround time and new tenancies set at target rent.
Total Variance - HRA Income		**(68)**		

Housing Revenue Account Expenditure

Budget Description	Annual Budget £000's	Year -End Variance £000's	One-Off/ On-going	Comments
Premises	742	(58)	On-going	There are anticipated savings on solid fuel servicing (£24k), community Centre utilities, repairs & maintenance (£18k) and (£20k) on gas servicing due to the timing of the servicing rounds.
Supplies and Services	1,154	(16)	On-going	The retendering of the insurance contract has resulted in a (£25k) saving for the last 5 months of the year.
External Interest Payable	2,638	(223)	On-going	This saving is based on the assumption that no external borrowing will be taken out for new developments within the HRA this financial year, the use of internal borrowing (using cash reserves) is anticipated rather than PWLB borrowing.
Pension deficit reduction savings	77	(77)	On-going	The reduction in pension deficit payments in the HRA as a result of the payment made in 16/17 is higher than anticipated in the budget.
Total Variance - HRA Expenditure		**(374)**		
Total Variances - HRA		**(442)**		

SAVINGS PLAN

Indicative Profile - GF

Potential Saving	Sponsor	2017/18 £000's	2018/19 £000's	2019/20 £000's	Original Risk	November 2017 Update	Current Risk
Pest Control	KC	15	15	15	Low	Contract completed - charge for rats passed on to customers	Low
Income generation	SR			185	High	Short/medium term income being generated through provision of HR and Comms services to a nearby district council. Proposals to be developed for additional income streams for 2019/20 and beyond - including potential opportunities to maximise income streams through better understanding of our asset base, following asset management system implementation.	High
Process improvements /on-line transactions	JS	0	70	91	Medium	Business Case for 'channel shift' project approved - implementation of first two phases scheduled for early 2018/19. Quick wins already being delivered in Revs & Bens. Implementation of Housing Management System has commenced - first module due Jan 2018. Full implementation expected by July 2019. Project brief for 'Modern Office Project' to support a more flexible and mobile workforce currently being developed.	High
Planning service review	JC	0	200	200	Medium	Planning service savings are currently under review, with proposals for delivery of £200k savings anticipated to be met through additional income and cashable postage and electronic savings.	High
Asset rationalisation	JS	26	90	140	Medium	Options are currently being considered for the Contact Centre move to the Civic Centre, which dependent on the agreed approach could potentially complete half way through 18/19. Ex Profiles Gym has been let to a tenant which will generate £26k in the current year and £40k in future years.	Medium
Commissioning & collaboration	JS	0	0	80	High	The savings expected in 2019/20 have not yet been identified.	High
New SDHT Loans	DC	17	60	100	High	A number of schemes are currently in progress, with negotiations taking place with developers. In addition, a revised Housing Development Programme is being put forward for approval, which aims to accelerate the delivery programme - subject to identifying suitable sites.	High
Lending to third parties	DC	0	0	40	High	This work will be considered as adoption of the Economic Development Strategy is achieved, and the Programme 4 Growth 3 is developed.	High

SAVINGS PLAN

Programme for Growth	DC	0	0	250	High	Work on a new Site & Premises Register will shortly be initiated, and extensive consultation with local small-medium sized enterprises is ongoing. This is expected to highlight a lack of high-quality incubation space throughout the District, and provide potential investment opportunities	High
Tax Base Growth	DC	0	0	28	Medium	As the growth agenda continues, an anticipated additional increase in the tax base of 0.5% is forecast by 19/20. This is subject to timing of development schemes completing, amongst other variables so will continue to be monitored	High
Business Rates Growth	DC	0	0	200	High	A new Economic Development team has recently been recruited who will deliver the Council's Economic Development Strategy and proactively foster new inward investment and indigenous business growth.	High
PFI	KI	57	60	60	Low	Completed	Low
MRP	KI	185	185	185	Low	Completed	Low
Pension Fund Deficit	KI	406	419	433	Low	Completed	Low
Total Savings		**706**	**1,099**	**2,007**			
Assumed Savings Target		**740**	**1,053**	**1,698**			
Surplus / (Shortfall)		- **34**	**46**	**309**			

NB Low risk savings assumed to be delivered at 100%

SAVINGS PLAN

Indicative Profile - HRA

Potential Saving	Sponsor	2017/18 £000's	2018/19 £000's	2019/20 £000's	Risk	October 2017 Update	Current Risk
Process improvements /on-line transactions	JS	0	5	194	Medium	Business Case for 'channel shift' project approved - implementation of first two phases scheduled for early 2018/19. Quick wins already being delivered in Revs & Bens. Implementation of Housing Management System has commenced - first module due Jan 2018. Full implementation expected by July 2019. Project brief for 'Modern Office Project' to support a more flexible and mobile workforce currently being developed.	High
Commissioning & collaboration	JS	0	0	20	High		High
Pension Fund Deficit	KI	217	226	235	Low	Completed	Low
Total		**217**	**231**	**449**			
Assumed Savings Target		**140**	**148**	**310**			
Surplus / (Shortfall)		**77**	**83**	**140**			

Low risk savings assumed to be delivered at 100%

-

2017/18 Selby District Council Capital Programme - To 31 December 2017

General Fund	Annual Budget	Year to date Actual	Forecast	Forecast Variance	Comments
Sport Grounds Improvement Works	30,000.00	23,180.00	27,000.00	(3,000.00)	Scheme completed.
Selby Park Improvement Work	45,000.00	0.00	45,000.00	0.00	Programme includes two distinct elements - rebuilding a wall which is in a poor state of repair and upgrading the lighting. Works to progress the lighting improvements within the park are currently on hold due to necessary links to the Selby Town Centre improvement / bus station improvement. May need to roll forward to next year in order to coordinate with town centre improvement works. The contract to rebuild the wall has been awarded and works will commence in February/March 2018 an will complete by year end (£30k).
Asset Management Plan - Leisure & Parks	2,940.00	0.00	0.00	(2,940.00)	IHL have completed inspections of the items in the planned maintenance programme for 2018/19. No works are required at this time and so these items have been deferred for a further 12 months.
Industrial Units - Road Adoption	325,000.00	0.00	325,000.00	0.00	No plans to progress currently, scheme needs to be coordinated with NYCC and progress under better together.
Portholme Road Culvert	288,734.00	9,862.00	288,734.00	0.00	Scheme delayed as to not impact on blue light services until Police move and location of utilities on site. PO raised for stage 2 works up to end of March 2018. Total estimated send for this FY is £124,360. The balance of the budget will be carried forward to progress the project.
Bus Station Refurbishment	53,000.00	0.00	53,000.00	0.00	Awaiting confirmation whether this is to proceed ahead of the improvements to Selby Town Centre - may need to roll funding into next year.
Police Co-Location Project	229,710.00	(1,980.00)	229,710.00	0.00	Scheme not started, awaiting final financial and Director approval from SDC and NYP.
Industrial Units Maintenance	47,000.00	14,001.00	47,000.00	0.00	Currently producing schedule of works required prior to seeking prices. Anticipate works commencing in February 2018, but budget will slip in to next year to align with a further bid.
Car Park Improvement Programme	300,000.00	0.00	300,000.00	0.00	Groundwork finalising plans for first three car parks in the programme. Expecting works will go out to tender in January 2018 and commence on site Feb/March 2018, the majority of budget is likely to carry forward in to the next financial year.
Website Development (Webchat)	10,000.00	0.00	0.00	(10,000.00)	Budget rolled into Channel Shift project, bids submitted to progress in 18/19.
DIP System upgrade	20,000.00	0.00	10,000.00	(10,000.00)	Capital budget forecast has been reduced by £10k to reflect requirements for the year. Awaiting integration costs and upgrade costs for Information@Work before any commitment.
GIS System	100,000.00	12,800.00	31,000.00	(69,000.00)	Project runs until June 2018. 50% budget committed over 2 years. Budget and project delivering on track, a new approach was taken to this project generating savings.
Benefits & Taxation System upgrade	75,000.00	0.00	15,000.00	(60,000.00)	£60k rolled into Channel shift project commencing 18/19 for which a bid has been submitted for transactional services leaving £15k. £4.5k committed for overpayment subsidy workbook £1.4k Victorias Forms licence committed
IDOX Planning System	60,000.00	4,500.00	30,000.00	(30,000.00)	Capital budget has been reduced by £30k, commitments can be met from the budget.

2017/18 Selby District Council Capital Programme - To 31 December 2017

Appendix C

General Fund	Annual Budget	Year to date Actual	Forecast	Forecast Variance	Comments
Committee Management System	18,000.00	0.00	18,000.00	0.00	Contract awarded and an implementation plan with the successful bidder is to be discussed.
Northgate Revs & Bens	7,730.00	8,905.03	7,730.00	0.00	Spend for required updates including £5750 for changes to Victoria Forms and £3155 for changes to SBRR.
Electronic Payments Project	46,680.00	3,325.00	30,000.00	(16,680.00)	Budget to be rolled into Channel Shift project which will commence in 2018/19 after approval of bids.
Servers - ICT Infrastructure Replacement	88,751.00	33,557.00	30,751.00	(58,000.00)	Budget reserved for Microsoft licences to be purchased in 2018
Environmental Health System	5,000.00	6,850.00	6,850.00	1,850.00	Oracle patches for PSN compliance still need to be scheduled in Q4.Likely to overspend which can be managed through savings on other IT projects.
Councillor Tablets	18,340.00	19,546.00	19,546.00	1,206.00	Project delivered. Overspend is due to increase in price of devices and remote licences.
Mobile Working Solution	249,800.00	0.00	249,800.00	0.00	This project will start in 2018 and forms part of the channel shift project to provide and develop digital services.
Housing & Asset Management System	511,780.00	239,248.00	511,780.00	0.00	The contract with Civica was signed September 2017. The first stage payment has been made and a full project plan has been agreed. Training begins January 2018 to support the project work involved in implementation.
ICT - Infrastructure Costs	60,000.00	32,696.97	40,000.00	(20,000.00)	Currently on track to deliver requirements for the year, savings currently anticipated.
ICT - Desktop Replacement Programme	17,500.00	9,881.00	10,000.00	(7,500.00)	On track to deliver requirements for the year, savings are anticipated.
Private Sector - Home Improvement Loans	46,500.00	3,039.00	38,750.00	(7,750.00)	The repair assistance scheme has supported a small number of residents with emergency repairs this year. The loans are being processed and therefore we still expect to meet the forecasted spend by year end. Loans continue to be repaid in line with loan conditions which allows us to recycle the funding and offer support to additional vulnerable households.
Disabled Facilities Grants	573,958.00	75,700.00	380,000.00	(193,958.00)	The current actual spend is low but it is expected a number of approved works will complete in the final quarter and the overall spend will therefore increase to be in-line with the forecasted spend. The administration of the DFG service will return to an in-house service in April when the contract with the Home Improvement expires. A new Private Sector Housing Assistance Policy has been approved for consultation with a view to increase spend over the next financial year by introducing discretionary DFG's.
New Build Projects	1,987,300	0	1,987,300	0	Ulleskelf scheme - Still at an early stage to purchase 12 properties. A 10% deposit is likely to be required in March. Properties will be released in phases as completed currently awaiting a completion programme. Riccall scheme will start on site 22 Jan, some preconstruction costs have been paid (£30k). Anticipate will take approximately 32 weeks to complete.
	5,217,723.00	**495,111.00**	**4,731,951.00**	**(485,772.00)**	

Appendix C

2017/18 Selby District Council Capital Programme - To 31 December 2017

Housing Revenue Account	Annual Budget	Year to date Actual	Forecast	Forecast Variance	Comments
Kitchen Replacements	140,000.00	103,216.00	140,000.00	0.00	Contract started 10/10/17 to complete at end of December 2017.
Pointing Works	807,994.00	5,740.00	270,000.00	(537,994.00)	Contract starting November 2017. Programme of work not expected to exceed £550k. £270k expected to be spent this financial year with the remainder carried forward to be spent next year.
Electrical Rewires	240,000.00	129,561.00	200,000.00	(40,000.00)	Work on upgrades rather than full rewires is helping to reduce costs whilst still keeping properties compliant
Bathroom Replacements	30,000.00	690.00	30,000.00	0.00	Programme due to start in Jan 2018, to combine with next years programme into one contract
Asbestos Surveys	30,000.00	10,787.00	30,000.00	0.00	Work ongoing, where asbestos surveys and removal form part of a scheme i.e. kitchens the work is booked to that scheme
External Cyclical Repairs (Painting & Windows)	160,000.00	(1,692.00)	10,000.00	(150,000.00)	Tender documentation preparation underway. Aiming for issue January 2018. Most of budget expected to be spent in next financial year
Central Heating System Replacements	545,000.00	83,485.00	175,000.00	(370,000.00)	Significant savings anticipated this year due lower than expected system failures resulting from improved standard of boilers installed over the last few years. A programme of 'just in time' replacements is scheduled to commence in January / February 2018 as system failures become evident during the winter months.
Roof Replacements	532,650.00	5,990.00	15,000.00	(517,650.00)	Stage 1 Section 20 leaseholder consultation complete. Tender preparation currently underway. Indicative programme of tender process and conclusion of leaseholder consultation will result in start on site circa May 2018. Element of works package will be funded through pointing budget as per commentary above. Realignment of budget between financial years will be required.
Damp Works	220,000.00	99,471.00	150,000.00	(70,000.00)	Work continues with a mix of programmed and responsive works including some prevention measures (improving ventilation).
External Door Replacements	130,000.00	13,729.00	25,000.00	(105,000.00)	Tender documentation is currently being prepared in readiness for issue in January 2018. Majority of spend in next financial year
Void Property Repairs	65,000.00	47,109.00	70,000.00	5,000.00	More void work than expected
Fencing Programme	50,232.00	14,634.00	50,000.00	(232.00)	Works due to commence 4/12/17 and scheduled to run until March 2018
St Wilfrid's Court	13,000.00	0.00	13,000.00	0.00	Upgrades to the Lifeline system have not progressed.
Laurie Backhouse Court	28,000.00	(17,069.00)	30,000.00	2,000.00	Tenders now returned.
Environmental Improvement Plan	182,555.00	32,067.00	70,000.00	(112,555.00)	Scheme criteria developed. Seeking input from local community as to areas for improvement
Housing Development Project	53,180.00	34,747.00	34,486.00	(18,694.00)	Savings from the Byram Park Road Flats site clearance
Garage Sites	20,000.00	6,670.00	20,000.00	0.00	Upgrade works on going
Ousegate Hostel	60,000.00	0.00	60,000.00	0.00	Scheme details being drawn up
Footpath Repairs	30,000.00	12,950.00	0.00	(30,000.00)	Programme of inspections now complete. Tender process imminent. Looking to link to estate enhancement budget
Estate Enhancements	133,000.00	16,262.00	133,000.00	0.00	Programme of footpath inspections now complete. Tender process imminent. Looking to link to footpath budget.
Phase 1 Hsg Dev. Byram / Eggborough Bungalows	981,640.00	899,906.00	947,000.00	(34,640.00)	Scheme complete. Retention of £45,908.45 to be released resulting in financial completion and an overall saving
Phase 2 Hsg Dev. Byram Park Road	1,612,000.00	6,123.00	1,612,000.00	0.00	Revised start on site for 19 Feb for 13 properties to complete in approximately 45 weeks.
	6,064,251.00	**1,504,376.00**	**4,084,486.00**	**(1,979,765.00)**	

