POLICY COMMITTEE

6.30pm on Tuesday 5th February 2019
Belle Vue Suite, Belle Vue Square, Broughton Road, Skipton

Committee Members: The Chairman (Councillor Foster) and Councillors Barrett, Brockbank, Dawson, Heseltine, Ireton, Jaquin, Lis, Madeley, Morrell, Mulligan, Myers, Place, Rose and Welch.

Substitutes : Conservatives – Councillors Graham, Thompson and Whitaker; Independents – Councillors Pighills, Solloway and Shuttleworth; Labour – Councillor Mercer.

AGENDA

1. **Apologies for absence and substitutes**

2. **Confirmation of Minutes** – 15th January 2018.

3. **Public Participation** - In the event that any questions/statements are received or members of the public attend, the public participation session will proceed for a period of up to fifteen minutes.

4. **Declarations of Interest** – All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests.

   (Note: Declarations should be in the form of:
   a ***"disclosable pecuniary interest"*** under Appendix A to the Council's Code of Conduct, or "***other interests"*** under Appendix B or under Paragraph 15 where a matter arises at the meeting which relates to a financial interest of a friend, relative or close associate.

   A Member of Council who has a disclosable pecuniary interest must leave the room and not take part in the discussion or vote. When declaring interests under Appendix B or Paragraph 15 of the Code, Members must move to the public seating area, not vote, and speak only if members of the public are also allowed to speak at the meeting.)

5. **Pay Policy Statement 2019/20** – Report of the Human Resources Manager. Attached.

   Purpose of Report – To seek approval to implement the Council's 2019/20 Pay Policy Statement in accordance with section 38 of the Localism Act 2011.

6. **Council Plan 2019-2020** – Report of the Chief Finance Officer. Attached.

   Purpose of Report – To present the Council Plan 2019 – 2020 for approval.

7. **Capital Programme 2019/20** - Report of the Chief Finance Officer. Attached.

Purpose of Report – To seek approval of the proposed capital programme for 2019/20 – 2022/23, subject to there being sufficient capital resources.

8. **Revenue Budget 2019/20 and Medium Term Financial Plan 2019/20 to 2021/22**– Report of the Chief Finance Officer. Attached.

Purpose of Report – To identify a fully funded revenue budget for 2019/20; recommend a prudent level of general fund revenue balances for the financial year; and outline the Medium Term Financial Plan (MTFP) to 2021/2022.

9. **2019/20 Treasury Management Strategy Statement, Minimum Revenue Provision Statement and Annual Investment Strategy** – Report of the Chief Finance Officer. Attached

Purpose of Report – To present for approval the proposed Treasury Management Strategy together with the Minimum Revenue Provision Statement, Prudential Indicators and the Annual Investment Strategy for 2019/20 as required by the Department of Communities and Local Government and CIPFA.

10. **Craven District Council Capital Strategy 2019-2023** – Report of the Chief Finance Officer. Attached.

Purpose of Report – The Capital Strategy is intended to give a high level overview of how capital expenditure and financing plans are decided upon and how they contribute to the delivery of the Council Plan, Long Term Financial Strategy, Medium Term Financial Plan and overall delivery of Services.

11. **Preparation of Growth Strategy for Skipton Railway Station and Adjacent Areas** **-**Report of the Strategic Manager for Planning and Regeneration. Attached.

Purpose of Report – To present Members with the proposed scope and outputs for the preparation of a growth strategy and masterplan for Skipton Railway Station and adjacent area(s).

13. **Items for Confirmation** – The Committee is asked to indicate whether any of the above items should be referred to Council for confirmation.

14. **Any other items** which the Chairman decides are urgent in accordance with Section 100B(4) of the Local Government Act 1972.

Agenda Contact Officer: Vicky Davies, Committee Administrator
Tel: 01756 706486, Email: committees@cravendc.gov.uk
28th January 2019

If you would like this agenda or any of the reports listed in a way which is better for you, please telephone 01756 706494.

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

Emergency Evacuation Procedure - In case of an emergency or if the alarm sounds, leave the committee room and exit the building using the nearest available door. The assembly point is in the main square at the front entrance. An officer will take a roll call at that point. Please do not leave without telling the Chairman or the Democratic Services Section's representative.

POLICY COMMITTEE

15 January 2019

Present – The Chairman (Foster) and Councillors Barrett Brockbank, Dawson, Heseltine, Ireton, Jaquin, Lis, Morrell, Mulligan, Myers, Place and Rose.

Also in attendance – Councillor Hull

Officers – Chief Executive, Director of Services, Chief Finance Officer (S151 Officer), Strategic Manager for Planning and Regeneration, Solicitor to the Council and Monitoring Officer and Committee Administrator.

Apologies for absence were received from Councillor Madeley.

Start: 6.43pm **Finish:** 7:53pm

The minutes of the Policy Committee meeting held on 28th November 2018 and 4th December 2018 were confirmed as a correct record and signed by the Chairman.

Minutes for Report

POL.968 **UNREASONABLE COMPLAINANT BEHAVIOUR POLICY**

The Solicitor to the Council (Monitoring Officer) submitted an updated policy to deal with problems created by complainants who demonstrated unreasonable behaviour in their pursuit of complaints against the Council.

Members noted that the Council received a very small number of complaints which were considered unreasonable and this updated policy did not stop complainants from presenting additional relevant information or submitting a new complaint.

The updated policy drew heavily from the Ombudsman's guidance to local authorities and also from the Ombudsman's own policy used by his office.

Resolved – (1) That, the draft policy, as now submitted, is approved.

(2) That, the guidance from the Ombudsman on developing an appropriate policy as now submitted is noted.

(3) That, delegated authority is given to the Monitoring Officer to make minor amendments to the policy as now submitted.

POL.969 **JOINT VENTURE COMPANY**

The Director of Services submitted a report providing Members with a progress updated on the Council's joint venture partnership with Barnfield Investment Properties Limited.

Members had already approved the Craven Barnfield Regeneration Plan (CBRP) 2017-2020 which set out the partnership would deliver the Council's aspirations to generate economic growth and local regeneration by making the best use of the Council's land and property assets.

A list of potential projects had been identified and evaluated with six being selected to form a phase one delivery programme to ensure a balance of employment and housing opportunities, including much needed affordable housing.

AGENDA ITEM 2

The indicative timescales shown below were for business cases to be presented to Policy Committee, planning decisions, construction:

Schemes	Design / Development Appraisal	Council Decision to develop	Planning Decision	Construction Start	Completion
Airedale Ave	Mar 2019	Mar 2019	Jul 2019	Oct 2019	Jan 2021
Back Gate / Low Demesne	Apr 2019	Apr 2019	Aug 2019	Nov 2019	May 2021
Engine Shed Lane	Apr 2019	Apr 2019	Oct 2019	Apr 2020	May 2021
Horse Close	Apr 2019	Apr 2019	Aug 2019	Feb 2020	Dec 2020 (Infrastructure)
Langcliffe	Sep 2019	Sep 2019	Jan 2020	Apr 2020	Apr 2021
Whitefriars	Jun 2019	Jun 2019	tbc	tbc	tbc

Resolved – That the progress made and the indicative timetable for when the business cases for the individual developments will be presented to Policy Committee for approval is noted.

Minutes for Decision

POL.970 **LONGER TERM FINANCIAL STRATEGY (LTFS) 2019/20 TO 2025/26**

The Chief Finance Officer (S151 Officer) submitted a report which presented the Council's Longer Term Financial Strategy and provided Members with an update on the forecast financial position for the 7 year period to 2025/26. The purpose of the strategy was to provide a framework for the Council to assess it financial stability over a ten year period but because of the continuing volatility and uncertainty around future Government funding the strategy covered a seven year period to 2025/26.

Continuing public sector pressures, the impact of the Council Tax Support Scheme, changes to specific grants, confirmation of the business rates retention scheme and announcements from central Government meant that continuing cuts to local government were inevitable. 2019/20 was the final year in the four year settlement offer which had been accepted in 2016/17. Whilst acceptance of the offer provided some certainty it did not offer complete protection from further adjustments to grants such as the New Homes Bonus.

The Longer Term Financial Strategy indications were that whilst the Council had an approved balanced revenue budget for 2018/19 the challenges for 2019/20 and beyond were significant. Revenue Support Grant reduced to nil by April 2019 and the Council had to find additional income streams or savings to bridge the gap if services were to continue at current levels.

The Council would need to continue with its savings plan and achieve savings of up to £1.255m by 2025/26 and possibly more, particularly as a District Council delivering unprotected services it was expected that the cuts would carry on.

RECOMMENDED – That, the long term financial strategy 2019/20 to 2025/26 as set out in the report now submitted, is approved.

POL.971 **COLLECTION FUND COUNCIL TAX SURPLUS/(DEFICIT) 2018/19**

The Chief Finance Officer submitted a report declaring an estimated surplus of £750,000 on the Council's collection fund in respect of council tax for the financial year 2018/19.

There was a statutory requirement to declare an estimate of the surplus or deficit likely to occur. The calculated surplus would be shared between the precepting authorities as follows:

North Yorkshire County Council	£526,598
Police and Crime Commissioner North Yorkshire	£98,173
North Yorkshire Fire and Rescue Authority	£29,180
Craven District Council	£96,049

Craven District Council was required to take the £96,049 into account when setting its element of the council tax for 2019/20.

RECOMMENDED – (1) That, an estimated surplus of £750,000 on the Council's collection fund at 31st March 2019 relating to council tax collections is declared.

(2) That, as part of the budget strategy, the Council's element of the estimated surplus is used in calculating the level of council tax for 2019/20.

POL.972 **COLLECTION FUND NATIONAL NON-DOMESTIC RATES SURPLUS/(DEFICIT) 2018/19**

The Chief Finance Officer submitted a report declaring an estimated deficit of £257,136k on the Council's collection fund at 31st March 2019 relating to national non domestic rates (NNDR) transactions.

Under the rates retention scheme, local authorities were allowed to keep a proportion of the business rates collected, giving authorities a direct financial interest and therefore an incentive to work with businesses to grow local economies.

Any surplus or deficits had to be shared in prescribed proportions and based on estimated deficit, the amount that had to be distributed between the precepting authorities was as follows:

North Yorkshire County Council	£23,143
Central Government	£128,566
North Yorkshire Fire and Rescue Authority	£2,572
Craven District Council	£102,855

Members were advised that Craven District Council had to take the £102,855 into account when it set its element of the council tax for 2019/20.

RECOMMENDED – (1) That, an estimated deficit of £257,136k on the Council's collection fund at 31st March 2019 relating to NNDR transactions is declared.

