Selby District Council

Agenda

Meeting:	**Executive**
Date:	**Thursday, 2 February 2023**
Time:	**4.00 pm**
Venue:	**Council Chamber - Civic Centre, Doncaster Road, Selby, YO8 9FT**
To:	**Councillors M Crane (Chair), R Musgrave (Vice-Chair), C Lunn, D Buckle and T Grogan**

1. Apologies for Absence

2. Minutes (Pages 1 - 12)

The Executive is asked to approve the minutes of the meeting held on 5 January 2023.

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. Financial Results and Budget Exceptions Report to 31 December 2022 (E/22/36)

The Executive are asked to consider report E/22/36 – **REPORT TO FOLLOW.**

5. Treasury Management - Quarterly Update Q3 2022/23 (E/22/37) (Pages 13 - 24)

The Executive are asked to consider and approve report E/22/37 and endorse the actions of Officers on the Council's treasury activities for Q3 2022/23.

Janet Waggott

Janet Waggott
Chief Executive

Date of next meeting
Thursday, 2 March 2023 at 4.00 pm

For enquiries relating to this agenda please contact Victoria Foreman, on vforeman@selby.gov.uk

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Selby District Council

Minutes

Executive

Venue:	Council Chamber - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Thursday, 5 January 2023
Time:	4.00 pm
Present:	Councillors M Crane (Chair), R Musgrave (Vice-Chair), C Lunn, D Buckle and T Grogan
Also Present:	Councillor M Jordan, Ward Member for Carlton and Camblesforth
Officers Present:	Janet Waggott – Chief Executive, Suzan Harrington – Director of Corporate Services and Commissioning, Alison Hartley – Solicitor to the Council, Stuart Robinson – Head of Business Development and Improvement, Martin Grainger – Head of Planning, Peter Williams – Head of Finance, Caroline Skelly – Planning Policy Manager, Julian Rudd – Head of Economic Development and Regeneration, Jenny Tyreman – Assistant Principal Planning Officer, Kennedy Sheldon – Principal Planning Policy Officer, Victoria Foreman – Democratic Services Officer
Public:	0
Press:	0

NOTE: Only minute numbers 56 - 59 are subject to call-in arrangements. The deadline for call-in is 5pm on 18 January 2023. Decisions not called in may be implemented from 19 January 2023.

53 APOLOGIES FOR ABSENCE

There were no apologies for absence.

54 MINUTES

The Committee considered the minutes of the meeting held on 8 December 2022.

RESOLVED:

To approve the minutes of the meeting held on Thursday 8 December 2022.

55 DISCLOSURES OF INTEREST

There were no disclosures of interest.

56 CORPORATE PERFORMANCE REPORT - QUARTER 2 - 2022-23 (JULY TO SEPTEMBER) E/22/31

The Leader presented report E/22/31 which asked Members to note and approve it and consider any further action they wish to be taken as a result of current performance.

Members noted the summary of progress as set out in the report. 61% of KPIs reported were showing improvement over the longer term or had maintained 100% performance. 78% of KPIs reported were on target, with 13% of KPIs within acceptable tolerances.

Work continued to address the remaining repairs created during the various Covid lockdowns and subsequent periods of operating restrictions, with 95% of the original backlog having been cleared. Given issues around the limitations of the current repairs management system, work to assess the accuracy of the remaining work orders was ongoing. The increase in the number of open repairs in the system had slowed significantly and whilst the number of open repair entries within the system remained around 10% above anticipated 'run-rate', the Council was starting to make inroads to bring the figure back in line with expected operational parameters. The Council continued to work with external contractors to support internal provision wherever possible, although many of contractors were already working near or at full capacity. The situation would continue to be monitored.

In quarter 2 a number of things went well; the Council successfully administered the government's energy rebate scheme, and at the end of quarter 2 Selby District Council had paid 31,329 households. This was everyone initially identified as eligible plus others that also qualified subsequently, for example properties that were banded after the cut-off time or had incorrect empty discounts.

Positive Performance of KPIs had been seen in supporting SMEs, council tax collection, NNDR collection, sundry debt collection, processing benefit claims, processing planning applications, complaints response times, processing FOIs, customer waiting times (phone), council house re-lets and waste collection.

Quarter 2 performance had not been as good in relation to savings and staff sickness.

Executive Members asked for further information about staff sickness levels from Officers and about potential reasons for the numbers that were being reported. Officers agreed to provide more information after the meeting.

Positive comments were made on waste collection figures which had improved significantly since the previous quarter; again, further information on how this had been achieved was requested by Members.

The Leader commended the report.

RESOLVED:

The Executive noted and approved the report.

REASON FOR DECISION:

The reporting of performance data enables the Council to demonstrate progress on delivering the Council Plan Priorities to make Selby District a great place.