Total Capital Programme	**11,281,974.00**	**1,999,487.00**	**8,816,437.00**	**(2,465,537.00)**	

Programme for Growth 2017/18 Financial Year Project Updates - To 31 December 2017

Project	Lead Officer	Budget £	Spend to date £	Forecast £	Forecast Variance £	Update
Towns Masterplanning	Angela Crossland	150,000	0	0	-150,000	Executive currently reviewing project in line with budget planning for 2018-19.
Visitor Economy	Angela Crossland	270,000	195,000	206,545	-63,455	Make it York now commissioned to produce VE strategy and action plan. Timeline for action plan due for agreement by February 2018.
Stepping Up' Housing Delivery	James Cokeham	50,000	138	0	-50,000	Project discussed with Local Partnerships, brief developed and draft proposal submitted. Project superseded by significant work on the Council's new Housing Development Programme and is now 'on hold' pending further Portfolio Holder discussions.
Olympia Park	James Cokeham	200,000	0	0	-200,000	The Council has submitted a significant (circa £9m) funding application to the Homes & Communities Agency through their 'Housing Infrastructure Fund'. A decision on this is expected in February-this will clarify the potential use of this funding for due diligence to bring the site forward.
Strategic Sites Masterplanning	James Cokeham	391,755	143,917	148,917	-242,838	Funded due diligence work on Olympia Park, Portholme Road, Edgerton Lodge, Selby Station Masterplan and Kellingley Colliery. Likely future projects will include strategic infrastructure response to Sherburn Employment sites.
Access to Employment	James Cokeham	100,000	0	0	-100,000	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. A Business Forum will be established by the Council’s new Senior Inward Investment Officer to fully understand the scope of the issue - this project will then fund a response (along with, it is envisaged, private sector contributions).
Green Energy	James Cokeham	50,000	0	0	-50,000	Further diligence work on project to be undertaken to produce robust cost/benefit analysis.
Growing Enterprise	James Cokeham	85,000	2,109	19,400	-65,600	Match funding contributions paid to EU Leeds City Region business support programmes - AD:Venture & Digital Enterprise. This project will fund small business support activity. An SME Support Programme is being developed, in close consultation with the portfolio holder, by the Council’s Senior Business Advisor which will set out the scope of the project in detail. The project is also seeking to develop income streams from support provision, which may mean that delivery from this project can extend into the next financial year.

Project	Lead Officer	Budget £	Spend to date £	Forecast £	Forecast Variance £	Update
Church Fenton Studios	Dave Caulfield / James Cokeham	300,000	0	5,000	-295,000	Liaison is ongoing with the site owners, key regional stakeholders and potential investors as to the site's future. Until these discussions have concluded, the scope of any potential project cannot be clarified. Positive progress has been made, with a planning application for the 'Create Yorkshire' site submitted, and currently there is no indication that public money will be required to bring the scheme forward (pending further discussions).
Business Space & Accommodation Review	James Cokeham	30,000	0	15,000	-15,000	CoStar software has been purchased that provides live commercial data around the District's available/soon-to-be-available commercial stock. Advanced nature of software means that analysis can be undertaken as a project by a member of the Council's graduate programme, reducing overall project costs significantly.
Healthy Living Concepts Fund	Angela Crossland	50,213	4,000	50,213	0	Park Run initiated and now sustained. Drafts for Active Travel projects due. Further spend on the fund will be outlined through a multi-agency health action plan to be completed in early Q4 2017.
Marketing Selby's USP	Mike James	57,914	17,785	57,914	0	First priority has been to create the series of 'case studies' that tell the story of the district. These are based on the issues businesses themselves have said are reasons for their success in the district, as well as data gathered as part of the development of the new Economic Development Framework. We have 20 case studies in the initial batch, in which we focus on an existing business in the district and link this back to a specific business or quality of life issue on our list of 'key messages'. Feedback from business is that this will work best if the material sits within an independent place brand, rather than this just being linked back to the brand of the Council: this is about branding the place, rather than branding a single organisation. Creating a brand concept has, therefore, become part of the overall project. We're working on the concept of branding the area as being 'at the heart of Yorkshire', as this helps to tell the story of our connectivity (a key business attribute) as well as helping to create an emotional connection: if we're to influence perceptions then we need to develop this type of emotional connection. 500 copies of the Heart of Yorkshire book produced and proceeds from the sale to be reimbursed to the project.
Retail Experience - Tadcaster Linear Park	Angela Crossland	180,000	25,000	20,000	-160,000	This project has now been paused until early 2018 subject to Environment Agency work and current winter season.
Retail Experience - STEP	Angela Crossland	123,700	16,000	60,000	-63,700	Grants given to support Selby Arts Festival and Selby Food Festival. Small Business Saturday and Shop Local initiatives delivered Christmas 2017. Heart of Yorkshire Book retailing well. Commission in place to develop public realm work. Due for completion Summer 2018. Developing business case for town centre coordination role.

Project	Lead Officer	Budget £	Spend to date £	Forecast £	Forecast Variance £	Update
Empty Homes	June Rothwell / Simon Parkinson	115,475	0	80,000	-35,475	In May it was agreed to adopt the York and North Yorkshire Empty Homes Strategy 2017-2020 and we are currently working to create a local Action Plan for Selby District. A working group has been set up to help develop the action plan and membership of the group includes representation from the Executive. This group has worked to agree a number of key principles in relation to how we target empty homes; the support we will offer owners of empty properties, and what enforcement action we will consider. Whilst this work is on-going and whilst we continue to finalise the action plan our Empty Homes Officer is visiting all empty properties to undertake an assessment of the type of property and the condition of the property. This will enable us to target support and enforcement action accordingly. The Empty Homes Officer is a new role that was created during the recent restructure to drive forward the work on empty homes. Once we have finalised the action plan proposals, they will be presented to the Executive for approval.
Selby District Housing Trust	Julie Slatter / James Cokeham	30,000	14,000	16,000	-14,000	This fund previously paid for half of the Housing Development Manager post, which has now been deleted from the new corporate structure. A revised resource request from the P4G was included within the Council's newly adopted Housing Development Programme.
Sherburn All-Weather Pitch	Angela Crossland	200,000	200,000	200,000	0	Project completed.
		2,384,057	**617,949**	**878,989**	**-1,505,068**	

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Selby District Council

REPORT

Reference: E/17/46

Item 6 - Public

To:	**Executive**
Date:	**1 February 2018**
Status:	**Key Decision**
Report Published:	**24 January 2018**
Author:	**John Raine, Head of Technical Finance**
Executive Member:	**Cllr Cliff Lunn, Executive Lead Member for Finance & Resources**
Lead Officer:	**Karen Iveson, Chief Finance Officer**

Title: Treasury Management – Monitoring Report for Q3

Summary:

This report reviews the Council's Treasury Management Activity for the 9 month period 1 April 2017 to 31 December 2017 and presents performance against the Prudential Indicators. During this period the Council complied with its legislative and regulatory requirements.

Investments – The Bank of England Bank Base Rate increased on 2nd November from 0.25% to 0.5% in line with market speculation earlier in the year. No further bank rate increases are expected until December 2018 at the earliest. Overall average rate achieved up to 31 December is 0.47%. Investment returns are budgeted for £125k and as at Q3, the forecast outturn is expected to be around £253k (£190k allocated to the General Fund; £63k to the Housing Revenue Account).

Borrowing – the council has long term borrowing of £59.3m at 31 December 2017. Interest payments of £2.5m are forecast for 2017/18 (£0.1m allocated to the General Fund; £2.4m to the Housing Revenue Account).

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

Recommendations:

i. Councillors endorse the actions of officers on the Councils treasury activities for Q3 and approve the report.

Reasons for recommendation

To comply with the CIPFA Code of Practice for Treasury Management, the Executive is required to receive and review regular Treasury Management Monitoring Reports.

1. Introduction and background

1.1 Local Government Treasury Management is governed by the CIPFA Code of Practice and in this context is the management of the Council's cash flows, its banking and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. The Council has adopted the Code and complies with its requirements.

2. The Report

2.1 The Council's treasury advisors Link Asset Services – Treasury Solutions summarised the key points associated with economic activity in Q3 2017/18 up to 31 December 2017**:**

- The economy maintained a mediocre pace;
- Employment fell, but there were some signs of a pick-up in wage growth;
- Headline inflation reached its highest since March 2012;
- The MPC hiked Bank Rate for the first time in a decade;
- The Chancellor provided a bigger-than-expected Budget giveaway;
- The European Commission gave the green light to progress to the second phase of Brexit negotiations

Interest Rate Forecasts

2.2 The interest rate forecasts (last update 30 September 2017) of Link are as follows:

Date	***Bank rate***	***5 year PWLB****	***10 year PWLB****	***25 year PWLB****	***50 year PWLB****
	%	%	%	%	%
Current rates	0.50	1.40	1.91	2.48	2.21
March 2018	0.50	1.40	2.00	2.70	2.40
Sept 2018	0.50	1.50	2.20	2.80	2.60
March 2019	0.75	1.60	2.30	2.90	2.70
Sept 2019	0.75	1.70	2.40	3.00	2.80

* Net of certainty rate 0.2% discount

2.3 As anticipated in September 17, the Bank of England Bank Base Rate increased on 2nd November from 0.25% to 0.5% in line with market speculation earlier in the year. The tone from the MPC still indicates that the Bank rate will need to rise, no further bank rate increases are expected until December 2018 at the earliest.

2.4 The overall balance of risks to economic recovery in the UK is currently to the downside, with huge variable over the coming few years including what the final form Brexit will take, when finally agreed with the EU and when.

Investments

2.5 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 Council's Annual Investment Strategy and Lending List has been aligned to that of NYCC.

2.6 NYCC only invests in highly credit rated institutions using the information from Link Asset Services. The approved limits within the Annual Investment Strategy were not breached during the first six months of the year.

2.7 The Council's investment activity in the NYCC investment pool up to Q3 2017/18 was as follows:

- Balance invested at 31 December 2017: £56.4m
- Average Daily Balance 2017/18 up to 31 December 2017: £45.2m
- Average Interest Rate Achieved up to 31 December 2017: 0.47%

2.8 Based on the low bank rate, NYCC's current target for investment returns is 0.4%. Interest rates have remained low throughout 2017 to date and the average rate of 0.47% is above the target. In addition the Council's cash balances remain high which is supporting the interest earned budget.

2.9 The Council's budget and current forecast for interest income is as follows:

	Budget	Current Forecast
General Fund	£100k	£190k
Housing Revenue Account	£25k	£63k
Total	**£125k**	**£253k**

2.10 The Approved Lending List for the NYCC managed investment pool as at 31 December 2017 is attached as **Appendix B.**

Debt and Borrowing

2.11 The Council's outstanding external debt at 31 December 2017 is as follows:

- PWLB: £52.8m
- Money Market Loans: £6.5m
- Total debt: **£59.3m**
- Average interest rate: 4.19%

2.12 It is a statutory duty for the Council to determine and keep under review its 'Affordable Borrowing Limits'. The Council approved Borrowing Limits (including £1.0m for leases) are as follows:

- Operational Borrowing Limit: £76.0m
- Authorised Borrowing Limit: £81.0m

2.13 A list of the Council's approved Prudential Indicators are shown in **Appendix A**. Officers can confirm that the Prudential Indicators were not breached during Q3.

3. Legal/Financial Controls and other Policy matters

Legal Issues

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

Financial Issues

3.2 As set out in the report.

Impact Assessment

3.3 There are no equality impacts as a result of this report.

4. Conclusion

4.1 Whilst the bank rate remains low, investment returns continue to be depressed although high cash balances are supporting the interest earned budget. Based on current performance and future interest rate projections, interest earned is forecast to exceed budget by £128k (£90k GF and £38k HRA) although this will be kept under review as the year progresses.

4.2 The Council operated within its approved borrowing limits over the last quarter and prudential indictors were not breached.

5. Background Documents

None

Contact Details
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Appendices:

Appendix A – Prudential Indicators as at 30 September 2017
Appendix B – NYCC approved lending list as at 30 September 2017

Appendix A

NYCC Approved Lending List as at 30 September 2017

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 *
UK "Nationalised" banks / UK banks with UK Central Government involvement					
Royal Bank of Scotland	GBR	75.0	364 days	-	-
Natwest Bank	GBR				
UK "Clearing Banks", other UK based banks and Building Societies					
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		
Nationwide Building Society	GBR	40.0	6 months	-	-
Leeds Building Society	GBR	20.0	3 months	-	-
High quality Foreign Banks					
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	-	-
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	-	-
Local Authorities					
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
Other Deposit Takers					
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 from 11 October 2017

Prudential Indicators - As at 31 December 2017

Note	Prudential Indicator	2017/18 Indicator	Quarter 3 Actual
1	Mid Year Capital Financing Requirement £'000	59,019	57,152
	Gross Borrowing £’000	59,561	59,333
	Investments £'000	38,100	56,400
2	Net Borrowing £'000	21,461	2,933
3	Authorised Limit for External Debt £'000	81,000	81,000
4	Operational Boundry for External Debt £'000	76,000	76,000
5	Limit of fixed interest rates based on net debt %	100%	100%
	Limit of variable interest rates based on net debt %	30%	30%
6	Principal sums invested for over 364 days		
	1 to 2 years £'000	20,000	0
	2 to 3 years £'000	15,000	0
	3 to 4 years £'000	5,000	0
	4 to 5 years £'000	5,000	0
7	Maturity Structure of external debt borrowing limits		
	Under 12 months %	20%	0.00%
	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.

Selby District Council

REPORT

Reference: E/17/47

Item 7 - Public

To:	**The Executive Briefing**
Date:	**1 February 2018**
Status:	**Key Decision**
Briefing Published:	**24 January 2018**
Author:	**Michelle Oates, Senior Accountant**
Executive Member:	**Councillor C Lunn, Lead Executive Member for Finance & Resources**
Lead Director:	**Karen Iveson, Chief Finance Officer**

Title: Treasury Management – Treasury Management Strategy Statement 2018/19, Minimum Revenue Provision Policy Statement 2018/19, Annual Investment Strategy 2018/19 and Prudential Indicators 2018/19.