AGENDA ITEM 2

POL.973 **BOUNDARY SIGNS**

The Director of Services submitted a report asking Members to consider the introduction of boundary signs on entrance road into the Craven District. It was a common approach for local authorities to promote their districts by having boundary signs announcing the arrival into the district.

With a forthcoming Road World Championship coming through Craven in September 2019, there was an opportunity to promote Craven by installing boundary signs on the 20 main approach roads into Craven.

The estimated costs of between £500 and £1,000 per sign were dependent on the style of sign, design and number of locations. Sponsorship was currently being discussed with Great Places and community partners including whether there was scope to carry out a design competition. North Yorkshire County Council was in agreement for the erection of boundary signs subject to them meeting their Passive Safety Protocol and their signage criteria.

RECOMMENDED – (1) That, a sum of up to £18,000 funded from NHB Infrastructure Reserve to enable the delivery, implementation and future maintenance of the boundary signs covering primary routes into Craven (A and B routes including tourist routes and canal towpaths) is approved.

(2) That, subject to approval of (1) above, the boundary signs will be placed on the Council's assets register and insurance policy.

Chairman

AGENDA ITEM 5

POLICY COMMITTEE – 5th February 2019

PAY POLICY STATEMENT 2019/20

Report of the HR Manager
Lead Member – Councillor Dawson

1. **Purpose of Report:-** The purpose of this report is to seek approval to implement the Council's 2019/20 Pay Policy Statement in accordance with section 38 of the Localism Act 2011.

2. **Recommendations:-** That approval is given to implement the Council's 2019/20 Pay Policy Statement attached at Appendix A.

3. **Introduction:-**

3.1 Local Authorities are required under section 38(1) of the Localism Act 2011 (the Act) to prepare a Pay Policy Statement on an annual basis for publication. The statement must articulate the Council's policy towards the pay of the workforce, particularly senior staff and lowest paid employees.

3.2 Each local authority is an individual employer in its own right and has the autonomy to make decisions on pay that are appropriate to local circumstances and which deliver value for money for local taxpayers. The provisions of the Act do not seek to change this or to determine what decisions on pay should be taken but they require individual employing authorities to be more open about their own policies in relation to pay and how decisions are made in this regard.

3.3 Section 40 of the Act requires authorities in developing their Pay Policy Statement to have regard to any guidance published by the Secretary of State. This includes Communities and Local Government guidance on Openness and Accountability in Local Pay and the Code of Recommended Practice for Local Authorities on Data Transparency.

3.4 The government has taken steps to increase transparency on the pay and reward of public sector employees. The Local Authorities (Data Transparency) Code 2014, which amongst other things, asks councils to consider the way they release data on those staff who fall within the top three tiers of the organisation chart or are a senior employee.

3.5 In March 2011 the Hutton Review of Fair Pay was published which made several recommendations for promoting pay fairness in the public sector by tackling disparities between the lowest and highest paid in the public sector.

3.6 The provisions contained in the Act bring together the need for increasing accountability, transparency and fairness in the setting of pay which has culminated in the formalisation of the Council's Pay Policy Statement which outlines the pay and reward of the most senior employees set within the context of the pay of the wider workforce.

4. Justification

4.1 The Act sets out in detail the specific elements which the Pay Policy Statement must include as a minimum which is outlined in more detail below. A copy of the amended 2019/20 Pay Policy Statement can be found at Appendix B.

4.2 The Act requires that in addition to the determination of senior salaries authorities must make clear what approach is taken to awarding other elements of pay including severance payments, any additional fees eg election duties, pay increases, honoraria payments etc. This has been included within the amended policy for senior salaries.

4.3 The Act requires that authorities include in their Pay Policy Statements the approach to the publication of and access to information relating to the remuneration of Chief Officers. Reference to the council's Statement of Accounts where this information is published is included within the amended policy.

4.4 The Act requires that Pay Policy Statements are produced annually and are considered by full council. Any subsequent amendments required to the policy should also be considered by full council. This should be carried out in accordance with part 5A of the Local Government Act 1972. The Secretary of State does not consider that any of the grounds for exclusion of the public would be met for discussions around Pay Policy Statements.

4.5 The Act requires that full council should also be offered the opportunity to vote before large salary packages (in excess of £100k) are offered in respect of a new appointment.

4.6 The Act requires that the council's approach to pay, as set out in the Pay Policy Statement, is accessible for citizens for them to take an informed view of whether local decisions on all aspects of remuneration are fair therefore the approved Pay Policy Statement will be published on the council's website.

4.7 The Hutton report highlighted that there is value in ensuring decisions about senior pay are taken in the context of similar decisions on lower paid staff and the Act requires Authorities to set their policy on remuneration for the highest paid employees alongside policies on the lowest paid which has been reflected in the 2019/20 Pay Policy Statement at appendix B.

4.8 The Hutton report and The Code of Recommended Practice for Local Authorities on Data Transparency also suggest that the organisation's pay multiple is published. The 'pay multiple' is the ratio between the highest paid employee and the median average earnings across the organisation which acts as a means of illustrating the relationship between the highest and lowest paid. This ratio has been included in the 2019/20 Pay Policy Statement and will be reviewed as part of future pay policies.

5. Financial Implications

None arising from this report

6. Legal Implications

The Pay Policy consolidates a number of existing policies that have previously been reviewed by Legal Services.

7. Contribution to Corporate Priorities

To ensure that CDC complies with the Pay Policy Statement in accordance with section 38 of the Localism Act 2011.

8. Employee Implications

Staff will be informed about the revised Pay Policy Statement. The policy consolidates a number of existing policies and local agreements which the Trade Unions have previously been consulted on.

9. Risk Management

None

10. Consultation with others

The Trade Unions will be informed about the revised Pay Policy Statement. The policy consolidates a number of existing policies and local agreements which Trade Unions have previously been consulted on.

11. Access to information

11.1 CLG Draft Guidance: Openness and Accountability in Local Pay

11.2 CLG Code of Recommended Practice for Local Authorities on Data Transparency

11.3 Hutton Review of Fair Pay in the Public Sector

12. Appendices

Appendix A – 2019/20 Pay Policy Statement
Appendix B – Remuneration of Chief Officers
Appendix C – Other Aspects of Chief Officer Remuneration

13. Author of the report

J. Hodgson, HR Manager - Tel:- 01756 706209
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CRAVEN

IN · THE · YORKSHIRE · DALES

DISTRICT

PAY POLICY STATEMENT

2019/2020

Craven District Council – Statement of Pay Policy for the period 1 April 2019 to 31 March 2020

Introduction

Sections 38 – 43 of the Localism Act 2011 require that the authority produce a policy statement that covers a number of matters concerning the pay of the authority's staff, principally Chief Officers. This policy statement meets the requirements of the Localism Act in this regard and also meets the requirements of guidance issued by the Secretary of State for Communities and Local Government to which the authority is required to have regard under Section 40 of the Act. This policy also has some connection with the data on pay and rewards for staff which the authority publishes under the Code of Recommended Practice for Local Authorities on Data Transparency and the data which is published under The Accounts and Audit (England) Regulations (2011). It should be noted that the requirements to publish data under the Secretary of State guidance, the Code of Practice and the Regulations do differ, the data requirements of the Code of Practice and the Accounts and Audit Regulations are summarised at Annex A to this policy statement.

Definition of officers covered by the Policy Statement

This policy statement covers the following posts:

1. Head of the Paid Service, which in this authority is the post of Chief Executive.
2. Statutory Chief Officers, which in this authority are the posts of Chief Finance Officer (Section 151 Officer) and the Solicitor to the Council & Monitoring Officer
3. Non-statutory Chief Officers, (those who report directly to the Head of the Paid Service or a Statutory Chief Officer) which in this authority are the posts of Director of Services and the Strategic Manager - Planning & Regeneration

Policy on remunerating Chief Officers

The authority's policy on remunerating Chief Officers is set out on the schedule that is attached to this policy statement at Annex B. It is the policy of this authority to establish a remuneration package for each Chief Officer post that is sufficient to attract and retain staff of the appropriate skills, knowledge, experience, abilities and qualities that is consistent with the authority's requirements of the post in question at the relevant time.

Policy on remunerating the lowest paid in the workforce

The authority applies terms and conditions of employment that have been negotiated and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of authority decisions, these are then incorporated into contracts of employment. The lowest pay point in this authority is Scale 1a, this relates to an annual salary of £16,394 and can be expressed as an hourly rate of pay of £8.50. This pay point and salary has been determined by the authority as part of a pay scale for employees employed on Local Government Services Terms and Conditions on 1st April 2018 and will be effective on this date. The pay rate is increased in accordance with any pay settlements which are reached through the National Joint Council for Local Government Services.

Policy on the relationship between Chief Officer remuneration and that of other staff

The highest paid salary in this authority is £100,824 which is paid to The Chief Executive. The average median salary in this authority is £20,541. The ratio between the two salaries, the 'pay multiple' is 4.9:1. This authority does not have a policy on maintaining or reaching a specific 'pay multiple', however the authority is conscious of the need to ensure that the salary of the highest paid employee is not excessive and is consistent with the needs of the authority as expressed in this policy statement. The authority's approach to the payment of other staff is to pay that which the authority needs to pay to recruit and retain staff with the skills, knowledge, experience, abilities and qualities needed for the post in question at the relevant time, and to ensure that the authority meets any contractual requirements for staff including the application of any local or national collective agreements, or authority decisions regarding pay.

Policy on other aspects of Chief Officer remuneration

Other aspects of Chief Officer remuneration are appropriate to be covered by this policy statement, these other aspects are defined as recruitment, pay increases, additions to pay, performance related pay, earn back, bonuses, termination payments, transparency and re-employment when in receipt of an LGPS pension or a redundancy/severance payment. These matters are addressed in the schedule that is attached to this policy statement at Annex C.

Approval of Salary Packages in excess of £100k

The authority will ensure that, at the latest before an offer of appointment is made, any salary package for any post that is in excess of £100k will be considered by full Council. The salary package will be defined as base salary, any bonuses, fees, routinely payable allowances and benefits in kind that are due under the contract.

Flexibility to address recruitment issues for vacant posts

In the vast majority of circumstances the provisions of this policy will enable the authority to ensure that it can recruit effectively to any vacant post. There may be exceptional circumstances when there are recruitment difficulties for a particular post and where there is evidence that an element or elements of the remuneration package are not sufficient to secure an effective appointment. This policy statement recognises that this situation may arise in exceptional circumstances and therefore a departure from this policy can be implemented without having to seek full Council approval for a change of the policy statement. Such a departure from this policy will be expressly justified in each case and will be approved through an appropriate authority decision making route.