57 A PUBLIC ART PLAN FOR THE SELBY, SHERBURN AND TADCASTER AREA OF NORTH YORKSHIRE (E/22/32) AND A HERITAGE INTERPRETATION MASTERPLAN FOR THE SELBY, SHERBURN AND TADCASTER AREA OF NORTH YORKSHIRE (E/22/33)

The Leader indicated that reports E/22/32 and E/22/33 would be considered at the same time, but that decisions on both items would still need to be made separately.

The Lead Executive Member for Health and Culture presented reports E/22/32 and E/22/32 which asked Members to agree to adopt the Public Art Plan and Heritage Interpretation Masterplan, both of which covered the Selby, Sherburn and Tadcaster areas of North Yorkshire, and implement the recommendations of the plans.

<u>Report E/22/32 - A Public Art Plan for the Selby, Sherburn and</u>

Tadcaster area of North Yorkshire

Members noted that 2021 the Cultural Development Framework (CDF) for the district was adopted. This recognised the important contribution of high-quality, authentic and relevant public art to making the district a vibrant, creative and unique place. It built on the work that the Council began with Selby 950 (which included the significant “*Pilgrim*” illumination of Selby Abbey, by artist Nayan Kulkarni) and was continuing, with artwork by Katayoun Dowlatshahi as part of the Selby Station Gateway TCF project and planned new work by Chris Tipping as part of the revitalisation of Tadcaster Bus Station.

Officers explained that audiences had told the Council that they wanted to see public art which was site-specific and connected to the rich heritage of the district. For this reason, there was a strong connection to the development of the Heritage Interpretation Masterplan for the district. Selby Stories, the cultural programme of the Selby High Street Heritage Action Zone, was a good example of approaching authentic place-specific public art commissioning with heritage as the content. The creative sector had also told the Council that they would like opportunities to develop skills in public art and to make work for public spaces. High-quality public art was a strong driver for the visitor economy and could be a significant source of pride for residents.

The Executive acknowledged that there had not previously been a coherent approach to public art commissioning, which had led to a somewhat piecemeal approach. This meant the Council had not always made the most of the potential in using cultural place-making as part of making Selby District a ‘Great Place to Live’ and a ‘Great Place to Grow’. The Public Art Plan set out best practice and offered a strong framework for future development in the locality.

The Public Art Plan was attached as Appendix A to report E/22/32. There were three additional technical documents: a guide for developers and planners; a “how to” commissioning guide; and an opportunities matrix. The opportunities matrix set out the wide-ranging potential projects for the District, including regeneration and revitalisation schemes which were already underway and those recognised as a future priority.

Report E/22/33 – A Heritage Interpretation Masterplan for the Selby, Sherburn and Tadcaster area of North Yorkshire

Members noted that in 2021 the Cultural Development Framework (CDF) for the district was adopted. This recognised the importance of heritage to audiences (local and visitors), building on previous work (such as Selby 950) which had evidenced the strength of the district's heritage stories and sites and the interest that key audiences had in understanding more. Heritage was a significant driver for the Visitor Economy and an important source of pride in Place for the people who lived in the district.

The report explained that the heritage sector in the district was predominantly made up of a large number of small, hyper-local groups of volunteers who worked hard to care for and sustain their local heritage, but there had previously been no work to develop a coherent story across the district's heritage assets and sites. Some of the heritage narratives, such as Selby's ship-building industry, or the Roman influence on Tadcaster, were hard to understand, as there were few remnants and often a lack of visitor interpretation, but they had shaped the district and had deep resonance for communities and visitors. The stories needed to be shared in inspiring, engaging, meaningful and accessible ways.

The Executive acknowledged that work to understand the needs and wants of audiences (local and visitors) had evidenced a strong interest in using art as a vehicle to share the District's rich heritage stories. Selby Stories, the cultural programme of the Selby High Street Heritage Action Zone, was an example of approaching heritage engagement in this way. For this reason, there was a strong connection between the development of the HIMP and the development of the Public Art Plan, so both these pieces of work had been carried out at the same time. The Heritage Interpretation Masterplan was attached as Appendix A to report E/22/33.

Executive Members expressed their support for the plans and acknowledged the amount of work that Officers and the previous Lead Executive Member had put into the production of both. Considerable progress had been made over recent years in developing cultural activity in Selby District and this was welcomed by the Executive.

Some concern had been expressed previously that there were not enough photographs and illustrations in the two documents; the Executive were assured that whilst these had not been ready for the reports before them at the meeting, they would be inserted into the final versions.

Members acknowledged that officers were preparing and would maintain a detailed 'Opportunities Matrix' to help implement the plans.

The Executive were pleased to note that local artwork would be commissioned for communities around the district, which would make it feel more relevant to the different areas; temporary artworks such as those seen in Leeds and Hull did well in local areas.