Summary:

This report presents for approval the proposed Treasury Management Strategy together with the Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2018/19, Capital Strategy 2018/19 and Prudential Indicators 2018/19 as required by the Department of Communities and Local Government and CIPFA (as updated 2017). The Report also presents opportunities to maximise investment returns through Property Funds.

Recommendations:

It is recommended to Council that:

i. **The Operational Borrowing Limit for 2018/19 is set at £79m**

ii. **The Authorised Borrowing Limit for 2018/19 is set at £84m**

iii. **Councillors delegate authority to the Executive Director (s151) to effect movement within the agreed authorised boundary limits for long-term borrowing for 2018/19 onwards.**

iv. **Councillors delegate authority to the Executive Director (s151) to effect movement within the agreed operational boundary limits for long-term borrowing for 2018/19 onwards.**

v. **The treasury management strategy statement 2018/19 be approved.**

vi. **The minimum revenue provision policy statement for 2018/19 be approved.**

vii. **The treasury management investment strategy for 2018/19 be approved.**

viii. **The prudential indicators for 2018/19 which reflect the capital expenditure plans which are affordable, prudent and sustainable be approved.**

ix. **The Capital Strategy for 2018/19 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 programmess. 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.

2. The Report

Treasury Management Strategy

2.1
- The Council's 'Authorised Limit for External Debt' is £84m for 2018/19, which is the maximum that can be borrowed in the year;
- The 'Operational Boundary' (the maximum amount that is expected to be borrowed) is £79 in 2018/19, which includes £5m headroom for any unusual cashflow purposes, should this be required;
- 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 31/12/17 is £60.3 at an average rate of 4.19%;
- Total investments are around at an average rate of 4.47%.
- 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 are being developed to maximise returns.

Minimum Revenue Provision (MRP) Policy

2.2
- 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 and following review of this policy, the MRP Policy for 2018/19 has been extended to incorporate 'Assets Aquired or Developed for Resale' and 'Investment Properties'.
- MRP for new borrowing will be based on the asset life;
- Total MRP for 2018/19 is £1.517m (£0.183m internal borrowing, £1.26m HRA external borrowing and £0.074 for leases).

Annual Investment Strategy

2.3
- The Council's day to day investments are now managed as part of an overall investment pool operated by North Yorkshire County Council (NYCC);
- In order to facilitate the pooling of investments with NYCC, the Council's Annual Investment Strategy and Lending List has been aligned to that of NYCC;
- While it is recognised that there is value in pooling investments, responsibility for risk management lies wholly with the Council and officers of the Council and NYCC are explicitly required to follow Treasury Management policies and procedures;
- The priorities for investing the Council's cash reserves remain the security of capital and liquidity of funds;
- Cash balances for investment are expected to range between £40m

and £55m over the coming year dependent upon cashflows;
- An average rate of return of 0.47% has been estimated for 2018/19. Money market returns are expected to below 0.5%, however, loans to Selby District Housing Trust will help to increase overall returns.
- NYCC have included a range of alternative options, including Certificates of Deposit, Bonds and UK Government Gilts within its Investment Strategy in order to improve returns over the coming year.
- In addition to the types of investment set out in Schedule A and B, Treasury Management staff are currently investigating a number of alternative options, in order to assess whether they meet the Councils investment priorities and criteria list.
- As part of the monitoring and review of investment options, Property Funds have been identified as a potential instrument for investment following discussions with the County Councils Treasury Management consultants. Property Funds are pooled investment vehicles investing in commercial property. As a result, Property Funds have been added to the schedule of Non Specified Investments at Schedule B of Appendix A. Appropriate due diligence will be undertaken before an investment of this type is undertaken. The County Council will also consult with the Council service prior to any investment, with an option to 'opt out'.

Prudential Indicators

2.4
- The Council plans to spend £10.3 on capital projects in 2018/19
- This expenditure will be funded from major repairs reserve, capital receipts, grants or revenue resources & borrowing;
- Principle (Minimum Revenue Provision or MRP) and interest repayments on current and proposed borrowing, less interest on investments, equate to 1.75% of the General Fund Budget and 32.56% of the HRA net budget in 2018/19.
- Taking into account all capital spending plans during 2018/19 there is a borrowing requirement of £4.069m for the General Fund and £1.700m for the HRA.

Capital Strategy

2.5
- 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 considering 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. It is anticipated that alternative investments will predominantly be considered capital expenditure and as such will be 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.
- While a range of investment options are being considered, no further non-core investments are currently included in the Capital Programme.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

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

3.2 Financial Issues

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

4. Conclusion

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

5. Background Documents

Accountancy treasury management files

Contact Details

Karen Iveson – Executive Director (s151).
Appendices:
Appendix A – Treasury Management Strategy 2018/19
Appendix B – Minimum Revenue Provision Policy 2018/19
Appendix C – Capital Prudential Indicators 2018/19
Appendix D – Borrowing Strategy 2018/19
Appendix E – Annual Investment Strategy 2018/19
Appendix F – Capital Strategy 2018/19

APPENDIX A

TREASURY MANAGEMENT STRATEGY STATEMENT 2018/19

1. Introduction

1.1 Treasury management is defined 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. "

1.2 **Reporting requirements –** The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals.

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

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

1.4 **A Mid Year Treasury Management Report –** This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision. In addition the Executive will receive quarterly update reports.

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

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

1.7 The suggested Treasury Management Strategy for 2018/19 covers the two main areas:

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

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;

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

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

1.8 The CIPFA Code requires the Chief Finance Officer to ensure that members with responsibility for treasury management, particularly those with responsibility for scrutiny, receive adequate training in treasury management. Training has been provided to members by Link Asset Services and further training will be arranged as required.

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

1.10 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. (Treasury Management Practice 11)

APPENDIX B

MINIMUM REVENUE PROVISION POLICY STATEMENT 2018/19

1. Introduction

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

2. Minimum Revenue Provision Policy

2.1 In May 2008 the Council set its MRP policy. It is therefore appropriate that the annual review of the MRP policy is undertaken as part of this Annual Treasury Management Strategy.

2.2 The Council's MRP policy is based on the Governments Statutory Guidance and following a review no further changes are considered necessary and the policy for 2018/19 is therefore as follows:

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

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

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

Should any expenditure incurred by the Council not be capable of being related to an asset because for example it is a grant to another organisation's capital project then an asset life will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

In the case of long term debtors from loans or other types of capital expenditure, the amounts paid out are classed as capital expenditure for capital financing purposes. The expenditure is therefore included in the calculation of the Council's Capital Financing Requirement. When the Council receives the repayment of an amount loaned, the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the Capital Financing Requirement, there will be no revenue provision made for the repayment of the debt liability (i.e. unless the eventual receipt is expected to fall short of the amount expended).

Where expenditure is incurred to acquire and/or develop properties for resale, the Capital Financing Requirement will increase by the amount expended. Where the County Council will subsequently recoup the amount expended via the sale of an asset, the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the Capital Financing Requirement, there will be no revenue provision made for the repayment of the debt liability (i.e. unless the fair value of the properties falls below the amount expended).

Where expenditure is incurred to acquire properties meeting the accounting definition of investment properties, the Capital Financing Requirement will increase by the amount expended. Where the Council will subsequently recoup the amount expended (e.g. via the sale of an asset), the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the Capital Financing Requirement, there will be no revenue provision made for the repayment of the debt liability (i.e. unless the fair value of the properties falls below the amount expended).

The Council does not charge MRP on its non-operational assets i.e. those currently under construction. This option is in line with the principle that MRP should only be charged when assets are completed / become operational.

(c) Any **finance lease** that comes onto the balance sheet via the requirements of International Financial Reporting Standards will already have taken capital financing into account as part of their revenue charges. For this reason they will be excluded from MRP calculations. Repayments included in finance leases are applied as MRP.

2.3 Total General Fund MRP for 2018/19 is £0.278m (£0.183m internal borrowing, and £0.074 for leases).

2.4 Previously no revenue charge was required for the HRA. However under HRA reform the HRA is required to charge depreciation on its assets,as the 5 year transitional arrangements ended in 2016/17. The Council has already adopted this requirement and will therefore not have a revenue impact. The council also charges voluntary MRP is relation to the self-financing debt, of £1.26m per year.

APPENDIX C

THE CAPITAL PRUDENTIAL INDICATORS 2018/19 – 2020/21

1. Introduction

1.1 The ‘Prudential Code’ provides Council’s with a regime of self-regulation for borrowing money for capital purposes. A local authority can borrow as much as it wishes as long as it can afford the repayments. The Code outlines four key objectives relating to the capital investment plans and treasury management procedures of local authorities. To demonstrate that these objectives are being fulfilled the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account.

1.2 The Code prescribes how the issue of affordability is measured using a set of prudential indicators. The four key objectives of the Code are to ensure that capital investment plans of local authorities are affordable, prudent and sustainable, and to ensure that treasury management decisions are taken in accordance with good professional practice. The indicators are mandatory but the figures used in the calculations are a matter for each local authority.

1.3 The prudential indicators required by the Code are designed to support and record local decision-making. They are not designed to be comparative performance indicators and the use of them in this way would be likely to be misleading and counter productive.

1.4 The Council’s capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist members’ overview and confirm capital expenditure plans.

2. Capital Expenditure:

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

Table 1: Capital Expenditure

Capital Expenditure	2016/17 Actual £’000	2017/18 Estimate £’000	2018/19 Estimate £’000	2019/20 Estimate £’000	2020/21 Estimate £’000
General Fund	1,161	6,135	4,934	1,134	1,007
HRA	3,107	5,167	5,459	6,320	4,190

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 for approval 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.

2.5 Capital expenditure plans do not, at present, include Alternative Investments. However, in order to improve treasury returns, achieve revenue savings and support the Council's wider objectives, proposals for Alternative Investments will be developed alongside the Treasury Management Strategy as part of a wider investment management approach. A separate paper will be brought forward with detailed proposals.

Table 2: Financing of Capital Expenditure

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

Capital Expenditure	**2016/7 Actual £'000**	**2017/18 Estimate £'000**	**2018/19 Estimate £'000**	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**
General Fund	1,161	6,135	4,934	1,135	1,007
HRA	3,107	5,167	5,459	6,320	4,190
Total	**4,268**	**11,302**	**10,393**	**7,455**	**5,197**
Financed By:					
Revenue & Reserves	-599	-2,236	-1,704	-1,148	-811
Capital Receipts	-84	-159	-750	-370	-340
Grants	-277	-380	-527	-557	-557
Major Repairs Reserve	-2,150	-2,574	-3,409	-4,160	-3,490
Borrowing - Debt	-1,158	-5,954	-4,003	-1,220	0
Borrowing - Leases					
Total	**-4,268**	**-11,302**	**-10,393**	**-7,455**	**-5,197**

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

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

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

Table 3: Capital Financing Requirement

	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
CFR General Fund	2,700	3,827	7,713	15,384	15,100
CFR GF Leases	323	228	154	78	0
Total CFR General Fund	**3,23**	**4,055**	**7,867**	**15,462**	**15,100**
CFR HRA	51,378	53,097	53,537	53,477	52,217
TOTAL CFR	**54,401**	**57,152**	**61,404**	**68,939**	**67,317**
Movement in CFR	-3,970	2,751	4,252	7,535	-1,623
Movement in CFR represented by					
Net Financing need for the year	1,158	4,289	5,769	9,053	-103
Less MRP & Other financing movements	-5,129	-1,538	-1,517	-1,518	-1,519
Movement in CFR	**-3,970**	**2,751**	**4,252**	**7,535**	**-1,623**

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

4. Affordability Prudential Indicators

4.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

4.2 The indicator of actual and estimates of the ratio of financing costs to net revenue stream identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. These are shown in Table 5. The estimates of financing costs include current commitments and the proposals in this report.

Table 5: Ratio of Financing Costs to Net Revenue Stream

	2016/17 Actual %	**2017/18 Forecast** %	**2018/19 Estimate** %	**2019/20 Estimate** %	**2020/21 Estimate** %
GF*	23.16	2.20	1.73	1.31	1.15
HRA **	34.05	33.75	32.56	31.13	28.38

* This is the impact of the additional £3.3m MRP contribution in 2017/18
** This is the impact of the HRA settlement. The Council no longer pays into the housing subsidy system and keeps all of its income stream to service the debt.

BORROWING STRATEGY 2018/19

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 approporiate 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 31/12/17

		Principal £m	£m	**Ave. rate** %
Fixed rate funding	PWLB	53.8		
	Market	6.5	60.3	4.19
Variable Rate Funding	PWLB	0		
	Market	0	0	0
Other long term liabilities	Leases	0.3	0.3	4.51
TOTAL DEBT			**60.7**	**4.19**
TOTAL INVESTMENTS			**56**	**0.47**

1.2 The Council's treasury portfolio position as at 31 December 2017 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.

<u>Table 2: Forecasted Portfolio Position</u>

	2016/17 Actual £'000	**2017/18** Estimate £'000	**2018/19** Estimate £'000	**2019/20** Estimate £'000	**2020/21** Estimate £'000
External borrowing					
Borrowing at 1 April	60,333	60,333	59,333	59,333	59,333
Expected Change in Borrowing	0	-1,000	0	0	0
Leases	323	228	154	78	0
Actual borrowing at 31 March	60,656	60,561	59,487	59,411	59,333
CFR – the borrowing need	54,401	57,152	61,404	68,939	67,317
Under / (over) borrowing	-6,255	-3,409	1,917	9,528	7,984
Investments					
Total Investments at 31 March	37,090	34,200	34,869	38,522	37,519
Investment Change	11,211	-2,890	669	3,653	-1,003
Net Borrowing	23,566	30,790	36,786	48,050	45,503

2. <u>Treasury Limits for 2018/19 to 2020/21</u>

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 2016/17, nor are any difficulties envisaged for the current (2017/18) or future years (2018/19 – 2020/21). This view takes into account current commitments, existing plans and the proposals in the budget.

2.4 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the authorised limit represents the legislative limit specified in the Act.

2.5 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

2.6 Whilst termed an "Affordable Borrowing Limit", it incorporates the capital plans to be considered for inclusion in corporate financing by both external borrowing and other forms of liability, such as credit arrangements.

2.7 The Authorised Limit for external borrowing is a key prudential indicator and represents a control on the maximum level of borrowing. It is a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Council on a rolling basis, for the forthcoming financial year and two successive financial years. This information is shown in table 3.