Amendments to the policy

It is anticipated that this policy will not need to be amended during the period it covers (April 2019 – end March 2020), however if circumstances dictate that a change of policy is considered to be appropriate during the year then a revised draft policy will be presented to full Council for consideration.

Policy for future years

This policy statement will be reviewed each year and will be presented to full Council each year for consideration in order to ensure that a policy is in place for the authority prior to the start of each financial year.

Pay Policy Statement – Annex A

The Secretary of State for CLG Code of Recommended Practice for Local Authorities on Data Transparency indicates that local authorities should publish the following data concerning staff:

- Salaries, names (with an option for individuals to refuse to consent to this), job descriptions, responsibilities, budgets (including overall salary cost of staff reporting), and numbers of staff for all staff in receipt of a salary of more than £58,200
- An organisational chart of the staff structure of the authority including salary bands and details of currently vacant posts
- The ‘pay multiple’ – the ratio between the highest paid salary and the median average salary of the whole authority workforce

The Accounts and Audit (England) Regulations (2011) require that the following data is included in the authority’s accounts:

- Numbers of employees with a salary above £50k per annum (pro-rata for part-time staff) in multiples of £5k
- Job title, remuneration and employer pension contributions for senior officers. Senior officers are defined as Head of Paid Service, Statutory Chief Officers and Non-Statutory Chief Officers by reference to Section 2 of the 1989 Local Government & Housing Act.
- Names of employees paid over £150k per annum

For the above remuneration is to include:

- Salary, fees or allowances for the current and previous year
- Bonuses paid or receivable for the current and previous year
- Expenses paid in the previous year
- Compensation for loss of employment paid to or receivable, or payments made in connection with loss of employment
- Total estimated value of non-cash benefits that are emoluments of the person

For the above pension contributions to include:

- The amount driven by the authority’s set employer contribution rate
- Employer costs incurred relating to any increased membership or award of additional pension

Pay Policy Statement - Annex B

Post	Base Salary	Expenses	Bonuses	PRP	Earn-Back	Honoraria	Ex-Gratia Payments	Election Fees	Joint Authority Duties	Severance Arrangements
Chief Executive	£100,824	Travel and other expenses are re-imbursed through normal authority procedures	The terms of the contract of employment do not provide for the payment of bonuses	The terms of the contract of employment provide a provision for PRP up to a maximum of £5,000	The terms of the contract of employment do not provide for an element of base salary to held back related to performance	Honoraria payments for any increased duties and responsibilities do not apply	There are no plans for the postholder to receive any ex-gratia payments	The postholder is the Council's Returning Officer and receives payment for this role	There are no payments related to joint authority duties	The authority's normal policies regarding redundancy and early retirement apply to the postholder. No payments were made in the last year and none are anticipated for 2019/20.

Director of Services	£79,598	Travel and other expenses are re-imbursed through normal authority procedures	The terms of the contract of employment do not provide for the payment of bonuses	The terms of the contract of employment do not provide a provision for PRP	The terms of the contract of employment do not provide for an element of base salary to be held back related to performance	Honoraria payments for any increased duties and responsibilities do not apply	There are no plans for the postholder to receive any ex-gratia payments	The postholder has a specific role in the Elections and receives a payment for this role	There are no payments related to joint authority duties	The authority's normal policies regarding redundancy and early retirement apply to the postholder. No payments were made in the last year and none are anticipated for 2019/20
Chief Finance Officer (S151 Officer)	£58,900 plus £2,500 for Section 151 duties	Travel and other expenses are re-imbursed through normal authority procedures	The terms of the contract of employment do not provide for the payment of bonuses	The terms of the contract of employment do not provide a provision for PRP	The terms of the contract of employment do not provide for an element of base salary to be held back related to performance	Honoraria payments for any increased duties and responsibilities do not apply	There are no plans for the postholder to receive any ex-gratia payments	The postholder has a specific role in the Elections and receives a payment for this role	There are no payments related to joint authority duties	The authority's normal policies regarding redundancy and early retirement apply to the postholder. No payments were made in the last year and none are anticipated for 2019/20

Solicitor to the Council & Monitoring Officer	£54,922 plus £2,500 for Monitoring Officer duties	Travel and other expenses are re-imbursed through normal authority procedures	The terms of the contract of employment do not provide for the payment of bonuses	The terms of the contract of employment do not provide a provision for PRP	The terms of the contract of employment do not provide for an element of base salary to be held back related to performance	Honoraria payments for any increased duties and responsibilities do not apply	There are no plans for the postholder to receive any ex-gratia payments	The postholder has a specific role in the Elections and receives a payment for this role	There are no payments related to joint authority duties	The authority's normal policies regarding redundancy and early retirement apply to the postholder. No payments were made in the last year and none are anticipated for 2019/20
Strategic Manager Planning & Regeneration	£56,249	Travel and other expenses are re-imbursed through normal authority procedures	The terms of the contract of employment do not provide for the payment of bonuses	The terms of the contract of employment do not provide a provision for PRP	The terms of the contract of employment do not provide for an element of base salary to be held back related to performance	Honoraria payments for any increased duties and responsibilities do not apply	There are no plans for the postholder to receive any ex-gratia payments	There are no plans for the postholder to carry out Election Duties for 2019/20	There are no payments related to joint authority duties	The authority's normal policies regarding redundancy and early retirement apply to the postholder. No payments were made in the last year and none are anticipated for 2019/20

Pay Policy Statement - Annex C

Aspect of Chief Officer Remuneration	Authority Policy
Recruitment	The post will be advertised and appointed to at the appropriate approved salary for the post in question level unless there is good evidence that a successful appointment of a person with the required skills, knowledge, experience, abilities and qualities cannot be made without varying the remuneration package. In such circumstances a variation to the remuneration package is appropriate under the authority's policy and any variation will be approved through the appropriate authority decision making process.
Pay Increases	The authority will apply any pay increases that are agreed by relevant national negotiating bodies and/or any pay increases that are agreed through local negotiations. The authority will also apply any pay increases that are as a result of authority decisions to significantly increase the duties and responsibilities of the post in question beyond the normal flexing of duties and responsibilities that are expected in senior posts.
Additions To Pay	The authority would not make additional payments beyond those specified in the contract of employment.
Performance Related Pay	The Terms and Conditions of the Chief Executive provide a provision for PRP. The authority does not operate a performance related pay system for the other Chief Officers as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.
Earn-Back (Withholding an element of base pay related to performance)	The authority does not operate an earn-back pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously. .
Bonuses	The authority does not pay bonus payments to senior officers.

Termination Payments	The authority applies its normal redundancy payments arrangements to senior officers and does not have separate provisions for senior officers. The authority also applies the appropriate Pensions regulations when they apply. The authority has agreed policies in place on how it will apply any discretionary powers it has under Pensions regulations. Any costs that are incurred by the authority regarding senior officers are published in the authority accounts as required under the Accounts and Audit (England) Regulations 2011.
Transparency	The authority meets its requirements under the Localism Act, the Code of Practice on Data Transparency and the Accounts and Audit Regulations in order to ensure that it is open and transparent regarding senior officer remuneration.
Re-employment of staff in receipt of an LGPS Pension or a redundancy/severance payment	The authority is under a statutory duty to appoint on merit and has to ensure that it complies with all appropriate employment and equalities legislation. The authority will always seek to appoint the best available candidate to a post who has the skills, knowledge, experience, abilities and qualities needed for the post. The authority will therefore consider all applications for candidates to try to ensure the best available candidate is appointed. If a candidate is a former employee in receipt of an LGPS pension or a redundancy payment this will not rule them out from being re-employed by the authority. Clearly where a former employee left the authority on redundancy terms then the old post has been deleted and the individual cannot return to the post as it will not exist. The authority will apply the provisions of the Redundancy Payments Modification Order regarding the recovery of redundancy payments if this is relevant. Pensions Regulations also have provisions to reduce pension payments in certain circumstances to those who return to work within the local government service.

AGENDA ITEM 6

Policy Committee – 5 February 2019

Council Plan 2019 – 2020

Report of the Chief Finance Officer (s151 officer)

Lead Member: Financial Resilience, Councillor Patrick Mulligan

Ward(s) affected: All

1. Purpose of Report

1.1 To present the Council Plan 2019/2020 for approval

2. Recommendations

Members are recommended to:

2.1 Approve the Council Plan 2019/2020 and give delegated authority to the Chief Executive to:

a) minor amendments including the revision of delivery mechanisms and amendments to timescales for delivery as necessary

b) agree performance indicators and associated targets that will be used to measure progress against the achievement of the priorities and objectives set out in the Plan.

3. Council Vision, Priorities and Delivery Mechanisms

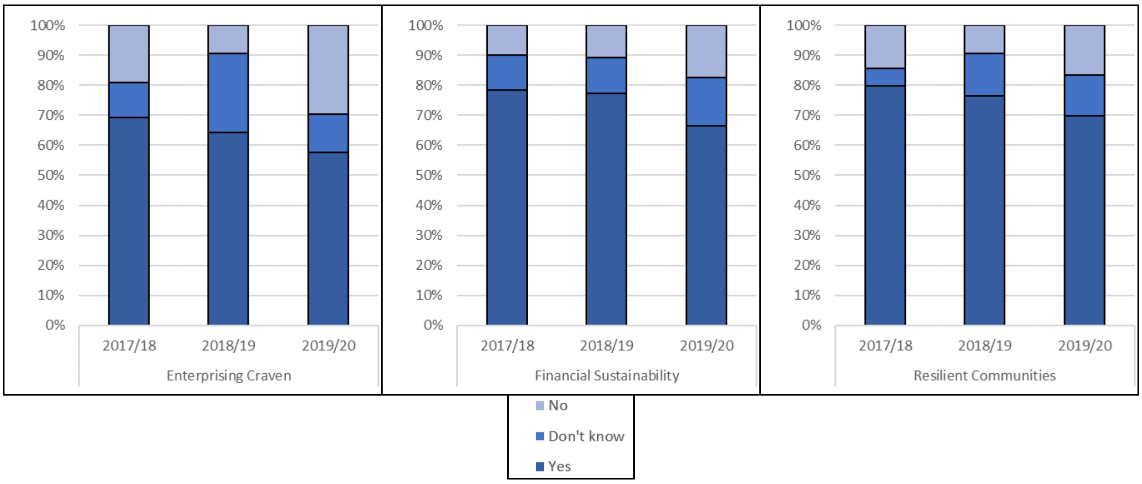
3.1 The Council Plan sets out the Council's agenda for improving service delivery to Craven communities, and organisational change. It is usually a three-year plan reviewed annually. As recommended by the Peer Review the Plan for 2020 and beyond is currently in preparation and will be developed in the next few months to shape the Council priorities and longer term outcomes going forward. The plan for 2019/20 is just one year, but contains projects which will be delivered post 2020 and need preparation work during 2019/20.