The benefits to businesses and tourism that both plans could provide would be vitally important in improving investment in the district and increasing the popularity and visitor numbers to the area.

The Lead Executive Member for Health and Culture commended both reports to the Executive for agreement. A vote was taken on the reports separately.

<u>Report E/22/32 - A Public Art Plan for the Selby, Sherburn and Tadcaster area of North Yorkshire</u>

RESOLVED:

The Executive agreed to adopt the Public Art Plan for the Selby, Sherburn and Tadcaster area of North Yorkshire and implement the recommendations of the Plan.

REASONS FOR DECISION:

In July 2021 the Cultural Development Framework for Selby District was approved by the Executive. It recognised the significant potential impact of public art on the place-making and regeneration ambitions of the District Council, and the important contribution which public art makes to creating great places and high-quality public spaces. The Framework included an action to develop a Public Art Plan, which would provide a strategic framework and future direction.

A Public Art Plan (PAP) had been developed (see Appendix A). The Plan set out the ambition for public art and its role in revitalisation and regeneration schemes, as well as a tool to engage local communities with their locality. It included practical guidance for commissioners, developers and communities and identified specific opportunities where there were schemes, or concepts for future schemes, which would be enhanced by the inclusion of public art.

The Plan would increase the number of public artworks in Selby District; raise the ambition around quality and authenticity; enable communities, local organisations, and creative practitioners to attract external investment; offer skills development to the local creative sector; connect local people to their Place and provide marketable product for the Visitor Economy sector. The Plan would contribute to cultural planning for North Yorkshire Council and provide local opportunities to benefit from the Shared Prosperity Fund, the Place Partnership Fund and the York and North Yorkshire devolution deal, as the Council moved into a localities structure within the new North Yorkshire Council.

Report E/22/33 – A Heritage Interpretation Masterplan for the Selby, Sherburn and Tadcaster area of North Yorkshire

RESOLVED:

The Executive agreed to adopt the Heritage Interpretation Masterplan for the Selby, Sherburn and Tadcaster area of North Yorkshire and implement the recommendations of the Plan.

REASONS FOR DECISION:

In July 2021 the Cultural Development Framework for Selby District was approved by the Executive, recognised the significant value of the district's heritage (to local people and as a driver for visitors) and included an action to develop a Heritage Interpretation Masterplan. The Masterplan's purpose was to identify the district's most important heritage stories, sites and the ambitions of the local heritage sector, in order to develop a robust and practical approach to sharing these with communities and visitors.

A Heritage Interpretation Masterplan (HIMP) had been developed. The Plan identified actions which would strengthen the district's heritage offer; enable heritage sector organisations and groups to attract external investment; connect local people to their Place and enable them to engage with their heritage; drive visitors to great experiences and provide marketable product for the Visitor Economy sector. The Plan would contribute to cultural planning for North Yorkshire Council and provide local opportunities to benefit from the Shared Prosperity Fund, the Place Partnership Fund and the York and North Yorkshire devolution deal.

The HIMP articulated an ambition for heritage sites and stories, identified opportunities and captured the passion and commitment of our heritage sector. It would enable the unique heritage assets of the district to be recognised and understood, as the area moved into a localities structure within the new North Yorkshire Council.

58 CIL/S106 INFRASTRUCTURE FUNDING STATEMENT (E/22/34)

The Leader presented report E/22/34 which asked Members to approve the Draft Infrastructure Funding Statement, as attached at Appendix 1 of the report, for publication.

Members noted that in September 2019 changes were made to the Community Infrastructure Regulations which required Local Planning Authorities to publish an Infrastructure Funding Statement from December 2020. The report set out the details of monies collected from CIL and S106 obligations receipts over the course of the latest monitoring period and sought approval for the publication of the 2022 Infrastructure Funding Statement.

Executive Members acknowledged that the CIL/S106 Infrastructure Funding Statement was part of the Council’s statutory duty and had to be operated in line with the regulations detailed above.

Members noted that some monies had already been spent on the Sherburn Medical Centre, on which construction had begun; it was hoped that this would be completed within a year, and also towards the development of a roundabout near the Lidl store in Selby, which had made a difference to traffic flow in the area and subsequent spending in the town.

The Executive thanked Officers who had worked very hard on resolving various legal matters relating to the schemes.

The Leader commended the report.

RESOLVED:

The Executive approved the Draft Infrastructure Funding Statement as attached at Appendix 1 for publication.

REASONS FOR DECISION:

To meet the requirements of the Community Infrastructure (Amendment) (England) (No.2) Regulations 2019.

59 EAST YORKSHIRE SOLAR FARM - NATIONALLY SIGNIFICANT INFRASTRUCTURE PROJECT (E/22/35)

The Leader presented report E/22/35 which asked Members to note its content and authorise the Head of Planning and Interim Head of Regulatory Services (or equivalent), in consultation with the relevant Executive Member, to agree the Local Impact Report, Statement of Common Ground, the content of the draft DCO, and all further necessary representations by the District Council, together with post decision monitoring of planning conditions and enforcement of the DCO.