Table 3: Authorised Borrowing Limit

Authorised Limit for External Debt	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**
Borrowing	75,000	77,000	83,000	91,000	86,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
Total	**76,000**	**78,000**	**84,000**	**92,000**	**87,000**

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

Table 4: Operational Borrowing Limit

Operational Boundary	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**
Borrowing	70,000	72,000	78,000	86,000	81,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
Operational Boundary Total	**71,000**	**73,000**	**79,000**	**87,000**	**82,000**

2.9 In respect of its external debt, table 3 details the proposed authorised limits for the Council's total external debt gross of investments for the next three financial years which councillors are recommended to approve. These limits separately identify borrowing from other long-term liabilities such as finance leases. The 2016/17 and 2017/18 figures shown above are for comparative purposes. It is also recommended that members continue to delegate authority to the Chief Finance Officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities. Any such changes made will be reported to the Executive at its next meeting following the change.

2.10 The Chief Finance Officer reports that these authorised limits are consistent with the authority's current commitments, existing plans and the proposals in the budget for capital expenditure and financing, and with its approved treasury management policy statement and practices. The Chief Finance Officer confirms that they are based on the estimate of the most likely, prudent but not worst-case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

3. Prospects for Interest Rates

3.1 The Council appointed 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 2018

	Bank Rate	PWLB Borrowing Rates (including 0.2% discount)			
		5 year	10 year	25 year	50 year
	%	%	%	%	%
Mar 2018	0.50	1.60	2.20	2.90	2.60
Sept 2018	0.50	1.70	2.40	3.00	2.80
Mar 2019	0.75	1.80	2.50	3.10	2.90
Sept 2019	0.75	1.90	2.60	3.20	3.00
Mar 2020	1.00	2.10	2.70	3.40	3.20
Sept 2020	1.25	2.20	2.90	3.50	3.30
Mar 2021	1.25	2.30	3.00	3.60	3.40

4 Borrowing Requirement

4.1 The Council is currently maintaining a marginally over-borrowed position in 2017/18. This means that the Council's capital borrowing is slightly higher than the underlying need to borrow. As a result of the capital expenditure plans set out in **Appendix C, Table 1** the Council is expected to be in an under-borrowed position from 2018/19 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 2018/19.

Under/(Over) Borrowing Position	**2016/17** **£'000**	**2017/18** **£'000**	**2018/19** **£'000**	**2019/20** **£'000**	**2020/21** **£'000**
General Fund	423	2,455	6,267	13,862	13,500
HRA	-6,355	-4,636	-4,196	-4,266	984
Overall Position	**-5,932**	**-2,181**	**2,071**	**9,606**	**14,484**

4.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 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 2018/19 to 2020/21 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 2018/19

Maturity Structure New Borrowing 2018/19	Upper Limit	Lower Limit
Under 12 Months	20%	0%
12 Months and within 2 Years	20%	0%
2 Years and within 5 Years	50%	0%
5 Years and within 10 Years	50%	0%
10 Years and within 15 Years	50%	0%
15 Years and over	90%	20%

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

4.9 The Council's current debt portfolio as shown in Table 1 is made up of £53.8m 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 2018/19

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.

1.4 As part of the monitoring and review of investment options, Property Funds have been identified as a potential instrument for investment following discussions with the County Councils Treasury Management consultants. Property Funds are pooled investment vehicles investing in commercial property. As a result, Property Funds have been added to the schedule of Non Specified Investments at Schedule B of Appendix A. Appropriate due diligence will be undertaken before an investment of this type is undertaken. The County Council will also consult with The Council service prior to any investment, with an option to 'opt out'

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 2018/19.

3. Investment Policy

3.1 The parameters of the Policy are as follows:

(a) the Council will have regard to the Government's Guidance on Local Government Investments as revised with effect from 1 April 2010, and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes;

(b) the Council's investment policy has two fundamental objectives;

- the security of capital (protecting the capital sum from loss); and then
- the liquidity of its investments (keeping the money readily available for expenditure when needed)

(c) the Council will also aim to seek the highest return (yield) on its investments provided that proper levels of security and liquidity are achieved. The risk appetite of the Council is low in order to give priority to the security of its investments;

(d) the borrowing of monies purely to invest or lend and make a return is unlawful and the Council will not engage in such activity;

(e) investment instruments for use in the financial year listed under **specified** and **non-specified investment** categories (see **paragraph 5.1**);

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

4.1 (a) the Council's general investment powers under this Annual Treasury Management and Investment Strategy come from the Local Government Act 2003 (Section 12). Under this Act a local authority has the power to invest for any purpose relevant to its functions or for the purpose of the prudent management of its financial affairs

(b) in addition to investment, the Council has the power to provide loans and financial assistance to organisations under the Localisation Act 2011 (and also formally under the general power of wellbeing in the Local Government Act 2000) which introduced a general power of competence for authorities (to be exercised in accordance with their general public law duties)

(c) any such loans by the Council, will therefore be made under these powers. They will not however be classed as investments made by the Council and will not impact on this Investment Strategy. Instead they will be classed as capital expenditure by the Council under the Local Authorities (Capital Finance and Accounting) Regulations 2003, and will be approved, financed and accounted for accordingly

(d) at present the Council has made several loans to the Selby District Housing Trust. The loan position to the Housing Trust is monitored and reviewed regularly.

5. Specified and non-specified Investments

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

(a) investment Instruments identified for use in the forthcoming financial year are listed in the Schedules attached to this Strategy under the **specified** and **non-specified** Investment categories;

(b) all **specified** Investments (see **Schedule A**) are defined by the Government as options with “relatively high security and high liquidity” requiring minimal reference in investment strategies. In this context, the Council has defined Specified Investments as being sterling denominated, with maturities up to a maximum of 1 year meeting the minimum high credit quality;

(c) **Non-specified** investments (see **Schedule B**) attract a greater potential of risk. As a result, a maximum local limit of 20% of “core cash” funds available for investment has been set which can be held in aggregate in such investments;

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

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

Non-Specified Only

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

Specified Investments	- Commercial Paper - Gilt funds and other Bond Funds - Treasury Bills
Non-Specified Investments	- Sovereign Bond issues - Corporate Bonds - Floating Rate notes - Equities - Open Ended Investment Companies - Derivatives

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

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

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

6.2 The rationale and purpose of distinguishing specified and non-specified investments is detailed in **paragraph 5.1** above. Part of the definition for a

Specified investment is that it is an investment made with a body which has been awarded a high credit rating with maturities of no longer than 365 days. It is, therefore, necessary to define what the Council considers to be a “high” credit rating in order to maintain the security of the invested capital sum.

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

(a) the Council will rely on credit ratings published by the three credit rating agencies (Fitch, Moody’s and Standard & Poor’s) to establish the credit quality (ability to meet financial commitments) of counterparties (to whom the Council lends) and investment schemes. Each agency has its own credit rating components to complete their rating assessments. These are as follows:

Fitch Ratings

Long Term - generally cover maturities of over five years and acts as a measure of the capacity to service and repay debt obligations punctually. Ratings range from AAA (highest credit quality) to D (indicating an entity has defaulted on all of its financial obligations)

Short Term - cover obligations which have an original maturity not exceeding one year and place greater emphasis on the liquidity necessary to meet financial commitments. The ratings range from F1+ (the highest credit quality) to D (indicating an entity has defaulted on all of its financial obligations)

Moody’s Ratings

Long Term - an opinion of the relative credit risk of obligations with an original maturity of one year or more. They reflect both the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default. Ratings range from Aaa (highest quality, with minimal credit risk) to C (typically in default, with little prospect for recovery of principal or interest)

Short Term - an opinion of the likelihood of a default on contractually promised payments with an original maturity of 13 months or less. Ratings range from P-1 (a superior ability to repay short-term debt obligations) to P-3 (an acceptable ability to repay short-term obligations)

Standard & Poor’s Ratings

Long Term - considers the likelihood of payment. Ratings range from AAA (best quality borrowers, reliable and stable) to D (has defaulted on obligations)

Short Term - generally assigned to those obligations considered short-term in the relevant market. Ratings range from A-1 (capacity to meet financial commitment is strong) to D (used upon the filing of a bankruptcy petition).

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

(b) the Council will review the "ratings watch" and "outlook" notices issued by all three credit rating agencies referred to above. An agency will issue a "watch", (notification of likely change), or "outlook", (notification of a possible longer term change), when it anticipates that a change to a credit rating may occur in the forthcoming 6 to 24 months. The "watch" or "outlook" could reflect either a positive (increase in credit rating), negative (decrease in credit rating) or developing (uncertain whether a rating may go up or down) outcome;

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

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

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:-

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

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

(e) in order to reflect current market sentiment regarding the credit worthiness of an institution the Council will also take into account current trends within the Credit Default Swap (CDS) Market. Since they are a traded instrument they reflect the market's current perception of an institution's credit quality, unlike credit ratings, which often focus on a longer term view. These trends will be monitored through the use of Link Asset Services creditworthiness service which compares the CDS Market position for each institution to the benchmark CDS Index. Should the deviation be great, then market sentiment suggests that there is a fear that an institution's credit quality will fall. Organisations with such deviations will be monitored and their standing reduced by one colour band (paragraph 12.8 (c)) as a precaution. Where the deviation is great, the organisation will be awarded 'no colour' until market sentiment improves. Where entities do not have an actively traded CDS spread, credit ratings are used in isolation;

(f) fully and part nationalised banks within the UK currently have credit ratings which are not as high as other institutions. This is the result of the banks having to have to accept external support from the UK Government However, due to this Central Government involvement, these institutions now effectively take on the credit worthiness of the Government itself (i.e. deposits made with them are effectively being made to the Government). This position is expected to take a number of years to unwind and would certainly not be done so without a considerable notice period. As a result, institutions which are significantly or fully owned by the UK Government will be assessed to have a high level of credit worthiness;

(g) all of the above will be monitored on a weekly basis through 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;

(h) in addition, the Council will set maximum investment limits for each organisation which also reflect that institution's credit worthiness – the higher the credit quality, the greater the investment limit. These limits also reflect UK Government involvement (i.e. Government ownership or being part of the UK Government guarantee of liquidity). These limits are as follows:-

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

(i) should a score/colour awarded to a counterparty or investment scheme be amended during the year due to rating changes, market sentiment etc., the Council will take the following action:-

- reduce or increase the maximum investment term for an organisation dependent on the revised score / colour awarded (in line with the boundaries and colours set in paragraph 12.8(c))

- temporarily suspend the organisation from the Approved Lending List should their score fall outside boundary limits and not be awarded a colour

- seek to withdraw an investment as soon as possible, within the terms and conditions of the investment made, should an organisation be suspended from the Approved Lending List

- ensure all investments remain as liquid as possible, i.e. on instant access until sentiment improves.

(j) if a counterparty / investment scheme, not currently included on the Approved Lending List is subsequently upgraded, (resulting in a score which would fulfil the Council’s minimum criteria), the Chief Finance Officer has the delegated authority to include it on the Council’s Approved Lending List with immediate effect;

(k) a copy of the current Approved Lending List, showing maximum investment and time limits is attached at Schedule C. The Approved Lending List will be monitored on an on-going daily basis and changes made as appropriate. Given current market conditions, there continues to be a very limited number of organisations which fulfil the criteria for non specified investments. This situation will be monitored on an on-going basis with additional organisations added as appropriate with the approval of the Chief Finance Officer.

7. <u>Investment Strategy</u>

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

(a) the Council’s investments are managed as part of the overall investment pool operated by NYCC.;

(b) on-going discussions are held with the Council's Treasury Management Advisor on whether to consider the appointment of an external fund manager(s) – any decision to appoint an external fund manager will be subject to Member approval;

(c) the Council's cash balances consist of two basic elements. The first element is cash flow derived (debtors/creditors/timing of income compared to expenditure profile). The second, core element, relates to specific funds (reserves, provisions, balances, capital receipts etc.);

(d) having given due consideration to the Council's estimated level of funds and balances over the next three financial years, the need for liquidity and day to day cash flow requirements it is forecast that a maximum of £20m of the overall balances can be prudently committed to longer term investments (e.g. between 1 and 3 years);

(e) investments will accordingly be made with reference to this core element and the Council's on-going cash flow requirements (which may change over time) and the outlook for short term interest rates (i.e. rates for investments up to 12 months);

(f) the County Council currently has one non-specified investment over 365 days.

(g) bank rate increased to 0.50% in November 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. The value and quality of services being provided are monitored and reviewed on an ongoing basis.

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

11.1 The Government's Investment Guidance (**paragraph 1.1**) requires that a local authority includes details of the Treasury Management schemes of delegation and the role of the Section 151 officer in the Annual Treasury Management/Investment Strategy.

11.2 The key elements of delegation in relation to Treasury Management are set out in the following Financial Procedure Rules (FPR):-

(a) This Council has adopted CIPFA's Treasury Management Code of Practice 2009 and will adopt any amendments/additions to that Code.

(b) A Treasury Management Policy Statement shall be adopted by the Council and thereafter its implementation and monitoring shall be delegated to the Executive Director with s.151 responsibilities.

(c) (i) All money in the hands of the Council shall be under the control of the Executive Director with s.151 responsibilities – the officer designated for the purposes of Section 151 of the Local Government Act 1972, referred to in the Code as the Chief Finance Officer.

(ii) The Executive Director with s.151 responsibilities shall report to the Executive not less than twice in each financial year on the activities of the treasury management operation and on the exercise of delegated treasury management powers. One such report shall comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.

(d) At or before the start of the financial year the Executive Director with s.151 responsibilities shall report to the Executive on the strategy for treasury management it is proposed to adopt for the coming financial year.

(e) All Executive decisions on borrowing, investment or financing shall be delegated to the Executive Director with s.151 responsibilities who shall be required to act in accordance with CIPFA's Treasury

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

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

12. Arrangements for Monitoring/Reporting to Members

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

(a) an annual report to Executive and Council as part of the Budget process that sets out the Council's Treasury Management Strategy and Policy for the forthcoming financial year;

(b) an annual outturn report to the Executive for Treasury Management setting out full details of activities and performance during the preceding financial year.