3.2 The Plan sets out the Council's vision and Priorities for Craven, and the intended outcomes against these priorities. It set outs the delivery mechanisms and projects we will implement to achieve these outcomes. It focuses on the top priorities for improvement. It does not include everything the Council will do.

3.3 The Plan was subject to detailed review for 2016/2019, and a new vision, priorities, and longer term outcomes were agreed at this time. A high level review has been undertaken for 2019/2020.

3.4 The 2019/2020 Budget Consultation included a question on the Council's current priorities. This asked consultees whether they thought the current priorities for 2018/21 were still the right ones for 2019/20. Despite a drop the majority of respondents indicated that they were.

2019/20 – results of Budget Consultation – Priorities Question



3.6 The detailed delivery mechanisms that will help us to achieve our intended outcomes have been subject to review. Minor wording updates have been made to a small number of delivery mechanisms where necessary to improve clarify of our intentions, or to ensure they remain relevant going forward. Others have been subject to deletion as it has been determined that the are no longer feasible or have been fully delivered in the 2018/19 financial year.

3.7 The following more significant changes are proposed under each of the priority areas:

Outcome	**Current 2018/21 Plan Objective**	**Revised Objective for 2019/20 Plan**	**Delivery Mechanisms**
Improve the economic vitality of Craven's market towns and villages. (Enterprising Craven)	Collaborate with partners to attract more working age households to the District	Collaborate with partners to retain and attract more working age households to the District	Delivery of the Great Place Scheme Development and delivery of a rural housing scheme
Create greener communities (Resilient Communities)	No Objective in current plan	Promote use of Electric Vehicles in Craven	Install electric charging points on Council owned assets at suitable locations Review the Council's commercial vehicle fleet and replace vehicles with an electric option where appropriate as part of the ongoing replacement programme.
	Make Craven's public spaces cleaner, safer and	Make Craven's public spaces cleaner, safer and	Working with relevant agencies to implement

	greener	greener	the powers contained in the Anti-Social Behaviour, Crime and Policing Act 2014 to better protect communities from anti-social behaviour. Deliver the Craven Cleaner Neighbourhoods Strategy in order to reduce fly-tipping, littering and dog fouling.
	No Objective in current plan	Acknowledge, reward and promote best environmental practice across businesses and the voluntary sector.	Running and promoting the Craven Green Apple Award scheme
Create a council that is financially viable without government grant and able to deliver the services its residents require. (Financial Sustainability)	Ensure expenditure is prioritised, regularly reviewed and reflects resident's priorities	Ensure expenditure is prioritised, regularly reviewed and reflects resident's priorities	Responding to consultations and changes that affect Local Government and or the Council thus ensuring that our voice is heard Influencing where possible changes that are outside of our control
	Improve the Council's commercial acumen and generating additional income	Improve the Council's commercial acumen and generating additional income	Ensure that the council's Income and Savings plan is robust in order to meet the challenges going forward
	Maximise the Council's assets for the long term sustainability of the Council and the District	Maximise the Council's assets for the long term sustainability of the Council and the District	Identify opportunities within the Council's acquisition and regeneration investment strategy to acquire property assets to improve the financial sustainability and well-being of the district. Delivering a range of schemes through our Joint Venture Company to make best use of Council owned marginal land sites to support regeneration and growth across the District

3.8 The following performance indicators are currently utilised to monitor progress against the achievement of the priorities and objectives set out in the Plan. Progress is reported to Policy Committee on a quarterly basis.

3.9 Members are recommended to approve the Council Plan 2019/ 2020 and give delegated authority to revise delivery mechanisms and amend timescales for delivery as necessary; and agree performance indicators and associated targets for 2019/2020 that will be used to measure progress against the achievement of the priorities and objectives set out in the Plan.

4. Implications

4.1 Financial and Value for Money Implications

None arising directly from this report. However, the successful achievement of the Council Plan is dependent on the financial and other resources available to the Council. The Council aims to ensure that resources are targeted to deliver its priorities through its service and financial planning processes and ongoing development of the Council's Medium Term Financial Plan (MTFP).

4.2 Legal implications

The Council Plan is subject to approval by Members in accordance with the Council's Constitution.

4.3 Contribution to Council Priorities

The Council Plan sets out the Council's intentions in relation to the delivery of its priorities.

4.4 Risk Management

None arising directly from this report.

4.5 Equality Impact Assessment

It is considered that the Council Plan does not have the potential to cause negative impact or discriminate against different groups in the community based on age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation. Equality issues arising from the implementation of each action/project contained in the Plan will be further considered as required by those responsible at implementation stage.

5. Consultations with Others

Local residents/partners via Budget Consultation
Corporate Leadership Team (CLT) and Lead Officers responsible for Council Plan actions
Lead Members

6. Access to Information : Background Documents

Consultation Results.

7. Author of the Report

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8. Appendices

Appendix A – Council Plan 2019/2020.

ENTERPRISING CRAVEN
- facilitating economic growth across Craven

What we will do

Enable the provision of 230 homes per year across Craven to meet the needs of our current and future communities

How we will do this

- **Allocate a suitable supply of land for all types of residential development and increase the supply of affordable housing**

Key delivery mechanisms include:

- Publication of the Local Development Plan
- Use Council assets to build 25 housing units per annum from 2020 across all tenures
- Use of policies to enable the provision of 69 affordable homes per year
- Design and develop a new rural housing model fit for the 21st Century and roll out across the district
- Promote and assist communities to take advantage of the Community Led Housing Fund by supporting delivery of at least one Community Led Housing Funded Scheme per annum
- Hold a small builders workshop to support the removal of barriers to house building

Stimulate business growth

- **Enable the development of 8 hectares of new employment land by 2020**

Key delivery mechanisms include:

- Development of the South Skipton Employment Zone and improvements to the Engine Shed Lane area
- Creation of new employment sites in Bentham, Ingleton and Settle (Anley Crag)
- Development of employment space at Langcliff, and Threshfield Quarry

How we will do this

- **Improve the quality and capacity of the transport infrastructure serving the District**

Key delivery mechanisms include:

- Production of a masterplan to inform improvements to infrastructure in and around Skipton Railway Station that increases economic vibrancy and creates an attractive gateway to the town
- Lobbying for investment in the road and rail infrastructure serving the District as part of the central Pennine corridor

How we will do this

- **Ensure new and existing businesses have access to, and are able to benefit from business support services**

Key delivery mechanisms include:

- Delivery of the Ad-Venture Enterprise Growth Programme in collaboration with partners
- Continuing with the role of SME Growth Manager in collaboration with Leeds City Region Local Enterprise Partnership
- Delivery of the Digital Enterprise Business Support Programme in collaboration with partners

How we will do this

- **Ensure all businesses and residents in Craven have access to a high quality broadband connection by 2020**

Key delivery mechanisms include:

- Support for the delivery of Broadband Delivery UK funded activity through the Superfast North Yorkshire programme
- Working with businesses and communities to support delivery of alternative broadband technologies including wireless and fibre to the home networks

Improve the economic vitality of Craven's market towns and villages

How we will do this

- **Enhance the quality of the trading environment within the District's core retail centres**

Key delivery mechanisms include:

- Development and delivery of actions plans for Bentham, Grassington, Cross Hills, Ingleton and Settle
- Working with partners to support delivery of the Skipton (BID) Business Improvement District
- Support the development of settlements in the Dales as part of the strategy to attract more younger people to the area.

Street scene Settle

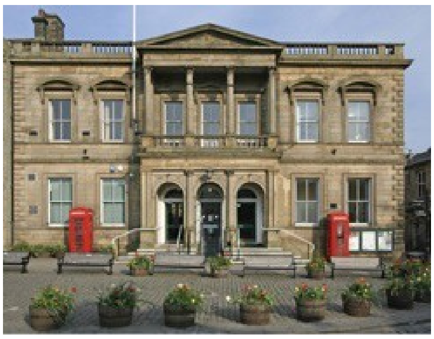
Street scene Bentham

How we will do this

- **Improve access to and enjoyment of Craven's great heritage and culture**

Key delivery mechanisms include:

- Development of Skipton Town Hall into a vibrant cultural community venue
- Establish in partnership with others a cultural apprenticeship scheme
- Enable and facilitate the development of new and existing hubs across Craven
- Delivery of the Access Development Plan for the Leeds & Liverpool Canal
- Work with partners to start the development of the Northern Forest



Skipton Town Hall

How we will do this

- **Collaborate with partners to retain and attract more working age households to the District**

Key delivery mechanisms include:

- Delivery of the Great Place Lakes and Dales Scheme including a series of small events in spaces and venues developed by younger people for younger people
- Build eight houses in Horton in Ribblesdale and Airton
- Adopt and deliver the action plan agreed with partners for the retention and attraction of working age households

RESILIENT COMMUNITIES
- creating sustainable communities across Craven

What we will do

Enable active communities and improve quality of life

How we will do this

- **Reduce health and wellbeing inequalities**

Key delivery mechanisms include:

- Actively participating in the Health and Care Partnership Board to encourage investment in prevention activities for the benefit of Airedale, Wharfedale and Craven Residents
- Supporting the Craven Communities Together programme (a cross sector partnership involving partners across health, social care, the voluntary sector, Craven District and North Yorkshire County Council) and the Nurturing Neighbourhoods workstream, developed to address loneliness and isolation and consequently the associated health implications across Craven.
- Identifying and implementing a range of projects to reduce health inequalities, including supporting the development of Dementia Friendly Craven
- Working with partners to provide improved support and intervention services for rough sleepers and those at risk of sleeping rough

How we will do this

- **Enable community groups across the District to achieve their ambitions**

Key delivery mechanisms include:

- Continue to deliver the Ward Member Grant Programme (Providing support to a range of community groups across the District and facilitating community projects including working with the Friends of Aireville to deliver final phase of new play area in Aireville Park
  - Maximising the use of Planning Gain to provide funding for community projects

Create greener communities

How we will do this

- **Reduce waste to landfill and increase re-use and recycling**

Key delivery mechanisms include:

- Actively engaging in the consultation on the new waste strategy proposed by DEFRA
- Promoting and increasing take up of the Council's commercial recycling scheme
- Encouraging residents to recycle more of their household waste to achieve household recycling targets and maximise income from recycled waste
- Explore options for the provision of anaerobic digestion facilities in Craven

- **Promote use of Electric Vehicles in Craven**

Key delivery mechanisms include:

- Install electric charging points on Council owned assets at suitable locations
- Review the Council's commercial vehicle fleet and replace vehicles with an electric option where appropriate as part of the ongoing replacement programme.