Members noted the legislative background to Nationally Significant Infrastructure Projects (NSIPs) and how these were dealt with. The Executive had considered similar NSIP reports in respect of the Drax Bioenergy and Carbon Capture Project in April 2021, the Yorkshire GREEN Project in February 2022, the Humber Low Carbon Pipelines Project in July 2022 and the Helios Renewable Energy Project in September 2022. Applicants for infrastructure projects needed to make an application to the Planning Inspectorate (PINS) for a Development Consent Order (DCO). The final decision was made by the Secretary of State on the recommendation of PINS, but Local Planning Authorities were statutory consultees in the process.

The report explained that East Yorkshire Solar Farm Limited were proposing to submit an application for a DCO for the installation of solar photovoltaic panels, associated electrical equipment, cabling, on-site energy storage facilities and grid connection infrastructure across a proposed site which lay between Selby and East Riding of Yorkshire. The proposed development would allow for an anticipated export of approximately 400 megawatts (MW) electrical capacity. Due to its proposed generating capacity being over 50MW, the proposed development was classified as a Nationally Significant Infrastructure Project (NSIP).

The Executive acknowledged that two rounds of public consultation were taking place; non-statutory consultation took place in Q2 2022; statutory consultation was anticipated in Q1/Q2 2023. It was anticipated that East Yorkshire Solar Farm Limited would submit their DCO application to PINS during Q3 2023.

The Executive understood that once the DCO application had been submitted to PINS, PINS would have 28 days to decide whether or not the application met the standards required to be accepted for examination. Following acceptance, an Examining Authority would be appointed, and all Interested Parties invited to attend a Preliminary Meeting, run and chaired by the Examining Authority. PINS have up to six months to carry out the examination of the proposals through a series of structured and topic-based hearings which Officers may need to attend. After the examination a decision would be made by the Secretary of State, within 6 months of the close of the examination. Following this the Council would have the responsibility to discharge any planning conditions and enforce the terms of the DCO.

Executive Members asked about the grade of the agricultural land on which the solar farm would be built and expressed some concern about losing land on which produce could be grown; Officers confirmed that the applicant had informed them that detailed agricultural land classification assessments so far had revealed the majority of the site did not comprise best most versatile agricultural land and that the applicant would be required to provide evidence of this in due course to enable stakeholders to provide comment.

In attendance at the meeting was Ward Member for Camblesforth and Carlton, Councillor M Jordan, as part of the grid connection corridor would be in his ward. Councillor Jordan was invited to address the meeting by the Leader.

Councillor Jordan explained how the cabling ran down to Drax

Power Station through his ward and would include the loss of an individual's property through compulsory purchase. The aforementioned cabling would need to be installed into a large trench which would also affect the land of some local farmers. Councillor Jordan asked Officers when a response would be formulated on both this and other solar farm proposals in the area.

Officers reiterated that the decision on the solar farm was not one for the Council but for the Secretary of State; the Council would provide representations on the proposals at the statutory consultation stage and once the applications had been submitted, within which Members' concerns and queries would be drawn out. It was important that all the various energy proposals being put forward within the district were considered as part of the cumulative impact assessment undertaken by the applicant. Other parts of the country were seeing similar applications. The East Yorkshire Solar Farm and Helios Renewable Energy Project were following similar timelines at present, with statutory consultation on both projects expected in Q2 of 2023 and application submission in Q3 2023.

Members asked if the locations of the companies behind the solar farms could be commented upon; Officers explained that this was not a planning matter as the permission for applications lay with the land in question, not the applicants.

Executive Members acknowledged that many solar farms in the local area seemed to be more fragmented than in the past and queried as to why this was; Officers were unable to give a definitive answer but suggested it was due to their very large size and subsequent difficulty in finding available land.

Officers referred Members to the map accompanying the report which detailed the various sites, all of which would be connected to a central point for the transfer of the energy produced by them; this would be taken into account as part of the Council's response.

The Leader commended the report but emphasised to Officers how their concerns about the cumulative impact of the proposals should be made clear, and how the schemes should be very carefully considered by the Secretary of State.

RESOLVED:

The Executive

i. noted the content of the report; and

ii. authorised the Head of Planning and Interim Head of Regulatory Services (or equivalent), in consultation with the relevant Executive Member, to agree the Local Impact Report,

Statement of Common Ground, the content of the draft DCO, and all further necessary representations by the District Council, together with post decision monitoring of planning conditions and enforcement of the DCO.

REASONS FOR DECISION:

Timescales for commenting on the DCO application once it is submitted are embedded in statute and it is important that appropriate delegation arrangements are in place so that the Council is able to meet the deadlines which are set by PINS.