(c) a quarterly report on Treasury Matters to Executive as part of the Quarterly Performance and Budget Monitoring report;

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SCHEDULE A

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

Investment	Security / Minimum Credit Rating	Circumstances of Use
Term Deposits 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
Term Deposits 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
Certificate of Deposits 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
Forward deals with credit rated Banks and Building Societies less than 1 year (i.e. negotiated deal plus period of deposit)		In-house
Money Market Funds i.e. collective investment scheme as defined in SI2004 No 534 (*These funds have no maturity date*)	Funds must be AAA rated	In-house After consultation with Treasury Management Advisor Limited to £20m
Gilts (with maturities of up to 1 year)	Government Backed	Fund Manager or In-house buy and hold after consultation with Treasury Management Advisor
Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in SI 2004 No 534) with maturities under 12 months (*Custodial arrangements required prior to purchase*)	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
Term Deposit with credit rated deposit takers (Banks & Building Societies), UK Government and other Local Authorities with maturities greater than 1 year	A) Certainty of return over period invested which could be useful for budget purposes B) Not Liquid, cannot be traded or repaid prior to maturity Return will be lower if interest rates rise after making deposit Credit risk as potential for greater deterioration of credit quality over a longer period	Organisations assessed as having "high credit quality" Plus Where non UK domiciled - a minimum Sovereign rating of AA- for the country in which an organisation is domiciled	In-house	100% of agreed maximum proportion (20%) of core cash funds that can be invested for more than 1 year (estimated £20m)	£5m	2 years subject to potential future review with a maximum of no longer than 5 years
Certificate of Deposit with credit rated deposit takers (Banks & Building Societies) with maturities greater than 1 year *Custodial arrangements prior to purchase*	A) Attractive rates of return over period invested and in theory tradable B) Interest rate risk; the yield is subject to movement during life of CD which could negatively impact on its price		Fund Manager or In-house "buy & hold" after consultation with Treasury Management Advisor	25% of agreed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)	£3m	
Callable Deposits with credit rated deposit takers	A) Enhanced Income – potentially higher return than using a term deposit with a similar maturity	Organisations assessed as having "high	To be used in-house after consultation with	50% of agreed proportion (20%) of core cash	£5m	2 years subject to potential

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
(Banks & Building Societies) with maturities greater than 1 year	B) Not liquid – only borrower has the right to pay back the deposit; the lender does not have a similar call Period over which the investment will actually be held is not known at outset Interest rate risk; borrower will not pay back deposit if interest rates rise after the deposit is made	credit quality" Plus Where non UK domiciled - a minimum Sovereign rating of AA- for the country in which an organisation is domiciled	Treasury Management Advisor	balance that can be invested for more than 1 year (£12.5m)		future review with a maximum of no longer than 5 years
Forward Deposits with a credit rated Bank or Building Society > 1 year (ie. negotiated deal period plus period of deposit)	A) Known rate of return over the period the monies are invested – aids forward planning B) Credit risk is over the whole period, not just when monies are invested Cannot renege on making the investment if credit quality falls or interest rates rise in the interim period	Organisations assessed as having "high credit quality" Plus Where no UK domiciled - a minimum Sovereign rating of AA- for the country in which an organisation is domiciled	To be used in-house after consultation with the Treasury Management Advisor	25% of greed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)	£3m	2 years subject to potential future review with a maximum of no longer than 5 years
Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in SI2004 No534) with maturities in excess	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	AA or Government backed	In-house on a "buy and hold" basis after consultation with Treasury Management Advisor or use by Fund Managers		n/a	2 years subject to potential future review with a maximum of no longer than

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
of 1 year Custodial arrangements required prior to purchase	during life off bond which could impact on price					5 years
Bonds issued by Multilateral development banks (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			25% of greed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)	£3m	
UK Government Gilts 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
Collateralised Deposit	A) Excellent credit quality B) Not liquid, cannot be traded or repaid prior to maturity Credit risk as potential for greater deterioration of credit quality over a longer period	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	

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
Property Funds	A) Attractive rates of return over period invested and in theory very liquid B) Period over which the investment will actually be held is not known at outset Credit risk as potential for greater deterioration of credit quality over a longer period	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

SCHEUDLE C

APPROVED LENDING LIST 2018/19

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 *
UK "Nationalised" banks / UK banks with UK Central Government involvement					
Royal Bank of Scotland	GBR	75.0	364 days	-	-
Natwest Bank	GBR				
UK "Clearing Banks", other UK based banks and Building Societies					
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	-	-
High quality Foreign Banks					
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	-	-
Local Authorities					
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
Other Deposit Takers					
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

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

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CAPITAL STRATEGY 2018/19

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. Such programmes 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 2016/17, and the estimates for 2017/18 through to 2020/21, 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 2016/17 and forward projections for the current and forthcoming years are as follows:

	Borrowing £m	Other Long Term Liabilities £m	Total £m
31 March 2017 actual	51.4	3.0	54.4
31 March 2018 probable	53.1	4.1	57.2
31 March 2019 estimate	53.5	7.9	61.4
31 March 2020 estimate	53.5	15.4	68.9
31 March 2021 estimate	52.2	15.1	67.3

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 2020/21. This is primarily due to stepping up the Housing Delivery Programme over the next 3 years.

3.8 Currently, the Capital Plan does not include expenditure relating to alternative investments (other than loans to deliver the Housing Delivery Programme). As alternative investment plans are developed and approved the Capital Plan will be updated which may potentially impact on the Capital Financing Requirement.

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 are likely 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 Borrowing limit for External Debt	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Borrowing	70,000	72,178	77,948	85,522	80,656
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
Total	**71,000**	**73,178**	**78,948**	**86,522**	**81,656**

Authorised limit for External Debt	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Borrowing	75,000	77,178	82,948	90,522	85,656
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
Total	**76,000**	**78,178**	**83,948**	**91,522**	**86,656**

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 2018/19.

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 <u>or</u> 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 2018/19 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 has recently consulted on changes to its statutory Guidance on Local Authority Investments. At the time of writing this strategy, the revised statutory guidance had not been issued, but it is expected that the guidance will reinforce the need for commercial investment activity to be included in the annual Capital Strategy.

4.4 In advance of confirmation of the statutory requirements related to commercial investment activities, 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 once the revised statutory Guidance on Local Authority Investments is published and/or 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).

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, in addition to the 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;

Other alternative investments

4.14 At the time of writing this section of the Capital Strategy, other alternative investment activities are in the early stages of development. The Capital Strategy will be updated should further investment opportunities be developed during 2018/19 and/or in the event that the statutory Guidance on Local Authority Investments, when issued, requires further content to be included.

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

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Selby District Council

REPORT

Reference: E/17/48

Item 8 - Public

To:	**The Executive**
Date:	**1 February 2018**
Status:	**Key Decision**
Report Published:	**24 January 2018**
Author:	**Karen Iveson, Chief Finance Officer**
Executive Member:	**Councillor Cliff Lunn, Executive Lead Member for Finance and Resources**
Lead Director:	**Karen Iveson, Chief Finance Officer**

Title: Draft Revenue Budget and Capital Programme 2018/19 and Medium Term Financial Plan

Summary: This report presents the draft revenue budget; capital programmes and outline Programme for Growth for 2018/19 to 2020/21. The 2018/19 General Fund budget shows a forecasted deficit of £1.03m before savings. In accordance with the approved MTFS £668k will be drawn down from the Business Rates Equalisation Reserve leaving a savings target of £358k for the coming year. The 2018/19 HRA budget shows a £864k surplus on the HRA, which is required to fund the housing capital programme. Over the next 3 years a total funding shortfall of £3.862m is forecast on the General Fund. The report identifies a number of mounting budget pressures and acknowledges that an increase in General Fund savings is required. £2.4m of reserves has been earmarked previously to support the revenue budget pending delivery of savings. To date £377k has been used, a further £668k is planned to be used in 2018/19 and then £81k in 2019/20. The on-going use of reserves to support the revenue budget in this way is not sustainable and therefore as part of the next refresh of the MTFS, options for future savings will be sought in the context of emerging budget risks.

Sizeable capital programmes are planned over the coming 3 years - £15.6m for the General Fund and £12.5m for the HRA. A large proportion of the programmes relate to affordable housing delivery through Selby and District Housing Trust and the Council's own HRA.

Programme for Growth proposals - for the purposes of planning, the MTFS indicated an initial sum of £10m would be made available over the 3 years from 2017/18 to 2019/20. In accordance with the approved budget, to date £1m p.a. (£3m in total) 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. Allocation of funding to specific projects beyond those already approved, will be subject to formal decision making as set out in the governance framework approved by the Executive in September 2017.

As at March 2018 the Council's reserves are forecast to stand at £17.8m for the General Fund; £5.9m for the HRA and £4m for capital purposes. These reserves will be used to finance the

capital spending and programme for growth – either directly or in the case of loans to Selby and District Housing Trust (and subject to cash flow requirements) to fund internal borrowing.

Recommendations:

It is recommended that:

i. the draft budgets, bids and savings be submitted to Council for 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 19 September 2017. The MTFS covers both General Fund activities and for the first time, 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 being planned 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 (now confirmed) which shows core General Fund funding reducing by £1m from £3.4m in 2016/17 to £2.4m in 2019/20 and a further reduction of around £900k in New Homes Bonus. The MTFS recognises risk and uncertainty surrounding 100% business rates retention and on-going reductions to Government funding (Revenue Support Grant and New Homes Bonus) as the key issues for the Council's finances and confirms the Council's strategic approach to reducing its base net revenue budget in order to deliver services within its in-year resources; and investing 'one-off' or finite resources to stimulate local economic growth and achieve sustainable income through Council Tax and Business Rates growth.

1.4 From the HRA perspective the MTFS includes a 1% reduction in housing rents – 2018/19 is the 3rd year of the Government's 4 year plan to reduce social housing rents by 1% year on year.

1.5 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.

2. The Report

2.1 The draft revenue budgets for the 3 years from 2018/19 to 2020/21 are presented at **Appendix A** and the proposed capital programmes are shown at **Appendix B**.

General Fund Revenue Budget

2.2 Since the draft budget was approved for consultation the Local Government pay award has been confirmed and the provisional Local Government Finance Settlement has been announced. Taking the Council's overall service requirements together, and after appropriations to and from reserves, the revised estimated position for 2018/19 is:

Updated for Provisional Finance Settlement	**2018/19 £000's**
Total Net Budget	**10,500**
Council Tax	(5,403)
RSG(per multi-year finance settlement)	(265)
Business Rates Baseline (Safety Net)	(2,192)
New Homes Bonus	(1,541)
Special & Specific Grants	(167)
Collection Fund Deficit – Council Tax	95
Renewable Business Rates Income (t.b.c.) see para 2.4	0
Total Funding	**9,473**
Deficit Before Planned Savings	**1,027**
Drawdown from Business Rates Equalisation Reserve	(668)
Savings requirement	**(359)**

2.3 The draft budget includes provision for inflation where considered necessary and provision for a 2% pay award for the coming 3 years – a 2% vacancy factor has also been included to help mitigate the rising pay bill. Committed growth, (for example 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. The General Fund revenue budget also includes contingencies totalling £89k in 2018/19 and £300k in 2019/20 and 2020/21.

2.4 At this stage the draft budget excludes assumptions regarding renewable energy business rates in 2018/19 although it is anticipated that these will be confirmed prior to the budget being considered by Council in February. The receipt in 2017/18 is £7.6m and a similar sum is expected to be available in 2018/19. It is assumed that any such receipts will be transferred in full to the Special Projects Reserve and therefore will not impact on the overall base budget for the coming year. In accordance with the approved MTFS, such receipts will be subject to allocation as part of the next MTFS refresh and budget for 2019/20.

2.5 The estimated deficit of £1.026m for 2018/19 and £2.8m for the following 2 years gives **a total funding shortfall of £3.862m over the 3 years to 2020/21**; and there remain a number assumptions and related risks within the budget. £2.4m of reserves has been earmarked previously to support the revenue budget pending delivery of savings. To date £377k has been used, a further £668k is planned to be used in 2018/19 and then £81k in 2019/20. The on-going use of reserves to support the revenue budget in this way is not sustainable and therefore as part of the next refresh of the MTFS, options for future savings will be sought in the context of emerging budget risks.

Council Tax

2.6 The approved MTFS assumes a Council Tax increase of £5 for a Band D property for 2018/19. A £5 increase will take the Council average Band D charge from £170.22 to

£175.22 – a rise of under 10p per week. The finance settlement for Local Government included provisions to allow district councils to increase Council Tax by up to 3% or £5 whichever is the higher. For Selby £5 equates to a percentage rise of 2.94% - 3% would be a rise of £5.10. The tax base for Council Tax setting purposes has been calculated at 30,837 which gives a Council Tax yield of £5.4m for 2018/19.

Housing Revenue Account

2.7 The HRA budgets have been prepared using assumptions on rent changes based on the Government's formula. In 2018/19 the 1% reduction (part of the Government's 4 year plan) has been applied.

2.8 The estimated position HRA for 2018/19 is shown below which is around £300k short of the position estimated when the forecasts were updated in February 2016. The previous HRA savings action plan has been achieved and therefore further savings will be sought.

	2018/19 £000's
Total Net Budget	**11,076**
Less Dwelling Rents	(11,940)
(Surplus) / deficit transferred to Balances/MRR	**(864)**

2.9 A surplus position is anticipated for 2018/19 which will be required to meet the capital programme. Future surpluses will be transferred to the Major Repairs Reserve to either repay debt or spend on the future HRA capital programme, including new build projects. The HRA also includes a contingency of £75k.

Savings

2.10 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.

2.11 The Council has made good progress against its savings target to date, but it is becoming increasingly difficult to achieve further savings from a reducing cost base. However, the focus on delivering planned savings must be maintained, given the importance of savings in achieving the Council's financial (and wider) objectives and to avoid the use of balances to support on-going spending which is unsustainable in the longer term. The Council's approach to savings covers the following key strands:

- **Transforming** our business through the use of technology and flexible working to meet citizen and customer needs;
- **Growing** our resources through charging for services and trading externally;
- **Commissioning** from and with partners to achieve shared efficiencies and reduce the demand for public sector services;
- **Investing** in economic and housing growth to drive growth in Council Tax and Business Rates along with opportunity for direct returns, which in turn will reduce the gap between service costs and core funding.

2.12 Taking the proposals for Council Tax, growth, and reserve transfers and assumptions on Formula Grant the MTFS set targets for savings at circa £1m by 2018/19 and £1.7m by 2019/20. Looking ahead to 2019/20 mounting cost pressures mean an increased savings requirement, with a further £500k above the current target and £200k above the savings identified in the current savings plan. 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 lasted savings plan is presented at **Appendix D**.

General Fund Capital Programme

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

2.14 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, and in the case of affordable housing development - borrowing. The following table presents a summary of the draft programme which has been updated to include proposals to extend affordable housing delivery and bring empty homes back into use (considered by the Executive at the meeting on 4 January 2018):

Programme	**2018/19 £000's**	**2019/20 £000's**	**2020/21 £000's**
Asset Management works	537	338	334
Grants & loans	377	377	377
ICT Replacement	394	245	149
Affordable Housing developments	4,909	7,560	
Total Programme	**6,217**	**8,520**	**860**
Funding			
Capital Receipts	30	30	30
Grants	347	347	347
Reserves	931	583	483
S106 Commuted Sums	360	220	
Borrowing	4,549	7,340	
Total Funding	**6,217**	**8,520**	**860**

2.15 Projects include enhancement of existing assets such as car parks, Selby and District Housing Trust developments, Disabled Facilities Grants and ICT projects. The latter cover a range of replacement and new systems, hardware and infrastructure (including a replacement asset management system) – funding for ICT projects is covered by the ICT Replacement Reserve.