How we will do this

- **Make Craven's public spaces cleaner, safer and greener**

Key delivery mechanisms include:

- Working with relevant agencies to implement the powers contained in the Anti-Social Behaviour, Crime and Policing Act 2014 to better protect communities from anti-social behaviour.

- Deliver the Craven Cleaner Neighbourhoods Strategy in order to reduce fly-tipping, littering and dog fouling.

How we will do this

- **Acknowledge, reward and promote best environmental practice across businesses and the voluntary sector**

Key delivery mechanisms include:

- Running and promoting the Craven Green Apple Award scheme

FINANCIAL SUSTAINABILITY
- ensuring a self-sustainable Council

What we will do

Create a council that is financially viable without government grant and able to deliver the services its residents require

How we will do this

- **Ensure expenditure is prioritised, regularly reviewed and reflects resident's priorities**

Key delivery mechanisms include:

- Reviewing and implementing the Council's Long Term Financial Strategy 2019/23
- Undertaking a budget consultation with residents and stakeholders
- Responding to consultations and changes that affect Local Government and or the Council thus ensuring that our voice is heard
- Influencing where possible changes that are outside of our control

How we will do this

- **Improve the Council's commercial acumen and generate additional income**

Key delivery mechanisms include:

- Ensure that the council's Income and Savings plan is robust in order to meet the challenges going forward
- Exploring and exploiting opportunities to the Council presented through devolution

How we will do this

- **Maximise the Council's assets for the long term sustainability of the Council and the District**

Key delivery mechanisms include:

- Identify opportunities within the Council's acquisition and regeneration investment strategy to acquire property assets to improve the financial sustainability and well-being of the district.
- Delivering a range of schemes through our Joint Venture Company to make best use of Council owned marginal land sites to support regeneration and growth across the District

Policy Committee – 5th February 2019

CAPITAL PROGRAMME 2019/20

Report of the Chief Finance Officer (s151 Officer)

Lead Member – Financial Resilience: Councillor Mulligan

Ward(s) affected: All

1. **Purpose of Report**

1.1 To seek approval of the proposed capital programme for 2019/20-2022/23, subject to there being sufficient capital resources.

2. **Recommendations**

That the following be recommended to Council:-

2.1 Members note £44,000 of continuing projects from the 2018/19 – 2020/21 programme. No slippage has been confirmed at this stage.

2.2 Members approve new capital programme projects of £1,719,248.

2.3 Members approve a total capital programme for 2019/20 of £1,763,248

2.4 That the final allocation of funding for the 2019/20 capital programme is confirmed once the outturn position of the 2018/19 revenue budget is finalised.

3. **Background Information**

3.1 The CIPFA Code for Capital Finance in Local Authorities states (as a minimum):

"In considering the affordability of its capital plans, the authority is required to consider all of the resources currently available to it/estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years".

This authority aligns its rolling capital programme with the Medium Term Financial Plan of three years.

3.2 The process for determining the capital programme is:
- All services are requested to review ongoing capital projects, and submit new or amended capital spending proposals on 'bid documents';
- The bid documents are presented to CLT for prioritisation. CLT holds delegated

power to revise the content of the programme and therefore the financing requirement.
- CLT and SLT hold a budget workshop and review priorities for capital projects.
- The proposed capital programme is submitted for Member consideration alongside the proposed revenue budget for the 2018/19 financial year.
- Capital resources are identified to meet the agreed proposals and potential slippage should Members choose to proceed with all of them.
- Projects for which no resource is currently identified are held on a reserved list awaiting funding availability.

4. 2019/20 Capital Programme

4.1 The proposed capital programme and its funding for 2019/20 of £1,719k is attached at Appendix A. This also details the continuing commitments of £44k, from the 2018/19 programme. The total proposed Capital programme for 2019/20 equals £1,763.

4.2 A summary of the outline capital programme is shown at Appendix B for 2019/20 to 2022/23. The information for 2020/21 onwards is indicative only and will be subject to confirmation when project details are available.

4.3 Table 1 Summarises the estimated capital programme for 2019/20 to 2022/23.

Table 1: Planned Capital Programme

	2019/20 £'000	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Vehicles, Plant & Equipment	212	330	310	50
Private Sector Housing	574	621	683	683
Council Properties	833	2,788	0	0
IT facilities	75	40	40	70
Leisure & Recreation	25	-	-	-
Projects carried forward from 2016/17	44	0	0	0
Total Capital Programme Costs	**1,763**	**3,779**	**1,033**	**803**

4.4 As part of the monitoring of the of the capital programme, a business case to CLT will be required for each, project prior to release of the funding. This will then inform the progress update presented to members on a quarterly basis.

4.5 Table 2 summarises the current estimated capital resources available to fund the capital programme.

4.6 The Council has predominantly used capital receipts or borrowing to fund its capital programme. However, Capital Receipts are a finite resource and the projects identified exceed the resources available. As part of the Medium and Longer Term Financial Planning process consideration is therefore being given to the options available to the Council to continue to fund its capital programme to remove the reliance on capital receipts.

4.7 The capital programme currently indicates it will be necessary to utilise the majority of available forecasted capital receipts by the end of 2020/21 unless alternative funds are identified from revenue. Consideration is therefore given to funding projects from revenue or reserves, as well as capital receipts and borrowing.

Table 2: Forecast Capital Resources

	2019/20 Estimated £'000	2020/21 Indicative £'000	2021/22 Indicative £'000	2022/23 Indicative £'000
Capital Receipts at Start of 2017/18 Year (CRR)	1,761	2,731	243	493
In Year resources - (Capital Grants/receipts received)	2,324	921	933	933
Use of in Year Capital grants	1,354	621	683	683
Use of Capital Receipts	-	2,788	-	-
Total Use of Capital Resources	1,354	3,409	683	683
Contribution From NHB Reserve	-	-	-	-
Contribution From Enabling Efficiencies Reserve	10	10	10	10
Contribution From Vehicles Reserve	212	330	310	50
Contribution from IT Reserve	65	30	30	60
Contribution from Buildings Reserve	122	-	-	-
Utilisation of Borrowing (MRP Capacity)	-	-	-	-
Total Use of Reserves/Borrowing	409	370	350	120
Forecasted Capital expenditure in year	1,763	3,779	1,033	803
Capital Receipts at end of Year (CRR)	2,731	243	493	743

4.8 The council has borrowing capacity available for use in either the capital programme or to repay external loans. This borrowing capacity arises through the Minimum Revenue Provision (MRP) charge to the revenue account each year. The use of the borrowing capacity is flexible and can be carried forward to future years. In addition, the Council can decide to increase borrowing capacity, through raising new external loans to fund its Capital programme. This however has revenue implications associated with repayment of the external debt.

4.9 In addition, the Council can choose to increase its borrowing capacity however this has to be affordable to the revenue account going forward. Borrowing is generally assigned to assets with the longest useful life.

4.10 It is expected that there will be revenue savings generated within the 2018/19 revenue budget that are available to contribute to reserves which can then be used to support the capital programme and other projects. The total contribution to reserves cannot be confirmed until the final outturn position of the 2018/19 revenue budget is assessed as part of the annual accounts process.

5. Implications

5.1.1 Financial and Value for Money Implications

The updated capital programme costs and its resources are summarised in Table 3. The forecasted balance on the following earmarked reserves; Vehicle Replacement Reserve, IT Projects Reserve, the Enabling Efficiencies and Buildings Reserve and the impact of the proposals within this report are summarised in Table 4.

Table 3: Capital Programme & Resources

	2019/20 Estimate £'000	2020/21 Indicative £'000	2021/22 Indicative £'000	2022/23 Indicative £'000
Capital Programme Costs	1,763	3,779	1,033	803
Funding Resources Capital Receipts / grants	1,354	3,409	683	683
Earmarked Reserves	409	370	350	120
Borrowing	0	0	0	0

5.1.2 The 2019/20 to 2022/23 programme will utilise funds within the IT Reserve, the Vehicles Reserve, the Enabling Efficiencies Reserve and Buildings Reserves. Therefore consideration will need to be given for further in year contributions to these reserves to ensure a sustainable capital programme.

Table 4: Earmarked Reserves

	Vehicles £'000	IT £'000	Buildings £'000	Enabling Efficiencies £'000	NHB £'000
Estimated Balance Brought Forward 1 April 2019	293	269	249	281	1,609
Allocation To Revenue & Capital Projects 2018/19	(212)	(65)	(97)	(35)	(61)
Net Contributions Received / Planned 2018/19	30	30	52	0	380
Estimated Balance Carried Forward 31 March 2019	111	234	204	337	1,928

5.2 Legal implications

None as a direct result of this report. The Council has a balanced budget for 2019/20, and going forward it is a further requirement that the budget is balanced.

5.3 Contribution to Council Priorities

The delivery of a balanced and managed budget is critical to the well being of the Authority. Investment in the Councils assets underpins the delivery of all Council priorities.

5.4 Risk Management

The Capital programme provides vital funding to ensure that the Council maintains its assets in good order to provide a safe environment for staff and users of the facilities, and ensure appropriate delivery of Council Services. It also allows investment in future assets that will bring economic benefits to the Council.

5.5 Equality Impact Assessment

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

6. Consultations with Others

CLT and SLT have assessed the proposed projects for inclusion in the programme.