The meeting closed at 4.37 pm.

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SELBY
DISTRICT COUNCIL

Report Reference Number: E/22/37

To:	**Executive Briefing**
Date:	**19 January 2023**
Status:	**Non-Key Decision**
Ward(s) Affected:	**All**
Author:	**Chris Chapman, Accountant**
Lead Executive Member:	**Councillor Cliff Lunn, Lead Executive Member for Finance and Resources**
Lead Officer:	**Karen Iveson – Chief Finance Officer, S151**

Title: Treasury Management – Quarterly Update Q3 2022/23

Summary:

This report reviews the Council's borrowing and investment activity (Treasury Management) for the period 1 April 2022 to 31 December 2022 and presents performance against the Prudential Indicators.

Investments – The Council's investments held in the NYCC Investment pool have averaged £87.8m over the quarter at an average rate of 2.79% and earned interest of £617.0k. Total interest earned to the end of December stands at £1075.2k (£775.5k allocated to the General Fund; £299.7k allocated to the HRA) which is £960.8k above the year-to-date budget. Current trends indicate that forecast returns for the year could be in the region of £1,853.7k (£1,337.1k GF, £516.6k HRA) a total budget surplus of £1,701.2k. For the General Fund, any interest earned above a £350k threshold is to be transferred to the Contingency Reserve. This figure is currently forecast to be £987.1k.

Investments have performed positively as a result of the regular and sustained rises in Bank of England base rate that have been experienced over the course of the year, as well as higher sustained cash balances. Base rate has risen from 0.25% when budgets were initially set, to their current level of 3.50%. The forecasted return for the year outlined above takes into account the tapering effect of these rises, as older investments at lower rates mature and are replaced by newer investments at higher rates. This position remains fluid as further base rate rises, currently anticipated by the market, will serve to further increase potential returns.

In addition to investments held in the pool, the council has £4.55m invested in property funds as at 31st December 2022. The funds have achieved a 3.22% revenue return and 16.75% capital loss over the course of the year, resulting in revenue income of £127.4k and an 'unrealised' capital loss of £914.6k. Following the peak in Capital value reported in the Q4 2021/22 and Q1 2022/23 treasury reports, a subsequent capital loss has been incurred as a result of the current strain on commercial property markets, driven by the increasing cost of borrowing that has been seen as the year progressed. These funds

remain long term investments and changes in capital values are realised when the units in the funds are sold.

Borrowing – Long-term borrowing totalled £52.833m at 31 December 2022, (£1.6m relating to the General Fund; £51.233m relating to the HRA), Interest payments of £1.917m are forecast to be paid in 2022/23, a saving of £59k against budget. The Council has no plans for any short-term borrowing for the year.

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

Looking ahead to the remainder of 2022/23, investment returns are expected to continue to rise as further base rate increases are expected. Latest estimates show an increase to 4.25% by March 2023. This position remains highly fluid and is based on the latest expectations by the Council's treasury advisors.

Recommendation:

That the Executive endorse the actions of Officers on the Council's treasury activities for Q3 2022/23 and approve the report.

Reasons for recommendation

To comply with the Treasury Management Code of Practice, the Executive is required to receive and review regular treasury management monitoring reports**.**

1. Introduction and background

1.1 This is the third monitoring report for treasury management in 2022/23 and covers the period 1 April 2022 to 31 December 2022. During this period the Council complied with its legislative and regulatory requirements.

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

1.3 The Council's Treasury Strategy, including the Annual Investment Strategy and Prudential Indicators was approved by Council on 24 February 2022.

1.4 The two key budgets related to the Council's treasury management activities are the amount of interest earned on investments £152.5k (£110k General Fund, £42.5k HRA) and the amount of interest paid on borrowing £1.976m (£75k General Fund, £1.901m HRA).

2. The Report

Market Conditions and Interest Rates

2.1 The Council's treasury advisors Link Group summarised the key points associated with economic activity in 2022/23 up to 31st December 2022:

- Latest Chartered Institute of Procurement and Supply surveys appear to be pointing towards a tailing off in domestic housebuilding, with falling prices resulting in potential housing schemes now being seen as unviable.
- October growth figures came in at the upside of market expectations, with a 0.5% monthly growth in October, leaving in down 0.3% over the past three months.
- At sector level, services growth was stronger than expected, although it failed to recoup losses seen in September, where activity was hit by the Queen's State Funeral.
- November & December MPCs saw bank rate continue to increase, by 75bps and 50bps respectively, to its current level of 3.50%. The majority of MPC members indicated that further rate hikes will likely be necessary, with rates expected to peak at 4.50% following anticipated increases in the February, March and May MPC meetings.
- Looking ahead, the Bank of England has projected that growth would remain negative to the tune of 1.5% in 2023 and a further 1% in 2024, which would cause unemployment to rise to 6.5% by the end of 2025. On the inflation front, the November inflation figures came in marginally weaker than markets had expected, although it will take a few more releases to confirm that the peak position was October.