Housing Investment Programme

2.16 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 C** and the updated HIP is at **Appendix B**. Again the following table presents a summary of the draft programme which has been updated to include proposals to extend affordable housing delivery (considered by the Executive at the meeting on 4 January

2018):

Programme	2018/19 £000's	2019/20 £000's	2020/21 £000's
Electrical works	240	240	240
Central heating	295	545	545
Roof replacements	220	400	
Damp works	220	220	220
Doors	120	120	120
Kitchens and bathrooms	160	160	160
Fencing & Gates	40	40	40
Pointing	300	300	300
New Build Programme	1,200	2,280	
Estate Enhancements	133	100	
Empty Homes	600	700	700
Other	603	535	390
Total Programme	**4,131**	**5,640**	**2,715**
Funding			
Major Repairs Reserve	2,206	2,660	2,015
Capital Receipts	565	340	280
HCA Grant	180	210	210
S.106 Commuted Sums	180	530	210
Borrowing	1,000	1,900	
Total Funding	**4,131**	**5,640**	**2,715**

Programme for Growth

2.17 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 2017/18 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).

2.18 Following a Corporate Peer Challenge in November 2017, the current Programme will be reviewed and where appropriate refocussed. Prioritisation of resources will be crucial to ensure deliver of the intended outcomes within the budget available and proposals will be brought before the Executive for approval in due course.

2.19 For the purposes of planning, the MTFS indicated an initial sum of £10m would be made available over the 3 years from 2017/18 to 2019/20. In accordance with the approved budget, to date £1m p.a. (£3m in total) 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. A further £1.45m has been allocated to Programme for Growth projects.

2.20 The programme is funded by New Homes Bonus (currently up to £880k p.a.), and business rates receipts from renewable energy facilities. At this stage further economic development and other initiatives are anticipated but more detailed work on the proposals is needed. It is therefore proposed to allocate indicative funding at programme level pending formulation of more detailed project options.

2.21 Taking account of projects already in train and subject to confirmation of New Homes Bonus and Business Rates receipts, outline proposals for the remainder of the Programme are set out below:

Special Projects/Programme for Growth	**2018/19 £000's**
Balance brought forward 1 April 2018 (subject to spend in 2017/18 per Q2 Finance Update)	115
Financed from Special Projects Reserve	8,050
Total Resources	**8,165**
Estimated project spend/commitments	2,615
Budget available for allocation	**5,550**

2.22 Allocation of funding to specific projects beyond those already approved, will be subject to formal decision making as set out in the governance framework approved by the Executive in September 2017.

Reserves

2.23 The Council has a robust reserves strategy which is reviewed annually as part of the refresh of the MTFS. A forecast of reserve balances based on the MTFS assumptions and draft budget, is set out at **Appendix E**. As at 31 March 2018 reserves are forecast at:

Reserves	**31 March 2018 £000's**
General Fund	
Commitments	4,620
Growth and improvement	6,825
Risk	6,395
Total General Fund Reserves	**17,840**
HRA	
Balances	2,266
Major Repairs	3,596
Total HRA Reserves	**5,862**
Capital receipts (from asset sales)	**4,030**

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

2.25 Reserves for growth and improvement include £4.340m for the Programme for Growth (from New Homes Bonus and the Business Rates windfall) and £2.116m in S106 affordable housing commuted sums, which must be spent on affordable homes. Reserves to manage risk include £3.414m from Business Rates to support the revenue budget (per MTFS) and £1.5m General Working Balance.

2.26 The HRA reserves are General Balances and the Major Repairs Reserve (MRR) which are ring-fenced for the HRA. The overall estimated surplus of £864k on the HRA for 2018/19 will be transferred to the MRR. The HRA capital programme will require £2.206m from the MRR in 2018/19.

2.27 These earmarked reserves provide the financial capacity to fund the capital programmes and other irregular expenditure. Based on the proposals within this draft budget it is estimated that £6.569m will be required from reserves to fund growth bids and projects, with a further £668k required to support the revenue budget (subject to savings delivery). Reserves contributions of £6.766m are forecast for the year, although further Business Rates windfalls are not expected to be confirmed until April 2018.

Budget Risk Assessment

2.28 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, 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.

2.29 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.

2.30 Looking ahead North Yorkshire County Council has consulted on proposed changes to the recycling credit system – the proposals, which include removing all credits for recycled garden waste, could mean a net loss of income to Selby of circa £300k p.a. based on modelling undertaken by the County Council. Selby is the only district in North Yorkshire not to charge for its green waste service and consequently our recycling rates are higher than the other districts which means Selby would be hardest hit by the proposal should it go ahead. This issue is under review and discussions with the County Council are on-going. Should this risk ultimately materialise, options will be brought forward for consideration by members in due course.

2.31 In accordance with the approved MTFS the aim will be to manage any on-going cost pressures within the base budget.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

3.1.1 None as a result of this report.

3.2 Financial Issues

3.2.1 As set out in the report.

4. Conclusions

4.1 The draft General Fund revenue budget for 2018/19 assumes a Council Tax rise of £5 for a Band D property and requires savings and/or reserve contributions to balance a £1m deficit in 2018/19 rising to a £1.5m deficit by 2020/21.

4.2 The budget provides for a capital programme to meet General Fund and HRA needs and also includes 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.

4.3 A General Fund savings target of £1.5m is proposed, to balance the budget over the next 3 years given our assumptions on central Government funding and savings of approximately £200k are forecast for the HRA. The pace of savings is expected to be such that support from reserves will be required to balance the revenue budget in the shorter term. The MTFS includes £2.4m in the Business Rates Equalisation Reserve to provide this support – with £377k to be used in 2017/18 and a further £749k planned to be drawn down over the next 2 years.

4.4 Progress is being made against the savings identified within our approved plan but more will be needed to meet the deficit in future years. Further opportunities will be brought forward for consideration as part of the next MTFS refresh.

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Appendices:
A – Revenue estimates
B - Capital programmes
C - Growth bids
D - Savings
E - Reserves

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APPENDIX A

GENERAL FUND SUMMARY 2018/19 - 2020/21

	2018/19 Original £	2019/20 Original £	2020/21 Original £	Comments
Leadership & Extended Leadership Team	977,314	999,715	1,018,736	
Operational Services	3,599,561	3,512,857	3,615,348	Contingency for impact of additional pay award over 1% already budgeted £41k 18/19, £108k 19/20 and £183k 20/21. Further impact of assumed pay award above contingency £88k 18/19, £108k 19/20 & £109k 20/21 added to services.
Business Development & Improvement	1,764,831	1,512,385	1,518,078	
Commissioning, Contracts & Procurement	3,733,589	3,962,850	4,130,555	
Community, Partnerships & Customers	250,118	89,130	54,140	
Strategic Planning, Policy & Economic Development	863,711	1,106,733	546,619	
Finance Services	2,075,910	2,132,750	2,187,880	£59k Insurance saving taken - assumed GF Proportion of £97k saving
Legal & Democratic	746,941	687,714	691,131	
Service Budgets	**14,011,975**	**14,004,134**	**13,762,487**	
CEC Charged to HRA	(2,602,776)	(2,670,452)	(2,742,622)	
Recharge to HRA for Capital Programme Delivery	(138,347)	(139,730)	(141,128)	
Net Service Budget	**11,270,852**	**11,193,952**	**10,878,737**	
Net Service Budget after planned savings	**11,270,852**	**11,193,952**	**10,878,737**	
Investment Income	(165,300)	(230,500)	(300,000)	
External Interest	75,200	75,200	75,200	
Parish CTS Grant	70,000	0	0	Assumes Parish Grant ceases from 19/20
Capital A/c Adjustment MRP Charge	193,040	193,040	193,040	
Capital A/c Adjustment RAS loans	(30,000)	(30,000)	(30,000)	
Capital A/c Adjustment Capital Chgs	(758,680)	(758,680)	(758,680)	Reversal of amounts included in service budgets
Approved Growth bids/Projects:				
Asset Management Bids	330,210	338,430	333,520	
District Election		136,000		
ICT Bids	122,500	75,000	31,000	
New Bids - Revenue				
Don't be a waster	7,000	2,000	2,000	
PLAN Selby	55,000	97,500	167,500	
HBO - Debt Officer	(40,550)	(31,263)	0	
ICT Revenue	5,000	5,000	5,000	
Channel Shift P1-3 (Revenue consequence of capital)	57,000	57,000	57,000	
Industrial Units	25,000	20,000	20,000	
Natural Land Asset Programme	13,000	3,000	3,000	
Capital				
Portholme Culvert	207,000	0	0	
Repair Assistance Loans	30,000	30,000	30,000	
ICT Capital	160,000	145,000	118,000	
Channel Shift P1-3 (Capital)	86,000	0	0	
Contingencies	89,150	300,000	300,000	
Net Budget before contribution to/(from) Reserves*	**11,801,422**	**11,620,679**	**11,125,317**	
Contribution To Reserves				
Asset Management	200,000	200,000	200,000	
ICT	141,000	141,000	141,000	
PFI	292,169	295,081	302,646	
Pension Equalisation Reserve	100,000	100,000	100,000	
District Election	34,000	34,000	34,000	
Special Projects (Programme for Growth)	880,000	1,480,000	1,492,000	£880k NHB and remainder notional Business Rates Collection Fund Surplus (see below)
Local Plan	50,000	50,000	50,000	
Contribution From Reserves				
Asset Management	(575,210)	(361,430)	(356,520)	
ICT	(474,006)	(220,000)	(149,000)	
PFI	(418,430)	(427,000)	(435,323)	
Discretionary Rate Relief Fund	(100,000)			
Business Development	(84,214)			
District Election		(136,000)		
Local Plan	(55,000)	(97,500)	(167,500)	
Special Projects / Programme for Growth	(1,113,720)	(1,000,000)	(386,280)	
Business Rates Equalisation	(177,751)			Safety net top-up to baseline funding level
NET REVENUE BUDGET	**10,500,260**	**11,678,830**	**11,950,340**	
Grant RSG	(265,213)	-	-	
NNDR	(2,192,250)	(2,354,000)	(2,401,080)	Assumes safety net in 2018/19
New Homes Bonus	(1,541,183)	(1,592,000)	(1,648,000)	Adjusted for baseline changes - subject to confirmation
Special and Specific Grants*	(167,386)	(192,000)		
Amount to be met from Council Tax	**6,334,228**	**7,540,830**	**7,901,260**	
Council Tax Requirement				
Council Tax to be Levied	(5,403,224)	(5,612,982)	(5,781,927)	
Council Tax Collection Fund Deficit/(Surplus)	95,464			
Business Rates Collection Fund Deficit/(Surplus)		(600,000)	(612,000)	Excludes renewable energy receipts per MTFS. 19/20 and 20/21 are notional figures only and subject to actual receipts. In accordance with the MTFS the indicative budget assumes any surpluses are transferred to Special Projects Reserve
Shortfall / (surplus)	**1,026,468**	**1,327,848**	**1,507,333**	
Savings Target	**(358,469)**	**(987,806)**	**(1,007,286)**	
Business Rates Equalisation	**(668,000)**	**(81,000)**	**0**	**Per approved MTFS**
Net (Surplus) / Deficit in MTFP	**(0)**	**259,042**	**500,047**	
C Tax Base	30,837	31,145	31,457	Tax base increase by 0.88% for 18/19 and 1% thereafter
Council Tax Rate	175.22	180.22	183.81	

HOUSING REVENUE ACCOUNT SUMMARY 2018/19 to 2020/21

	2018/19 Original £	2019/20 Original £	2020/21 Original £	Comments
Operational Services	2,953,090	2,951,440	2,949,740	All salary costs removed, only inflation increases reflected.
Commissioning, Contracts & Procurement	105,900	109,290	112,360	Increase in grounds maintenance contract
New Revenue Bids -Not yet approved		(46,000)	(93,000)	Influenced by capital programme bids, reduction in demand for adaptations by improving sheltered stock and increased rent through delivery of empty homes as affordable rent homes bid.
Service Budgets	**3,058,990**	**3,014,730**	**2,969,100**	
CEC Recharges from GF	2,741,123	2,810,182	2,883,750	Reflects charges for salaries and overheads attributable to the HRA
Net Service Budget	**5,800,113**	**5,824,912**	**5,852,850**	
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	(74,700)	(99,500)	(139,600)	Based on MTFS assumptions
HRA Debt - Payment of Interest	2,787,103	2,821,627	2,544,578	Assumes borrowing up to debt cap at current PWLB Maturity rate.
Provision for Bad & Doubtful Debts	262,680	260,480	264,814	Assume increase in provision for tenants on benefits as a impact of Universal Credit
Net Budget before contribution to/(from) Reserves	**8,856,197**	**8,888,519**	**8,603,642**	
Contribution To Reserves				
Comp Development Cont	50,000	50,000	50,000	Contribution to ICT Reserve
Major Repairs Reserve				
Revenue Contribution to Capital Programme	916,360	1,153,360	553,360	Revenue contribution required to fund previously approved Capital Programme, reduction from 19/20 due to one off & fixed term bids for roofing, St Wilfrids & Estate improvements.
Revenue Contribution to Capital Programme - New Bids	(7,000)	210,000	165,000	Additional revenue contribution to fund new Capital Bids not yet approved
HRA Debt - Voluntary MRP	1,260,000	1,260,000	1,260,000	Provision to repay self financing debt
NET REVENUE BUDGET	**11,075,557**	**11,561,879**	**10,632,002**	
Dwelling Rents	(11,940,000)	(11,840,000)	(12,037,000)	1% Rent reduction for 4 years commencing 2016/17, unknown as yet what will happen for 2020/21 but 2% increase assumed for the budget.
Shortfall / (surplus) before planned savings	**(864,443)**	**(278,121)**	**(1,404,998)**	To MRR to maintain stock & support future development.
Planned Savings	**0**	**(75,000)**	**(75,000)**	HRA Savings Target
Contribution To/ (From) HRA Reserves (MRR)	864,443	353,121	1,479,998	Transfer to MRR to meet demands of capital programme and new build

2018/19 – 2020/21 GENERAL FUND CAPITAL PROGRAMME

PROJECTS	Estimated Programme 2018/19 £	Estimated Programme 2019/20 £	Estimated Programme 2020/21 £
Asset Management Plan Leisure Centres & Park	22,700	20,080	27,800
Asset Management Plan - Leisure Village	7,510	18,350	5,720
Enhancement of Car Parks	300,000	300,000	300,000
Collapsed Culvert - Portholme Road	207,000		
Housing Development (Loans to SDHT)	4,908,700	7,560,000	
Grants			
Disabled Facilities Grants	346,958	346,958	346,958
Repair Assistance Loans	30,000	30,000	30,000
ICT Hardware & Systems Within ICT Strategy			
Implementation & Infrastructure Costs	**317,500**	**185,000**	**133,000**
Desktop Replacement Programme	36,000		
CRM & Website			
Mobile Working Solution	40,000	60,000	16,000
TOTAL	**6,216,368**	**8,520,388**	**859,478**