7. Access to Information : Background Documents

None

8. Author of the Report

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9. Appendices

Appendix A – Capital Projects and Proposed Funding 2019/20.
Appendix B – Indicative Capital Programme 2019/20 to 2022/23

Preliminary list of Capital bids 2019/20 - onwards

Ref.	Service Unit	Description	2019/20 £	External Contributions 2019/20 £	CDC capital resources [including Split of resource if given] £	Revenue impact - detrimental (+) favourable (-) £	2020/21 £	2021/22 £	2022/23 £	External Contributions in 19/20 to 22/23 £	Proposed Funding
New Bids for 19/20											
CAP01 19/20	ICT & Transformation Services	Replace Computer, Server and Appliance equipment.	35,000		35,000	-	30,000	30,000	60,000	-	ICT Reserve
CAP02 19/20	Property Services	Replace Maintenance Vehicles	20,000		20,000		30,000				Vehicle Reserve
CAP03 19/20	ICT & Transformation Services	Integrate Systems and review service areas.	10,000	-	10,000	(10,000)	10,000	10,000	10,000	-	Enabling Effiecencies Reserve
CAP04 19/20	ICT & Transformation Services	Replace UPS units	30,000	-	30,000	-	-	-	-	-	ICT Reserve
CAP05 19/20	Parking Services	10 x Parking Spaces at Pool	25,000	-	25,000	(2,257)		-	-	-	Enabling Effiecencies Reserve
CAP06 19/20	Bureavement Services	Exit Drive	28,000	-	28,000	(8,500)	-	-	-	-	Buildings Reserve
CAP07 19/20	Craven Pool	New Filters	25,248	-	25,248		-	-	-	-	Buildings Reserve
CAP08 19/20	Assets & Commercial Services	S106 Money to spend on shared ownership acquisitions	600,000	(600,000)	-	-				-	Capital Receipts
CAP09 19/20	Assets & Commercial Services	Shared ownership development	180,000	(1,000,000)	-		2,787,850			-	Capital Receipts
CAP10 19/20	Waste Management	Vehicle Replacement Programme	192,000	-	192,000	-	300,000	310,000	50,000	-	Vehicle Reserve
CAP02 18/19	Environmental Services & Housing	Disabled Facilities Grants	574,000	(574,000)	-	-	621,000	683,000	683,000	(1,987,000)	DFG Grant
Total 19/20 Bids			**1,719,248**	**(2,174,000)**	**365,248**	**(20,757)**	**3,778,850**	**1,033,000**	**803,000**	**-**	

Ref.	Service Unit	Description	2019/20 £	External Contributions 2018/19 £	CDC capital resources [including Split of resource if given] £	Revenue impact - detrimental (+) favourable (-) £	2020/21 £	2021/22 £	2022/23 £	External Contributions in 20/21 to 22/23 £	
Continuing Commitments from 18/19 Bids											
16/17 - PK 01	Parking Services	Parking payment machine replacement	40,000	-	40,000	-		-	-	-	Buildings Reserve
	Parking Services	- 4 Year programme of maintenance of the Council Car Parks	4,000	-	4,000	-		-	-	-	Buildings Reserve
Total 18/19 Bids Continuing			**44,000**	**0**	**44,000**	**0**	**0**	**0**	**0**	**0**	
Total 18/19 & 19/20 Bids			**1,763,248**	**(2,174,000)**	**409,248**	**(20,757)**	**3,778,850**	**1,033,000**	**803,000**	**0**	

APPENDIX B

CAPITAL PROGRAMME 2019/20 to 2022/23

CORPORATE PRIORITY/SCHEME:	Proposed Programme 2019/20 £	Forecasted Programme 2020/21 £	Forecasted Programme 2021/22 £	Forecasted Programme 2022/23 £
Strategic Housing Services				
- Disabled Facilities Grants	574,000	621,000	683,000	683,000
Waste Management Services				
- Replacement Vehicles * 18/19 element Removed in 18/19 Bid Process	212,000	330,000	310,000	50,000
Asset & Commercial Services				
- 4 Year programme of maintenance of the Council Car Parks	4,000	-	-	-
- Parking payment machine replacement	40,000	-	-	-
Shared Ownership	780,000	2,787,850	-	-
-10x Parking spaces at Craven pool	25,000	-	-	-
-Exit Drive	28,000	-	-	-
Leisure & Community Facilities				
- Replacement Pool Filters	25,248	-	-	-
Information Services				
- Replacement programme	35,000	30,000	30,000	60,000
- Integrate Systems and review service areas.	10,000	10,000	10,000	10,000
- UPS & Environment Monitoring Replacement 2016-2020	30,000	-	-	-
TOTAL	**1,763,248**	**3,778,850**	**1,033,000**	**803,000**

AGENDA ITEM 08

Policy Committee – 5th February 2019
Revenue Budget 2019/20 and Medium Term Financial Plan 2019/20 to 2021/22

Report of the Chief Finance Officer (s151 Officer)

Lead Member – Financial Resilience: Councillor Mulligan

Ward(s) affected: All

1. Purpose of Report

1.1 The purpose of this report is to:
- identify a fully funded Revenue Budget for 2019/20
- Recommend a prudent level of General Fund Revenue Balances for the financial year.
- outline the medium term financial plan (MTFP) to 2021/22

2. Recommendations

That the following be recommended to Council:-

2.1 Revenue Budget assumptions as detailed in the report be noted

2.2 The Revenue Budget for 2019/20 of £6,735,044 detailed at Appendix A is approved.

2.3 The schedule of growth bids of £67,250 as identified in Appendix C be approved.

2.4 The savings of £21,780 in Appendix D is incorporated into the budget.

2.5 A contribution from New Homes Bonus Reserve of £50,000 is made to support the 2019/20 budget, in addition to £198,400 for approved projects. Giving a total of £248,400.

2.6 The assessment of the Robustness of the Budget and Adequacy of Reserves in Paragraph 10 and Appendix F is agreed and that the Section 25 report is noted.

2.7 The estimated sum of £995,000 as identified as the General Fund Balance as at 31 March 2018 in Paragraph 10 and Appendix F be approved.

2.8 That Council Tax is increased at Band D by £5 to £172.21

2.9 The Revenue Budget incorporates the net contributions to/(from) earmarked based as detailed in Tables 1 & 2, paragraph 4.8, Appendix A and Appendix F (annex 1).

2.10 That

(a) as part of the Budget setting report to Council an update is provided on the estimated Craven DC allocation of retained business rates North and West Yorkshire pilot.

(b) any significant variance to the figures included within the budget report proposals are adjusted through contributions (to)/from the business rates equalisation reserve.

2.11 That should additional resources be available through the Retained Business Rates scheme a matching contribution to the Business Rates Contingency Reserve is made to mitigate against future uncertainties.

2.12 The Funding sources identified in the report and Appendix A be approved as follows:

		£'000
a)	Revenue Support Grant	-
b)	Rural Services Grant	280
c)	Housing Grants	46
d)	New Homes Bonus	516
e)	Retained Business Rates	1,893
f)	Business Rates Collection Fund (Deficit)	(103)
g)	Council Tax Collection Fund Surplus	96
h)	Council Tax	3,879
i)	Contribution from General Fund Balance	0
j)	Contributions (to)/from Earmarked Reserves	128
	Total Funding	6,735

3. Background Information

3.1 This report presents a balanced budget for Members to set for 2019/20 and prepares the Council to achieve a balanced budget over the medium term to 2021/22. The Revenue Budget proposals are set out in Section 4 and details of net service budgets are included at Appendix A.

3.2 As the final settlement has not yet been confirmed the 2019/20 budget is based on the draft grant settlement announcement in December 2018. It is expected that there will be little change to the figures. As part of the announcement, by the Secretary of State for Communities and Local Government, permission was given for Councils, in 2019/20, to increase their Council Tax by 2.99%, without triggering a referendum or £5 whichever is the greater.

3.3 A £5 increase gives a Council tax of £172.21 at band D.

3.4 In relation to retained business rates income, the figures in this report have been taken from the information that will be used to complete the NDR1 which was due to be completed for the deadline of 31 January 2019. The information on the NDR1 is an estimate and the actual financial position may vary from the estimate.

3.5 A budget consultation exercise has been undertaken and a summary of the feedback is included at Appendix G.

4.0 Revenue Budget 2019/20 – Proposals

4.1 Appendix A, attached, identifies the proposed budget for 2019/20 at £6.691m including support to parishes (£6.789m 2018/19). Indicative budgets are also shown for 2020/21 and 2021/22. The budget includes £67k of revenue bids (£129k 2018/19), £365k (£583k 2018/19) of support to the Capital Programme which will be funded from earmarked reserves. Overall the Net Cost of Services has increased by £174k.

4.2 The summary budget for 2019/20 and indicative budget for 2020/21-2021/22 are shown in Table 1 below.

Table 1: Summary Budget 2019/20 and indicative budget for 2020/21-2021/22

	2019/20 £'000	2020/21 £'000	2021/22 £'000
Enterprising Craven	902	735	727
Resilient Communities	1,467	1,628	1,717
Financial Sustainability	3,399	3,434	3,505
Net Cost of Services	5,768	5,797	5,948
Revenue Growth Bids	67	64	65
Capital Costs & Investment Income	416	476	476
Revenue Contribution to Capital Programme	409	370	350
Corporate Contingency	75	75	75
Support to Parishes	-	-	-
Net Revenue Expenditure	6,735	6,782	6,914
Contribution General Fund Balance	-	-	-
Tax & NDR Collection Fund (Surplus) / Deficit	(96)	(30)	(30)
Government Grants*	(326)	(271)	(271)
New Homes Bonus	(516)	(274)	(192)
Non Domestic Rates & Grant	(1,790)	(1,600)	(1,600)
Funding required from Tax & Reserves	4,007	4,607	4,821

	2019/20 £'000	2020/21 £'000	2021/22 £'000
Proposed £5.00 Increase in Tax			
Contributions to/(from) Reserves	(128)	(346)	(408)
Council Tax	(3,879)	**(4,012)	**(4,145)
Savings Required	-	**249	**268

4.3 Appendix B gives a subjective analysis of the net cost of service by cost centre.

4.5 Information on the indicative 2020/21 and 2021/22 budgets are included as part of Appendix A. This information will be used to inform the LTFS when it is refreshed in 2019/20.

4.6 The budget provides for contributions to reserves of £566k and contributions from reserves of £694k giving net contributions from reserves of £128k as detailed in Table 2 below.

Table 2: Contributions to/(from) Reserves 2019/20

Reserve	Contribution To £'000	Contribution From £'001	Net Movement £'000
New Homes Bonus	444	(176)	268
Business Rates Contingency	-	-	-
Insurance Fund	10	-	10
Buildings	52	(97)	(45)
IT Projects	30	(65)	(35)
Vehicles	30	(212)	(182)
Enabling Efficiencies	-	(60)	(60)
Elections	-	(7)	(7)
Future Year Budgets	-	(77)	(77)
Total	566	(694)	(128)

4.7 The Council has developed an income and Savings plan to assist it in focussing on the projects that it needs to implement to address the reductions in Government Support. Then the plan is regularly reviewed and updated. Savings achieved in 2018/19 equate to £22k. For 2019/20 these £22k of savings and income have been included within the budget. This information is shown at Appendix D.

4.8 **Adjusted figures from LTFS based on impact of decisions for 2019/20. The more rapid reduction by the Government of RSG to nil by 2019/20 has meant that the Council needs to utilise NHB in the short-term to support the budget. However, NHB will not be adequate to mitigate the total shortfall in the long-term. Its use is to bridge the 'gap' whilst alternative income sources are sought or additional savings and efficiencies are driven into the budget. The forecasted budgets for 2020/21 and 2021/22 assume a contribution of £200k from NHB in each year.