Interest Rate Forecasts

2.2 The current interest rate forecasts (as at 3rd January 2023) of Link Group are as follows:

Date	*Bank rate*	*5-year PWLB**	*10-year PWLB**	*25-year PWLB**	*50-year PWLB**
	%	%	%	%	%
Current rates	3.50%	4.28%	4.39%	4.66%	4.29%
March 2023	4.25%	4.20%	4.40%	4.60%	4.30%
June 2023	4.50%	4.20%	4.40%	4.60%	4.30%
Sept 2023	4.50%	4.10%	4.30%	4.50%	4.20%
Dec 2023	4.50%	4.00%	4.10%	4.40%	4.10%
March 2024	4.00%	3.90%	4.00%	4.20%	3.90%
June 2024	3.75%	3.80%	3.90%	4.10%	3.80%
Sept 2024	3.50%	3.60%	3.80%	4.00%	3.70%
Dec 2024	3.25%	3.50%	3.60%	3.90%	3.60%

* Net of certainty rate 0.2% discount

2.3 The previous months have seen the Bank of England continue to take sustained action via increases to the bank base rate in their effort to combat inflationary pressures. As such base rate set by the Monetary Policy Committee (MPC) is currently sitting at 3.50%. As shown in the forecast table above, significant further increases in bank rate are anticipated over the coming months, with base rate currently expected to be around 4.25% at the time of Q4 reporting in March 2023. This position remains highly fluid given the current economic situation and will be updated and reviewed in future Treasury reports.

Annual Investment Strategy

2.4 The Annual Investment Strategy outlines the Council's investment priorities which are consistent with those recommended by DCLG and CIPFA:

- Security of Capital; and
- Liquidity of its investments

2.5 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 Councils Annual Investment strategy and Lending List has been aligned to that of NYCC.

2.6 NYCC continues to invest in only highly credit rated institutions using the Link suggested creditworthiness matrices which take information from all the credit ratings agencies. Officers can confirm that the Council has not breached its approved investment limits during the year.

2.7 The Council's investment activity in the NYCC investment pool up to 31st December 2022 was as follows:

• Balance invested at 31 December 2022	£88.32m
• Average Daily Balance Q3 2022/23	£87.78m
• Average Interest Rate Achieved Q3 2022/23	2.79%
• Total Interest Budgeted for 2022/23	£152.5k
• Total Forecast Interest for 2022/23	£1,853.7k

2.8 The average return to the end of December 2022/23 of 2.79% compares with the average benchmark returns as follows:

- 1 month 3.18%
- 3 months 2.74%
- 6 months 2.15%
- 12 months 1.40%

Commentary on Investment Returns

2.9 As indicated above in paragraph 2.7, the total interest returns for 22/23 is currently forecast to amount to approximately £1,853.7k for the year, a figure that compares positively to the budgeted figure of £152.5k.

2.10 There are two primary reasons for this over-performance against budget. First, that average cash balances held and invested by the council have remained higher than anticipated over the course of the previous year. Second, that Average interest rates currently achieved on council investments are significantly higher than was previously anticipated.

2.11 The table below summarises current assumptions, vs the assumptions used at the time the budget was set in these two areas.

	Budget	Current Position
Average Cash balance (Full year)	£61,000k	£84,936k
Average Interest rate (Full year)	0.25%	2.18%
Annual Forecast Interest	£152.5k	£1,853.7k

2.12 Cash Balances held and invested by the council were expected to decrease significantly, as expenditure accelerated on the Council's Capital and P4G programmes. Slippage in these programmes between financial years however has meant that balances have continued to remain high, with the invested balance as at 31.12.2022 sitting at £88.32m. Significant expenditure in these programmes is now anticipated to be incurred in the second half of the current financial year, with an anticipated additional £8.2m (Capital) and £3.2m (P4G) of expenditure between now and 31.03.2023. This additional expenditure is anticipated to facilitate the decrease in cash balances that was previously anticipated to have occurred prior to the 22/23 financial year.

2.13 The average interest rate achieved on council investments has also increased significantly faster than was previously anticipated. The rate used in determining the Council's investment returns is based upon the expected movement in Bank of England base rate over the course of the year, as advised by the Council's Treasury Advisors, Link Group. At the time the budget was set, the base rate stood at 0.10%, with Link Group not expecting any increase in rate until the 24/25 financial year, whereupon the rate was expected to rise to 0.25%. The wider global economic situation, however, has led the Bank of England Monetary Policy Committee to increase base rates at an unprecedented rate, in an attempt to combat Inflationary pressures. Whilst this has had a positive impact on the council's investment returns, there will nonetheless be corresponding pressures in other areas of council expenditure, such as expenditure on energy and fuel.