SUMMARY OF FUNDING			
Capital Receipts	30,000	30,000	30,000
Grants & Contributions	346,958	346,958	346,958
Reserves	930,710	583,430	482,520
S106 Commuted Sums	360,000	220,000	
Borrowing	4,548,700	7,340,000	
TOTAL	**6,216,368**	**8,520,388**	**859,478**

Appendix B (ii)

2018/19 – 2020/21 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

PROJECTS	Estimated Programme 2018/19 £	Estimated Programme 2019/20 £	Estimated Programme 2020/21 £
PROJECTS			
Current Projects			
Electrical Rewires	240,000	240,000	240,000
Central Heating - Gas	295,000	470,000	470,000
Central Heating - Solid Fuel	0	75,000	75,000
Roof Replacements	220,000	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	80,000	80,000	80,000
Fencing & Gates	40,000	40,000	40,000
Bathroom Replacements	30,000	30,000	30,000
Pointing Works	300,000	300,000	300,000
New Projects			
Garage Sites	10,000		
Community Centre Refurbishment	48,000	30,000	
Sheltered Homes Adaption	180,000	165,000	150,000
Empty Homes Programme	600,000	700,000	700,000
Estate Enhancements	133,000	100,000	
St Wilfrids Court Refurbishment		100,000	
Aids & Adaptations Programme	125,000		
New Build Projects	1,200,000	2,280,000	
TOTAL	**4,131,000**	**5,640,000**	**2,715,000**

SUMMARY OF FUNDING

Revenue Contributions	909,360	1,363,360	718,360
Major Repairs Reserve	1,296,640	1,296,640	1,296,640
Borrowing	1,000,000	1,900,000	
Capital Receipts	565,000	340,000	280,000
HCA Grant Funding	180,000	210,000	210,000
S.106 Commuted Sums - affordable housing subsidy	180,000	530,000	210,000
TOTAL	**4,131,000**	**5,640,000**	**2,715,000**

Appendix C

GENERAL FUND NEW BIDS 2018/19 - 20/21

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term	Funded From
		18/19	19/20	20/21	18/19	19/20	20/21			
To extend the Don't be a Waster campaign for a further 12 months	To enjoy life by reducing antisocial behaviours linked to littering and other environmental crimes. To make a difference with local volunteers delivering services that are important to their communities	7,000	2,000	2,000				Membership of Keep Britain Tidy £2K p/a - £5k first year campaign costs. £2k is for annual membership of Keep Britain Tidy which will allow us access to national campaign materials, expert advice and regional events. The additional £5k will be used to develop some of the schemes trialled this year. This includes rolling out the Green Dog Walker Scheme to encourage owners to pick up after their dogs, the Big Clean Up and supporting volunteer litter pickers with equipment. Funding would cover the production of the green ribbons and associated promotional material, promotion and equipment for the Big Clean Up and additional equipment to support volunteers and community groups including litter pickers, gloves and high viz vests / jackets. Can it be funded from existing budgets? The trial schemes were funded from existing budgets this year but to enable us to upscale and develop a product that can be sold to other LA's additional funding is required. As requested during last years budget setting we approached the CEF's for additional funding throughout this year but were turned down as it was felt the projects should be funded by SDC. We are currently working with Legal to seek to copyright the campaign logos in preparation for investigating selling the scheme to other LA's.	Permanent	Revenue savings
Net Cost of Bid		**7,000**	**2,000**	**2,000**	**0**	**0**	**0**			
Portholme Road Culvert - Additional funds are required as per utility surveys along Portholme Road. Scheme has progressed to final design based on a number of utility surveys.	Completion of the scheme removes all flood risk liability that would fall on the District Council in this area and future liability for the new culvert would sit with the Highway Authority				207,000			Current Capital approval of £357k, additional £207k required to complete the scheme. In terms of risk, the issue was brought to the attention SDC in 2008 and since 2013 has progressed investigations and scheme designs to construct a solution. Whilst there have been no flooding events to date due to the collapse there is a risk and by progressing to this stage SDC has recognised the liability. In addition there are draft proposals for housing development on land adjacent to Portholme road that would increase property liability that would fall on SDC to bear any cost. Opportunities for grant funding will be explored.	One-off	Special Projects (Non_PFG commitments)
Net Cost of Bid		**0**	**0**	**0**	**207,000**	**0**	**0**			
To provide a Repair Assistance Loan service to provide urgent house repairs to vulnerable households in the private sector, to continue to provide the same level of service.					30,000	30,000	30,000	The Repair Assistance Scheme provides support for emergency repairs for vulnerable households. It is means tested and spend is usually later in the year and used for roof or boiler repairs. Once works are completed a land charge is put against the property and the loan is repaid at the point of sale.	One-Off	Capital receipts
Net Cost of Bid		**0**	**0**	**0**	**30,000**	**30,000**	**30,000**			
PLAN Selby - Planning Policy Team - A variety of evidence / support costs **Lead Director - Dave Caulfield** **Portfolio Lead - Cllr J Mackman**		55,000	97,500	167,500				PLAN Selby is a statutory document. The new Local Plan goes up to 2029.	One-Off	Local plan
Net Cost of Bid		**55,000**	**97,500**	**167,500**	**0**	**0**	**0**			
Major Projects Officer - New Post	Work closely with developers/investors in the district to facilitate new development of key strategic importance.	45,140	45,140	45,140				Rising number of major planning applications received within the District. Able to meet developers challenging and demanding timescales. Strong customer focus. Would work closely with the Economic and Regeneration Team. Currently, the budget does not include increased planning income, this bid is dependent on the Central Government 20% increase in planning fee income, which will cover the cost of the post.	Permanent	Revenue
	Income from additional planning fees (20% inc)	-45,140	-45,140	-45,140						
Net Cost of Bid		**0**	**0**	**0**	**0**	**0**	**0**			
Housing Benefit Overpayment (HBO) - Additional resources within the Debt Control Team	Extend the post for 2 more years	28,450	28,737					This bid is to extend the HBO post for 2 more years. This will ensure the good progress made increasing income and reducing debtors is embedded and continues to improve further. Over the next 12 months the officer will focus on implementing direct debit as a payment method reducing payments away from payment cards that is costly to the council and standing orders which is a proven approach to reducing and preventing debt with those that struggle to pay. the last 12 months will be to carry out the work but also embed the working practises within an environment where HBO should be reducing following the introduction of Universal Credit	One-off	Self Funding with net Saving
	Estimated savings - improved collection reducing bad debt provision requirement	-69,000	-60,000							
Net Cost of Bid		**-40,550**	**-31,263**	**0**	**0**	**0**	**0**			
Implementation of transactional services within Benefits & Taxation - starting with benefits forms with the potential to role this out further to the taxation and debt recovery forms	Digital strategy - increase the proportion of services delivered online and improve the accessibility of services				50,000			Investment to facilitate channel shift is central to achieving the planned £285k savings linked to 'process improvements and shift to on-line transactions through digital transformation' (£91k GF; £194k HRA) by 2020.	One-off	ICT Reserve
Channel shift Phase 1	Annual Support costs	33,000	33,000	33,000				On a conservative estimate of 30% take-up of online services, this will deliver a minimum of £23k of the required cashable savings in 2018/19 and support the delivery of additional efficiencies/savings (including £22k already identified in Taxation & Benefits). This is expected to increase in subsequent years as a greater percentage of customers' access taxation and benefits services online.	Permanent	Revenue
Net Cost of Bid		**33,000**	**33,000**	**33,000**	**50,000**	**0**	**0**			
To provide a portal to allow customers to access their various transactions, including other services once online					18,000			Investment to facilitate channel shift is central to achieving the planned £285k savings linked to 'process improvements and shift to on-line transactions through digital transformation' (£91k GF; £194k HRA) by 2020.	One-off	ICT Reserve
Channel shift Phase 2 - linked directly to the underpinning of phase 1	Annual Support costs	18,000	18,000	18,000				Whilst the portal will not deliver direct savings, it will help to facilitate savings elsewhere through reducing telephone and face to face demand. The portal will also facilitate future savings as more services are delivered online and help move SDC towards single customer records/sign-ins – thereby improving customer service. Finally, the portal will help transform the way customers access Council services – including facilitating 24/7 access.	Permanent	Revenue
Net Cost of Bid		**18,000**	**18,000**	**18,000**	**18,000**	**0**	**0**			
To link the portal / digital platform from Phase 2 to the new housing management system. Allowing customers to have a single sign in to the housing portal to self serve with regards to housing requested					18,000			Investment to facilitate channel shift is central to achieving the planned £285k savings linked to 'process improvements and shift to on-line transactions through digital transformation' (£91k GF; £194k HRA) by 2020. Will maximise the opportunities provided by the new Housing Management System – through enabling customers to access the online channels provided by the Civica system - and help deliver the existing £210k savings already attributed to the HMS	One-off	ICT Reserve
Channel Shift Phase 3	Annual Support costs	6,000	6,000	6,000						
Net Cost of Bid		**6,000**	**6,000**	**6,000**	**18,000**	**0**	**0**			

Appendix C

Description	Strategic Theme / Priority	Revenue 18/19	Revenue 19/20	Revenue 20/21	Capital 18/19	Capital 19/20	Capital 20/21	Comments	Term	Funded From
Disaster recovery improvements - this will deliver against Audit reports for a robust disaster recovery plan. Will be supported by a business case	Improvements to the infrastructure and network will ensure robust disaster recovery plans are achievable	10,000	10,000	10,000	40,000	20,000		A recent review has identified a number of critical infrastructure areas that require addressing to allow restoration of our infrastructure – and in turn systems – in the event of Civic Centre being out of action (see attached) To not address these issues creates a real risk of the Council not being able to meet its statutory obligations in the event of a DR scenario. The costs are currently indicative. We are working with NYCC to agree a prioritised – and accurately costed – improvement plan. Once agreed, it may be possible to profile the spend more accurately over 3 years.	One off Permanent	ICT Reserve Revenue
Net Cost of Bid		**10,000**	**10,000**	**10,000**	**40,000**	**20,000**	**0**			
Microsoft Licensing - SDC are at risk of exceeding the number of Microsoft licenses. In addition to maintaining licence coverage, this will help SDC realise the full benefits of the Microsoft software in supporting a more flexible, modern working envirnomnet and improving the tools we use to collaborate with others.	Success is measured through the Modern Office programme - by ensuring that the SDC workforce are able to work effectively and efficiently across all locations				60,000	60,000	85,000	Microsoft licences were identified as an area for investment in the shared service business case. A robust ICT infrastructure supports delivery of the planned £285k savings linked to 'process improvements and shift to on-line transactions through digital transformation' (£91k GF; £194k HRA) by 2020. It is also central to making the Council more efficient – including enabling our Better Together collaboration - and more effective at delivering services to customers. There are a number of key elements to the licencing requirements – see attached - doing nothing is not an option: • Critical – we do not currently have enough Microsoft licences to cover the number of users for things like Email, Word, Excel etc (partially as a result of restructuring and Members IT). Microsoft are aware of this. Around £63k is required to allow us to continue to legally use Microsoft software. • Very Important – support for Secure Envoy - our current Remote Access Solution – the software that allows access to Council systems when away from the office – will end in March. Direct Access is a Microsoft solution that could replace Secure Envoy. Bought separately the licence would be £50k (including implementation). • Important – software we do not currently have but would make us more efficient, more effective, would support culture shift and help us present a more modern face to customers and other stakeholders: o Skype for Business – allows face to face communication over the internet – used by other councils (including NYCC), would support engagement with stakeholders (including business) and would reduce the need to travel for meetings (savings tbc) o SCCM desktop management – allows ICT support staff to access devices remotely – enabling remote resolution to employee/Member queries/issues. There is an option to fund this through Better Together as it will benefit both councils o SharePoint – allows document sharing between councils – will actively support Better Together Buying all the licences separately would amount to £450k over 3 years. Bundling them together as proposed would save around £200k – and deliver additional benefits as well as potential savings (tbc – further work planned to identify with NYCC)	Permanent	ICT Reserve - capitalised?
	Saving on the current remote access solution	-5,000	-5,000	-5,000					Permanent	Revenue
Net Cost of Bid		**-5,000**	**-5,000**	**-5,000**	**60,000**	**60,000**	**85,000**			
Laptop refresh - for the shared service with NYCC it has been identified that in order for them to be able to maintain the estate we would need to refresh our ICT equipment.					60,000	40,000	33,000	Other than total failure of devices, the majority of devices have not been purchased or replaced for the last 4 years. This means they are out of date, and become more difficult to maintain. They do not support Modern working, flexible working, or the new operating systems and software. The capital spend to refresh the laptop estate has been phased over 3 years based on the age of our current inventory. The current annual £17,500 could be on hold for 3 years whilst the refresh programme updates all equipment. It is recommended that equipment is replaced within organisations every 3-4 years, therefore from 20/21 equipment bought in 16/17 will need to be replaced and the rolling programme start again.	4 years recurring	ICT Reserve - capitalised?
Net Cost of Bid		**0**	**0**	**0**	**60,000**	**40,000**	**33,000**			
Natural Land asset inspection programme - to ensure the assets remain in safe and viable condition. Assets such as woodlands and small natural spaces.	Meets priority 2 of the council plan	13,000	3,000	3,000				SDC has a number of natural land asset sites. Some of these are currently managed by community partners (such as Barlow Common, Hambleton Hough) and the responsibilities for the condition, ongoing inspection and maintenance of the sites is part of the arrangement. However, we have identified a small number of sites at present which currently do not have a current status on their condition or an ongoing inspection and maintenance plan.	Permanent	Asset management
Net Cost of Bid		**13,000**	**3,000**	**3,000**	**0**	**0**	**0**			
Industrial Units Stock condition survey work	Making the district a great place to do Business	25,000	20,000	20,000				Bid to undertake works identified as part of the condition survey to maintain the Units at a decent lettable standard.	Fixed Term	Revenue
Net Cost of Bid		**25,000**	**20,000**	**20,000**	**0**	**0**	**0**			
Storage Area Network (SAN) Space - cost to replace the existing storage	Ensures the council has enough space on its network to host systems, store data and information to ensure services and systems run smoothly.					25,000		Project will be led by NYCC and will require replacement in the future and will be incorporated into the ICT replacement plan. This was included in the original NYCC service business case cost estimates.	One-off	ICT Reserve
Net Cost of Bid		**0**	**0**	**0**	**0**	**25,000**	**0**			
Total Value of new GF Bids		**121,450**	**153,237**	**254,500**	**483,000**	**175,000**	**148,000**			