5. Review of the 2018/19 Financial year

5.1 Monitoring of the 2018/19 budget has taken place through monthly income and staffing costs reports to the Corporate Leadership Team (CLT), and detailed reporting to the quarterly Value for Money Clinics and this Committee.

5.2 Based on the Quarter 2 Budget Monitoring Report to Policy Committee on 4th December 2018, an underspend of £234k was forecast for 2018/19. This included £12k from the Council's income and savings plan.

5.3 Work on the Quarter 3 position is nearing completion, and will be reported to Committee in March. This work forecasts that there will be further underspends against budget for 2018/19. These underspends reflect the target savings and other service expenditure variances. These savings will be used to contribute to certain reserves to ensure funding of Council projects in future years. Achievement of income targets is proving to be a challenge in a number of service areas.

5.4 The Council had an unallocated General Fund Balance of £995k at the start of the year and this is not expected to change. A review of the robustness of the Council's balances and reserves is given at Appendix F

6. Budget Assumptions in relation to the 2019/20 Revenue Budget and MTFP

6.1 Figures released by the Office of National Statistics showed that CPI inflation for the year to December 2018 was 2.0%, whilst RPI was 2.7%.

Pay and Prices Inflation

6.2 The budget for 2019/20 and beyond includes the expected impact of the Pay Award for Officers offered in December 2017, for which negotiations are still ongoing. The % increase ranges from 2-3% for the lower SCP and a flat 2% for SCP 20 and above. This was built into the indicative budget for 2019/20. Rationalisation of some of the SCP has been carried out and is awaiting proposal to the Unions. Once this is complete we will know the likely impact, but there should be sufficient in the budget to accommodate any further changes as a result of the negotiations.

6.3 The pay budgets also allow for the impact of the triennial revaluation of the pension fund and the National Living wage on the salary bands.

6.4 Prices inflation has been applied at a cost centre level based on known inflationary pressures, for example in relation to utility costs and changes to the NNDR multiplier. It is anticipated that insurance premium tax will remain at 12%, the rate it has been, from June 2017.

6.5 In total cost pressure of £117k arising from inflation has been incorporated into the 2019/20 budget.

6.6 In line with the Long Term Financial Strategy (LTFS) approved in January 2019 an average of 2% inflation has where appropriate been allowed within the MTFP for non-pay items for 2019/20 and 2020/21 indicative budgets.

Fees & Charges

6.7 Increases to fees and charges were agreed by Policy Committee at its meeting on 5th December 2018. The impact of these increases has been included in the relevant budget lines. It is forecast that the increase in these fees will generate an estimated £112k of additional income.

Financing of Capital Expenditure

6.8 The Capital Programme is included as a separate report. The budget assumes that no new long term external borrowing will be made to finance the programme in 2018/19. Consequently, there is no need to increase the Revenue Budget in respect of increased external loan costs.

6.9 However, going forward the delivery of the capital programme is not sustainable within the resources that the Council currently has allocated to the programme. Therefore, consideration will need to be given to the funding of the programme through disposal of surplus assets, increased contributions to reserves, in year revenue funding to the programme, increased external loans (which will have a revenue impact), or investment in or acquisition of assets with revenue generating potential. A summary of the Capital Programme forecasts is shown in Table 3

Table 3: Capital Programme Forecast 2019/20 – 2022/23

	2019/20 Estimate £'000	2020/21 Indicative £'000	2021/22 Indicative £'000	2022/23 Indicative £'000
Capital Programme Costs	1,763	3,779	1,033	803
Funding Resources Capital Receipts / grants	1,354	3,409	683	683
Earmarked Reserves	409	370	350	120
Borrowing	0	0	0	0

7. 2019/20 Revenue Budget Funding

Grant Settlement and Specific Grants

7.1 The Draft Local Government Finance Settlement for 2019/20 was announced on the 13th December 2018. It is expected that the final settlement will be confirmed in late January or early February. The budget report has been based on the draft announcement as little change is expected to the figures.

7.2 The Council accepted the Governments Four Year Settlement Offer which was made as part of the 2016/17 funding announcements. 97% of Council's accepted the Four Year Offer. This four-year deal runs out in March 2020 and there is concern nationally that there is no clarity over funding levels, for both the national pot and local allocations after that date.

7.3 The figures reaffirmed that 2018/19 will be the last year that the Council receives RSG. The announcement included the removal of the expected negative RSG as part of the tariff system applied to Non Domestic Rates.

7.4 The draft announcement also included information regarding Rural Services Delivery Grant which currently remains as stated in the four year offer. The grant for 2019/20 has increased to £280k This was set to remain at £225k, but the draft settlement has confirmed the expected increase of £55k. The LTFS assumes this grant (or it's replacement) will be £225k for 2020/21 and 2021/22.

7.5 The Fair Funding Review announced in February 2016 is still ongoing. The review will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence. The Ministry is considering a wide range of options for developing an updated funding formula by continuing to look at the factors that drive costs for local authorities. The technical working group established in April 2016 has continued to meet and advise on their findings. Further consultations have taken place and continue to run.

7.6 The revaluation for business rates implemented in April 2017 have had some impact and further impact is expected, however, lack of information makes the exact assessment of this a challenge. The enhanced assistance to small businesses continues as do the additional grants for Pubs and Small Businesses. Albeit that the small business grant will be reduced further. Councils have been assured that once again they will not lose financially from this announcement for 2019/20, with a s31 grant to compensate. (Section 31 is the relevant part of the Local Government Act 2003 under which such grants can be issued to local authorities).

7.7 The Government in the calculations for the RSG and indicative business rates amounts have made an assumption made that Council Tax will increase by the maximum amount.

Brexit Impact

7.8 The presently accepted date for Brexit is set to be the 29th March 2019. Local Government now needs to effectively plan resources and policy to counteract anticipated negative impacts of Brexit. Whilst this council does not directly have services supported by EU funding thus simplifying the process for us, our partners may have services funded by the EU and provide to Craven residents. This may impact on our residents which may require resources from the Council albeit on an interim basis.

7.9 It is naïve to think that any economic decline caused by Brexit will not impact on local government finances requiring more cuts to public services. That said local government is ideally situated to deliver best outcomes in partnership with its communities following Brexit.

Retained Business Rates

7.10 For 2019/20 the Council estimates that it will collect £18.207m (£18.633m 2018/19) in business rates. The Government has allocated to the Council £118k (£116k 2018/19) for the cost of administering the rates system. Members will be aware that the Council is part of the successful North and West Yorkshire bid for 75% business rates pilot. The exact financial benefit/impact of the pilot is not known at the time of writing the report, however, the Council should be no worse off than it was under the 50% North Yorkshire Rates Pool. The estimated impact of the Pilot will be know just prior to the meeting of Policy Committee on 5 February and there may be an adjustment required to the estimated figures for business rates income included in the budget. Any amendments to the income from rates will be adjusted as part of the Council Tax setting report due to be presented to Council on 26

February 2019.

7.11 The Business Rates system had continued uncertainty in 2018/19 as all business were revalued for rating and this affects bills issued from April 2017 onwards. The impact of this change on the rates it will be able to collect is still being assessed, as it is not known how many businesses will successfully appeal their new rateable values. In addition, the impact of the remaining unsettled appeals from rating valuations prior to April 2017 is still impacting albeit at reduced levels. These factors affect the amount of income that the council will receive.

7.12 Going forward business rates revaluations will now take place every three years rather than five years. Whilst this will cause more regular upheaval, the shorter periods should lessen the financial impact of revaluations when they occur for both businesses and for local authorities. There is also expected to be a reset of the business rates in 2020 which will review our baseline target and increase it meaning that the benefits the Council has derived from collections above baseline to that date will disappear.

7.13 The Chancellor announced in his Autumn Statement that, similar to last year from April 2019 the Business Rates multiplier would be uprated using the September CPI (2.4%) figure rather than the RPI figure. The impact of this as CPI is generally lower than RPI is a lower rate of income growth from Business Rates going forward. Our baseline and tariff amounts will be adjusted to reflect this lower increase. Craven DC rates collection has generally been above baseline so this will reduce the amount of income we collect and are therefore able to retain above baseline.

7.14 The Government will continue to provide grant funding to Council's to enable the measures it introduced to assist small businesses to continue for a further year in 2019/20. The rateable value threshold for small businesses is £15,000. The current £1,000 discount for pubs will be extended again to 2019/20. In addition rates relief for stand-alone public toilets will be available.

7.15 The application for Business Rates Pilot status for 2019/20 from the North and West Yorkshire authorities was successful. The creation of the pilots will be "fiscally neutral" at baseline, but authorities will gain from retaining 75% of any above-baseline growth – we currently retain 50%. The benefit of the Pilot scheme is not yet fully known; a more detailed analysis will be completed once the NNDR1 returns are completed. This was the 31st January 2019.

7.16 An estimate of the business rate income based around the current position is included in the budget. Because of this and due to the business rate calculations still being finalised by the member authorities a prudent view has been taken. The budget does not include a contribution to the Business Rates Contingency Reserve. It is proposed that any additional rates income above the budgeted amount is transferred to the reserve as part of the year end processes when the actual position is known.

7.17 The Council has declared that there will be a £257k deficit on the NDR collection fund at the end of 2018/19 and that its share will be £103k to repay. The Business Rates Contingency Reserve is holding these funds pending repayment to the NDR Collection Fund.

Localisation of Council Tax

7.18 Financial support to assist the Council with the Localisation of Council Tax Scheme is contained within the assessment by MCHLG of the Council's funding needs. The amount however is not identifiable.

7.19 The Council has agreed that for 2019/20 the Localisation of Council Tax Support Scheme will remain at 2019/20 levels for working age claimants. That is that the maximum discount for eligible claimants towards their Council tax bill is 90%. For Pension age claimants the maximum is 100%.

7.20 As part of the budget setting process for 2018/19 and subsequent approval of the LTFS in January 2019 the Council confirmed that it would not continue to provide grant assistance to parishes. The assistance for parishes has reduced in line with the reduction in the Council's RSG or parish need whichever is the smaller. For 2019/20 there will be no grant made available to parishes, as reported in the Budget Setting report for 2018/19.

New Homes Bonus

7.21 The indicative New Homes Bonus (NHB) allocation for 2019/20 is £516k. This is in line the LTFS estimate presented to Policy in January 2018, which assumed £517k. There were no additional changes to the scheme for 2019/20 over those announced in 2017/18. The award period was reduced to four years of payments rather than the previous six.