Borrowing

2.14 It is a statutory duty for the Council to determine and keep under review its “Affordable Borrowing Limits”. The Council’s approved Prudential Indicators (affordable limits) were outlined in the Treasury Management Strategy Statement (TMSS). A list of the limits is shown at Appendix A. Officers can confirm that the Prudential Indicators were not breached during the year.

2.15 The TMSS indicated that there was no requirement to take long-term borrowing during 2022/23 to support the budgeted capital programme. Currently there are no plans to undertake further long-term borrowing in the coming financial year.

2.16 The Council approved an Authorised Borrowing Limit of £78m (£77m debt and £1m Leases) and an Operational Borrowing Limit of £73m (£72m debt and £1m Leases) for 2022/23 on the 24 February 2022 within the Council’s Treasury Strategy.

2.17 As at 31st December 2022 Long-term borrowing totalled £52.833m, (£1.6m relating to the General Fund; £51.233m relating to the HRA). This figure is forecast to remain unchanged throughout the year, with the next scheduled loan repayment scheduled for March 2035.

2.18 The Treasury strategy, in relation to capital financing, is to continue the voluntary set aside of Minimum Revenue Provision (MRP) payments from the HRA in relation to self-financing debt, to allow for repayment of the outstanding debt. Following an updating of the HRA business plan in 2021/22, the voluntary set aside of HRA MRP payments has been reprofiled over the life of the existing debt, a change from the original 30 year profiling period. As a result of this update, £1.21m of HRA Voluntary MRP is currently forecast to be incurred in 2022/23.

2.19 As at 31st December 2022, the Council was in an under-borrowed position of £1.5m, unchanged from the position reported at Q1 & Q2. This means that capital borrowing (external debt) is currently and temporarily lower than the Council’s underlying need to borrow. This under-borrowed position has been driven by the council’s utilisation of internal borrowing, a Treasury Management practice whereby a Council can defer the need to borrow funds externally, thus attracting additional interest expenses, by utilising its existing cash balances to finance its capital programme. At year end, following the voluntary set aside of the MRP payments, the council is forecast to be in an over-borrowed position of £772k. This is in line with expectations set out in the approved Treasury Management Strategy and in line with the figures reported at Q1 and Q2.

Capital Strategy

2.20 The Capital Strategy was included as part of the Council’s Annual Treasury Management and Investment Strategy 2022/23, approved in February 2022. The Capital Strategy sets out how capital expenditure, capital financing and treasury management contribute to the provision of Corporate and service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

2.21 Alternative non-treasury investments are considered as part of the Capital Strategy. Given the technical nature of potential alternative investments and strong linkages to the Council's Treasury Management function, appropriate governance and decision-making arrangements are needed to ensure robust due diligence in order to make recommendations for implementation. As a result, all investments are subject to consideration and where necessary recommendations of the Executive.

2.22 Aside from the existing loans to Selby & District Housing Trust to support the Housing Delivery Programme, no further options for alternative investments are currently being pursued.

Housing Delivery Programme Loans

2.23 The Housing Delivery Programme has delivered a number of successful schemes so far, in partnership with Selby & District Housing Trust. No further schemes are planned, though the existing loans to fund provision of affordable homes in the District have continued over the course of Q3 2022/23. Discussions are currently ongoing with the Trust around the potential to repay the loans detailed below, and purchase the properties owned by the Trust.

Scheme	**Loan Rate %**	**Principal Outstanding as at 31 December 2022 £**	**Interest at Dec 22/23 £**	**Interest Full year £**
Kirgate, Tadcaster	4.56%	178,293	6,386	8,514
St Joseph's St	4.20%	193,573	6,249	8,331
Jubliee Close, Riccall	3.55%	514,240	13,808	18,410
Ulleskelf	4.87%	1,017,691	37,253	49,670
Ousegate	3.65%	825,158	22,872	30,496
Total Principal / Average Rate	**4.19%**	**2,728,955**	**86,567**	**115,423**

Commercial Property Investments

2.24 The Council currently possesses one Commercial Property, the former NatWest Bank located in Tadcaster. As part of the Council's wider P4G programme a decision has been made to declare the property as surplus to council requirements and formally dispose of the property.