Funding	18/19	19/20	20/21	18/19	19/20	20/21
Local Plan Reserve	55,000	97,500	167,500			
ICT Reserve				246,000	145,000	118,000
Capital Receipts saving						
Capital Receipts				30,000	30,000	30,000
Asset Management Reserve	38,000	23,000	23,000	207,000	0	0
Revenue	28,450	32,737	64,000			
Total	**121,450**	**153,237**	**254,500**	**483,000**	**175,000**	**148,000**

Appendix C

HRA NEW BIDS 2018/19 - 20/21

Description	Strategic Theme / Priority	Revenue 18/19	Revenue 19/20	Revenue 20/21	Capital 18/19	Capital 19/20	Capital 20/21	Comments	Term	Funding
To refurb the remaining community centres across SDC to a similar standard to one in Sherburn which was refurbed as a result of a fire. All costs from that refurb have been covered by insurance	Making the district a better place to live. Enhancing the communities for people who live there.				48,000	30,000		Not doing the refurbishments will result in centres becoming run down resulting in reduced usage and the loss of the centres as a central place for community activities. There is currently a £6k maintenance budget. The centres will become drop in centres, work spaces for community officers and support wardens. This will free up a council house that is being used to bring back into rent. There are also current security and fire risks.	One-off	Major repairs reserve
Net Cost of Bid		**0**	**0**	**0**	**48,000**	**30,000**	**0**			
Void property improvements	Making Selby a better place to live and providing homes that meet the required standard for the residents				80,000	80,000	80,000	Increase the hard to let budget (£6500) to enable more properties to have basic redecoration and garden works. There is going to be a Housing report to cover these issues. However, this work is about bringing homes back up to decent homes and an acceptable lettable standard. Average of 250 voids per year. Roughly 70% need work, although some of this evidence is anecdotal.	Permanent	Major repairs reserve
Net Cost of Bid		**0**	**0**	**0**	**80,000**	**80,000**	**80,000**			
Gas central heating and replace old systems.	Effectively maintain the condition of the SDC housing stock				470,000	470,000	470,000	Continuing the rolling programme of boiler replacement to ensure properties have effective heating and hot water. In 2009/10 and 2010/11 over 1040 systems were replaced and over 2011/12 and 2012/13 over 530 have been replaced. There is a £175K saving in 18/19. June to forward inspection/renewal plan	Permanent	Major repairs reserve
	Request to re-profile budget for 2018/19 to allow for capital to be available when there is an expected peak around 2021				-175,000				One-off	Major repairs reserve
Net Cost of Bid		**0**	**0**	**0**	**295,000**	**470,000**	**470,000**			
Central heating solid fuel to gas programme	Effectively maintain the condition of the SDC housing stock				75,000	75,000	75,000	Not as many required at this time	Permanent	Major repairs reserve
	Request to re-profile budget for 2018/19 to allow for capital to be available when there is an expected peak around 2021				-75,000			Improved servicing has led to fewer failures resulting in fewer solid fuel systems being replaced causing less disruption to tenants. Only 8 out of a total of 162 systems have been replaced this year, 6 with electric heating and 2 withh gas (6 of these were done at void stage) Any systems that are needed to be replaced will be accomodated within the existing rewire, void or gas installs budget	One-off	Major repairs reserve
Net Cost of Bid		**0**	**0**	**0**	**0**	**75,000**	**75,000**			
Adaption funding	Making homes more suitable for residents (sheltered)				180,000	165,000	150,000	This will reduce the demand for adaptation making the sheltered housing stock suitable and cutting the delays for people in need of adaptations..remove bathrooms and Install wet rooms to void properties which are classed as sheltered where no wet room exists. approx 110 of these properties become void every year and approx 65% of these do not have a wet room. installation of wet rooms at void will mean they are more suitable for the elderly residents and avoid the possibility of it being done at a later date when occupied. By installing at void it will also reduce the need for Occupational health referrals and subsequent waits and disruption for tenants. approx 75 intalls at £2400 in the 1st year reducing year on year as more homes have the installations	One-off	Major repairs reserve
			-10,000	-15,000						HRA revenue
Net Cost of Bid		**0**	**-10,000**	**-15,000**	**180,000**	**165,000**	**150,000**			
To support the delivery of the Empty Homes Programme. To bring empty homes back into use as affordable homes.	Directly links to the corporate aim 'to enjoy life'				600,000	700,000	700,000	Bring 20 Empty Properties back into use over 3 year period Any purchase will be subject to a detailed business case, including financial appraisal, which will be required to meet the minimum return thresholds. The financial modelling will allow for expected repairs profile, based on condition and age of property to reduce to exposure risks associated with buying used properties.	One-Off	Captial Receipts / P4G (£40k per prop) S106 Affordable Housing (£30k per prop), HCA Grant (£30k per prop)
Net Cost of Bid		**0**	**0**	**0**	**600,000**	**700,000**	**700,000**			

Appendix C

Description	Strategic Theme / Priority	Revenue			Capital			Comments	Term	Funding
		18/19	19/20	20/21	18/19	19/20	20/21			
Additional support to the Aids & Adaptations budget to allow for increased demand on council dwellings, including wet rooms, ramps, stairlifts, through floor wheelchair lifts, widening of doorways, lifting hoists and handrails.	Making homes more suitable for residents				125,000			The council has an obligation to provide disabled adaptations for out tenants. Not having adequate budget for these types of works will mean that when referrals are made residents in need of adaptation facilities will face long delays in what are essential works for them to remain in their homes.	One-off	Capital Receipts
Net Cost of Bid		**0**	**0**	**0**	**125,000**	**0**	**0**			
Total Value of new HRA Bids		**0**	**-10,000**	**-15,000**	**1,328,000**	**1,520,000**	**1,475,000**			

SAVINGS PLAN

Indicative Profile - GF

Potential Saving	Sponsor	2017/18 £000's	2018/19 £000's	2019/20 £000's	Original Risk	October 2017 Update	Current Risk
Pest Control	KC	15	15	15	Low	Contract completed - charge for rats passed on to customers	Low
Income generation	SR			185	High	Proposals to be developed for additional income streams for 2019/20 and beyond. Potential opportunties to maximise income streams through better understanding of our asset base, following asset management system implementation.	High
Process improvements /on-line transactions	JS	0	70	91	Medium	First phase of Housing Management System estimated for implementation April 2018 but full implementation of all modules expected to take 2 years. Delivery will be in line with the project plan yet to be finalised with the supplier. Business Case for digital transformation project (channel shift) ready for approval by ELT, which includes specific details of anticipated savings	High
Planning service review	JC	0	200	200	Medium	Planning service savings are currently under review, with proposals for delivery of £200k savings anticipated to be met through additional income and cashable postage and electronic savings.	High
Asset rationalisation	JS	26	90	140	Medium	Options are currently being considered for the Contact Centre move to the Civic Centre, which dependent on the agreed approach could potentially complete half way through 18/19. Ex Profiles Gym has been let to a tenant which will generate £26k in the current year and £40k in future years.	Medium
Commissioning & collaboration	JS	55	30	80	High	Income for provision of HR and Comms Services to Ryedale DC amount to £55k in the current year (including backdated charges) and £30k 18/19. It is currently uncertain whether this will be an ongoing arrangement and at what level. The savings expected in 2019/20 have not yet been identified.	High
New SDHT Loans	DC	17	17	88	High	A number of schemes are currently in progress, with negotiations taking place with developers. In addition, a revised Housing Development Programme is being put forward for approval, which aims to accelerate the delivery programme - subject to identifying suitable sites.	High
Lending to third parties	DC	0	0	40	High	This work will be considered as adoption of the Economic Development Strategy is achieved, and the Programme 4 Growth 3 is developed.	High

SAVINGS PLAN

Programme for Growth	DC	0	0	250	High	Work on a new Site & Premises Register will shortly be initiated, and extensive consultation with local small-medium sized enterprises is ongoing. This is expected to highlight a lack of high-quality incubation space throughout the District, and provide potential investment opportunities	High
Tax Base Growth	DC	0	0	28	Medium	As the growth agenda continues, an anticipated additional increase in the tax base of 0.5% is forecast by 19/20. This is subject to timing of development schemes completing, amongst other variables so will continue to be monitored	High
Business Rates Growth	DC	0	0	200	High	A new Economic Development team has recently been recruited who will deliver the Council's Economic Development Strategy and proactively foster new inward investment and indigenous business growth.	High
PFI	KI	57	60	60	Low	Completed	Low
MRP	KI	185	185	185	Low	Completed	Low
Pension Fund Deficit	KI	406	419	433	Low	Completed	Low
Total Savings		**761**	**1,086**	**1,995**			
Assumed Savings Target		**740**	**1,053**	**1,698**			
Surplus / (Shortfall)		**21**	**33**	**297**			

NB Low risk savings assumed to be delivered at 100%

SAVINGS PLAN

Indicative Profile - HRA

Potential Saving	Sponsor	2017/18 £000's	2018/19 £000's	2019/20 £000's	Risk	October 2017 Update	Current Risk
Process improvements /on-line transactions	JS	0	5	194	Medium	First phase of Housing Management System estimated for implementation April 2018 but full implementation of all modules expected to take 2 years. Efficiencies to be realised through automation and better access/workflow - baseline position for key processes will be mapped as part of early preliminary work to enable an estimate of benefits and likely realisation timescale. Delivery will be in line with the project plan yet to be finalised with the supplier.	High
Commissioning & collaboration	JS	0	0	20	High		High
Pension Fund Deficit	KI	217	226	235	Low	Completed	Low
Total		**217**	**231**	**449**			
Assumed Savings Target		**140**	**148**	**310**			
Surplus / (Shortfall)		**77**	**83**	**140**			

Low risk savings assumed to be delivered at 100%

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Appendix E

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**	**Comments**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	
Revenue Reserves												
General Fund												
Reserves to fund future commitments:												
PFI Scheme	3,634,335	- 418,430		292,169	3,508,074	- 427,000	295,081	3,376,155	- 435,323	302,656	3,243,488	Assumes saving proposal approved
ICT	20,766	- 474,006	500,000	191,000	237,760	- 220,000	191,000	208,760	- 149,000	191,000	250,760	
Asset Management	850,543	- 575,210		200,000	475,333	- 361,430	200,000	313,903	- 356,520	200,000	157,383	Topped up from balances in 17/18
Election	113,934			34,000	147,934	- 136,000	34,000	45,934		34,000	79,934	
Open Space Maintenance	0				0			0			0	Merged into Asset Management
GF Carried Fwd Budgets	-				-			-			-	
	4,619,579	- 1,467,646	500,000	717,169	4,369,102	- 1,144,430	720,081	3,944,753	- 940,843	727,656	3,731,566	
Reserves to fund growth and improvement:												
Special Projects / Programme for Growth */**	4,339,754	- 1,113,720		880,000	4,106,034	- 1,000,000	1,480,000	4,586,034	- 386,280	1,492,000	5,691,754	Assumes on-going New Homes Bonus and Business Rates growth per MTFS
Special Projects (Non_PFG commitments)	0				0			0			0	
S106 Affordable Housing Commuted Sums	2,115,562	- 540,000		1,218,744	2,794,306	- 750,000	2,437,488	4,481,794	- 210,000	1,218,744	5,490,538	Funds ring-fenced and spend subject to progress on housing developments
Discretionary Rate Relief Fund	168,492	- 100,000			68,492			68,492			68,492	
NYCC Collaboration	-				-			-			-	
Spend To Save (Business Development)	201,572	- 84,214	150,000		267,358			267,358			267,358	
	6,825,380	- 1,837,934	150,000	2,098,744	7,236,190	- 1,750,000	3,917,488	9,403,678	- 596,280	2,710,744	11,518,142	
Reserves to mitigate financial risk:												
Pensions Equalisation Reserve **	650,000		- 650,000	100,000	100,000		100,000	200,000		100,000	300,000	
NDR Equalisation **	3,413,638	- 845,751			2,567,887	- 81,000		2,486,887			2,486,887	To support revenue budget to 2019/20
Local Plan	328,681	- 55,000		50,000	323,681	- 97,500	50,000	276,181	- 167,500	50,000	158,681	
Contingency **	498,000				498,000			498,000			498,000	
General Fund **	1,505,000				1,505,000			1,505,000			1,505,000	Minimum level £1.5m
	6,395,319	- 900,751	- 650,000	150,000	4,994,568	- 178,500	150,000	4,966,068	- 167,500	150,000	4,948,568	
Total GF Revenue reserves	**17,840,278**	**- 4,206,331**	**-**	**2,965,913**	**16,599,860**	**- 3,072,930**	**4,787,569**	**18,314,499**	**- 1,704,623**	**3,588,400**	**20,198,276**	
HRA												
HRA Unallocated Balance	2,266,697				2,266,697			2,266,697			2,266,697	
C/fwd Budgets (HRA)	-				-			-			-	
Major Repairs Reserve - Capital Programme	3,595,766	- 2,206,000		3,070,443	4,460,209	- 2,660,000	3,050,189	4,850,398	- 2,015,000	3,551,566	6,386,964	
Sub Total	**5,862,463**	**- 2,206,000**	**-**	**3,070,443**	**6,726,906**	**- 2,660,000**	**3,050,189**	**7,117,095**	**- 2,015,000**	**3,551,566**	**8,653,661**	
Total Revenue Reserves	**23,702,740**	**- 6,412,331**	**-**	**6,036,356**	**23,326,765**	**- 5,732,930**	**7,837,758**	**25,431,593**	**- 3,719,623**	**7,139,966**	**28,851,936**	
Capital Reserves												
General Fund Receipts (after P4G removed)	887,279				887,279			887,279			887,279	
HRA Receipts	2,649,524	- 595,000		500,000	2,554,524	- 370,000	500,000	2,684,524	- 310,000	500,000	2,874,524	
Other Capital Receipts	493,000				493,000			493,000			493,000	
Capital Receipts (HRA Reserved)	0	- 230,000		230,000	0	- 250,000	250,000	0			0	
Total GF Capital Receipts	**4,029,803**	**- 825,000**	**-**	**730,000**	**3,934,803**	**- 620,000**	**750,000**	**4,064,803**	**- 310,000**	**500,000**	**4,254,803**	

Notes

* Potential for a further renewable enegy business rates receipts - amount will not be confirmed until April 2018.

** £9.391m diverted from revenue reserves in 2016/17 - to be replenshed (excl HRA) from business rates income in 2017/18.

*** Capital receipts include assumptions on right to buy sales.