Property Funds

2.25 The forecast position on Property Funds at 31 December 2022 is as follows:

In Year Performance

Fund	Bfwd Investment £k	Valuation as at 31-Dec-22 £k	In Year Performance Q3 22/23			
			Capital Gain / (Loss)		Revenue Return	
			£k	%	£k	%
Blackrock	2,823.44	2,335.62	(487.8)	(17.28)	53.2	2.62
Threadneedle	2,636.30	2,209.49	(426.8)	(16.19)	74.2	3.87
Total	**5,459.73**	**4,545.11**	**(914.6)**	**(16.75)**	**127.4**	**3.22**

Total Fund Performance

Fund	Original Investment £k	Valuation as at 31-Dec-22 £k	Total Performance			
			Capital Gain / (Loss)		Revenue Return	
			£k	%	£k	%
Blackrock	2,502.50	2,335.62	(166.9)	(6.67)	321.8	3.09
Threadneedle	2,439.24	2,209.49	(229.7)	(9.42)	429.9	4.30
Total	**4,941.73**	**4,545.11**	**(396.6)**	**(8.03)**	**751.7**	**3.69**

2.26 Investments held in Property Funds are classified as Non-Specified Investments and are, consequently, long term in nature. Valuations can, therefore, fall and rise over the period they are held. Any gains or losses in the capital value of investments are held in an unusable reserve on the balance sheet and do not impact on the General Fund until units in the funds are sold.

2.27 Following the peak in value that the funds experienced at the beginning of the current financial year, the Capital Values of both funds have continued to experience the reduction in value that was reported in Quarter 2. At the end of December 2022/23, the funds have demonstrated a combined capital loss of £914.6k so far for the year, and a loss of £396.6k against initial purchase price. This loss has been incurred as a result of the current strain on commercial property markets, driven by the increasing cost of borrowing that has been seen as the year progressed. This strain has resulted in the recent decrease in the value of the funds to their current levels, which, combined with the reported value of the funds at the beginning of the year being the highest since the Council took ownership of the funds, has resulted the loss figure reported. Both funds continue to generate a positive revenue return however, amounting to £127.4k over the course of the year by the end of December 2022.

3. Alternative Options Considered

3.1 The Council has access to a range of investments through the pooled arrangements in place through North Yorkshire County Council.

4. Implications

4.1 Legal Implications

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

4.2 Financial Implications

The financial implications are set out in the report.

4.3 Policy and Risk Implications

4.3.1 Management of the Council's treasury activities are in accordance with approved policies. Treasury management in Local Government is governed by the CIPFA "Code of Practice on Treasury Management in the Public Services" which aims to ensure the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. This Council has adopted the Code and complies with its requirements.

4.4 Corporate Plan Implications

4.4.1 There are no direct Corporate Plan implications as a result of this report.

4.5 Resource Implications

4.5.1 The resources necessary to manage the Council's Treasury activities are contained within the collaboration agreement with NYCC.

4.6 Other Implications

4.6.1 There are no other implications as a direct result of this report.

4.7 Equalities Impact Assessment

4.7.1 There are no equalities impacts as a direct result of this report.

5. Conclusion

5.1 Overall the Council's investments have continued to generate strong revenue returns over the course of the quarter. This has been driven by the sustained increases in the bank base rate which will translate into continued increasing investment returns into the New Year, as older investments at lower value are replaced with those at higher rates.

5.2 After the sustained period of Capital growth that has been reported since the midst of the Covid-19 Pandemic, the Council's Property Fund investments have since reported a second consecutive quarter of decreasing Capital Value. Both funds continue to generate positive revenue returns for the Council, however. These investments are intended to be longer term in nature and as such their strong capital growth will not impact on the General Fund until units in the funds are sold, with any change in value (up or down) until that point held on the Balance Sheet in an unusable reserve.

5.3 The Council's debt position is in line with expectations set out in the Strategy. Opportunities to ensure the optimisation of the Council's Debt Portfolio will remain under review, however at present no changes are expected, either via the early resettlement of existing debt or the raising of further borrowing.

5.4 The Council operated within approved Strategy Indicators over the course of the quarter, with no breaches on authorised limits. The Prudential Indicators are reviewed annually as part of the Treasury Strategy to ensure approved boundaries remain appropriate; activities during Q3 2022/23 have not highlighted any concerns.

6. Background Documents

None.

7. Appendices

Appendix A – Prudential Indicators as at 31 December 2022

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Prudential Indicators - As at 31 December 2022

Note	Prudential Indicator	2022/23 TM Strategy	Quarter 3 Actual
1	Capital Financing Requirement £'000	52,133	54,350
	Gross Borrowing £'000	52,833	52,833
	Investments £'000	53,216	95,591
2	Net Borrowing £'000	-383	-42,758
3	Authorised Limit for External Debt £'000	78,000	52,833
4	Operational Boundry for External Debt £'000	73,000	52,833
5	Limit of fixed interest rates based on net debt %	100%	100%
	Limit of variable interest rates based on net debt %	30%	0%
6	Principal sums invested for over 364 days		
	1 to 2 years £'000	20,000	0
	2 to 3 years £'000	15,000	0
	3 to 4 years £'000	5,000	0
	4 to 5 years £'000	5,000	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%	0.00%
	5 to 10 years %	50%	0.00%
	10 to 15 years %	50%	3.00%
	15 years and above %	90%	97.00%

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.