7.22 As part of the settlement it was announced the NHB threshold for property numbers growth will remain at the 0.4%, below which an authority will not receive NHB. For Craven this equates to an increase of approximately 109 new properties each year out of an annual needs allocation of 230 before NHB will be paid.

7.23 NHB is not new money it has been top sliced from RSG for redistribution. The Council unlike many others has been utilising NHB grant to fund specific projects within the District and to date over £3m has been allocated to such projects. The choice on how to utilise NHB is at the discretion of the Council.

7.24 In view of the RSG position and to avoid cuts to services whilst alternative funding sources are realised, it is proposed to utilise some of the New Homes Bonus to support the budget in the short term. An Additional £50k will be required from the reserve for 2019/20. Alternative options for funding for NHB projects need to be considered – such as utilising additional growth from business rates.

8. Financial Standing and Governance

8.1 Subject to the agreement of the Budget, the Council's 2019/20 net expenditure base is able to be financed from within available funding sources, without reliance on contributions from the General Fund Balance.

8.2 The major risks for the Council in 2019/20 are:

- Sustaining income levels
- Containing expenditure within budget parameters
- Realising savings that have been built into the budget and delivering the projects on the income and savings plan going forward.
- The continued uncertainty around the business rates retention scheme.

8.3 A risk analysis of the major budgets is included at Appendix E

8.4 Balances and financial performance will continue to be monitored on a regular basis. This information will be reported as an integral element of the quarterly budget monitoring reports presented to Policy Committee during 2019/20. Quarterly performance monitoring clinics will also continue ensuring that there is close scrutiny of any potential variances to financial and performance plans.

8.5 The budget proposed in this report includes the increases to fees and charges as already approved by Members.

9. Setting the Council Tax levels for the year

9.1 The latest Settlement announcement confirmed that the referendum limit has increased for 2019/20 to 2.99%. In addition the Secretary of State also confirmed that Shire Districts charging less than £250 at Band D can continue to increase their charge by £5 without triggering a referendum.

9.2 The draft budget is based on the Council increasing the Council tax for 2019/20 by £5 to give a Council Tax at Band D of £172.21. The government in its calculations assumes that this is the option that the Council will take.

10.0 Robustness of the Budget and Adequacy of Reserves

10.1 Section 25 of the Local Government Act 2003 includes a specific personal duty on the Chief Financial Officer (s151 Officer) to make a report to the authority when it is considering its budget and Council Tax. Also Section 26 of the Act gives the Secretary of State power to set minimum levels of reserves for which an authority must provide in setting its budget. This report is contained in Appendix F

10.2 As part of the budget setting process, it is also necessary to give members an indication of the levels of the reserves and balances and comment thereon. Appendix F attached to this report sets out the projected major Funds and Reserves balances and comments upon their adequacy.

10.3 This budget report shows that the estimated position on the General Fund Balance at 31 March 2018 will be £995k. No further contribution will be made to it in 2019/20. The level of £995k is considered prudent. The General Fund Reserve and Earmarked Reserve levels will be kept under review to ensure that they are sufficient to manage financial risks facing the Council in future years.

10.4 Taking into account all of the above factors and the risks identified, the Budget identified is robust and will deliver a balanced budget in 2019/20, as required by Section 25 of the Local Government Act 2003.

11. Budget Consultation

11.1 A budget consultation exercise was undertaken in August and October 2018. The consultation focussed on areas of expenditure, income, savings and Council priorities. The Council received 160 responses compared to 164 for 2018/19. A summary of the feedback from the Consultation is attached at Appendix G.

11.2 The survey contains a number of constructive comments with the key messages being that there is a high level of support for the Council's current priorities. The most common priority identified by residents was Affordable Housing. Many comments focused on employment, transport and affordable housing issues. We asked about spending on statutory services and respondents were in favour of leaving spend about the same as 2018/19. There were a small proportion, who supported an increase in Fees and Charges for Craven's chargeable services. We also asked about spending on discretionary services with 80% plus feeling that expenditure should be maintained at current levels and that fees should not be increased. We asked respondents to prioritise reduction in spend on back office services and Corporate & Democratic Costs and Senior Management spending were identified as the priority. Customer Services was seen as the lowest priority for reducing expenditure. 57% of respondents felt the Council offers value for money. There was increased support for more services being provided by voluntary and community organisations, local communities and volunteers. There was a good level of support for increasing council tax charges.

12. Implications

12.1 Financial and Value for Money Implications

All financial implications are contained in the body of the report.

12.2 Legal Implications

All legal implications in respect of delivery of a balanced budget and adequacy of reserves are contained in the body of the report and its appendices. The requirements in the Local Government Act 2003 for reports to be presented to the Council on the robustness of the estimates, and on the position on reserves and balances are dealt with in the report.

12.3 Contribution to Council Priorities

The Revenue Budget for 2019/20 has been developed in support of the Council Plan. The Council's financial sustainability and resilience are crucial to delivering its priorities.

12.4 Risk Management

All risks are clearly identified throughout the report.

12.5 Equality Impact Assessment

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

13. Consultations with Others

Public consultation has been held via presentation and on line. Consultation with Members has been undertaken during the course of the budget setting process.

14. Access to Information : Background Documents

Long Term Financial Strategy approved in January 2019

15. Author of the Report

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15. Appendices

Appendix A – Summary Revenue Budget 2018/19 – 2020/21
Appendix B – Subjective Analysis 2018/19
Appendix C – Summary Revenue Growth Bids
Appendix D – Savings
Appendix E – Budget Risk Assessment
Appendix F – Robustness of Budget and Adequacy of Reserves and Balances Assessment
Appendix G – Budget Consultation

CRAVEN DISTRICT COUNCIL SUMMARY BUDGET 2019/20

2017/2018 Actual £ Col 1	2018/2019 Original Budget £ Col 2	2018/2019 Q1 Forecast £ Col 3	2018/2019 Variance £ Col 4	Cost Centre	2019/2020 Original Budget £ Col 5	2020/2021 Indicative Budget £ Col 6	2021/2022 Indicative Budget £ Col 7
(1,834)	284	(5,270)	(5,554)	Hackney Carriages	(1,960)	(829)	933
(42,289)	(28,812)	(34,346)	(5,534)	Licencing	(31,675)	(30,824)	(29,062)
(44,124)	(28,528)	(39,616)	(11,088)	**Licensing Services**	**(33,635)**	**(31,653)**	(28,129)
34,268	51,514	53,113	1,599	**Street Signs & GIS**	56,382	54,242	56,621
96	3,000	3,000	-	Historic Buildings & Conservation	4,000	4,000	4,000
33,338	37,612	37,650	38	Building Control - Non Fee Earning	37,907	38,594	39,374
(34,051)	(48,938)	(47,410)	1,528	Building Control - Fee Earning	(37,468)	(35,052)	(32,377)
424,991	197,371	198,045	674	Local Plan	225,993	230,096	260,309
(95,753)	(83,888)	(85,552)	(1,664)	Local Land Charges	(94,509)	(94,119)	(93,679)
166,438	94,832	28,028	(66,804)	Development Control	130,129	138,598	147,608
-	-	-	-	Head of Planning & Building Control	-	-	-
495,058	**199,989**	**133,761**	**(66,228)**	**Planning and Building Control Services**	**266,052**	**282,117**	**325,235**
32,733	39,740	39,790	50	Arts Development	38,500	40,690	41,300
-	-	42,520	42,520	Great Places	**38,970**	-	-
17,680	24,300	24,300	-	Attraction of Trade & Tourists	21,800	21,800	21,800
79,856	29,140	79,240	50,100	Industrial Development & Promotion	79,540	79,840	59,140
29,215	29,730	29,680	(50)	Settle Tourist Information Centre	29,860	29,100	28,680
95,584	39,060	39,060	-	New Homes Bonus	42,000	53,000	12,000
119,433	120,390	121,300	910	Economic & Community Development Service Unit	126,490	131,370	135,980
374,502	**282,360**	**375,890**	**93,530**	**Economic & Community Development Services**	**377,160**	**355,800**	**298,900**
-	-	-	-	Skipton Town Hall	-	-	-
(510)	-	-	-	Museum-WW1	-	-	-
-	-	-	-	Museum-WW1 Home Front	**(26,480)**	**-**	-
40,515	-	33,580	33,580	Museum-Development Project - Development Phase	-	-	-
-	-	-	-	Museum-Development Project - Delivery Phase	33,590	**-**	-
(498)	-	21,210	21,210	Museum-Indispensable	-	-	-
160,441	207,910	144,830	(63,110)	Museum & Town Hall	228,710	74,740	73,886
199,948	**207,910**	**199,620**	**(8,320)**	**Skipton Town Hall & Museums**	**235,820**	**74,740**	**73,886**
1,059,652	**713,245**	**722,767**	**9,492**	**Enterprising Craven**	**901,779**	**735,246**	**726,513**
				.			
275,115	286,409	283,122	(3,287)	Customer Services	262,245	269,508	276,729
163,752	181,040	189,680	8,640	Communications,Partnerships & Engagement	184,114	185,960	188,490
(4,834)	(16,390)	(42,870)	2,830	Sport Events	(16,200)	(15,690)	(15,410)
13,411	84,975	99,804	14,829	Elections	70,262	78,822	79,758
49,435	69,067	57,632	(11,435)	Electoral Registration	70,132	75,460	76,164
25,830	38,348	38,738	390	Craven Crime Reduction P'ship	40,590	42,489	43,249
3,169	1,000	1,000	-	Safer & Stronger Communities	-	-	-
(422,667)	(476,830)	(535,144)	(58,314)	Cost of Coll. & Rent Allowances	(449,230)	(440,880)	(440,880)
417,382	603,817	567,542	(36,275)	Revenues & Benefits Services	652,404	666,989	682,298
6,795	3,165	3,165	-	Community Services	-	-	-
29,503	94,101	89,259	(4,842)	Democratic Services	96,139	98,065	99,920
229,965	182,242	182,242	-	Democratic Representation	183,451	184,566	184,566
786,858	**1,050,944**	**934,170**	**(87,464)**	**Others**	**1,093,907**	**1,145,289**	**1,174,884**
70,922	4,318	36,025	31,707	Craven Leisure	17,728	15,492	8,328
(4,647)	(15,440)	(25,847)	(10,407)	Revive - Craven Leisure Café	(2,117)	(3,798)	(3,367)
889	-	(5,144)	(5,144)	Healthy Lifestyles - Craven Leisure	3,432	3,891	4,435
67,165	**(11,122)**	**5,034**	**16,156**	**Craven Leisure**	**19,043**	**15,585**	**9,396**
(427,258)	**(419,855)**	**(471,231)**	**(51,376)**	**Bereavement Services**	(446,464)	**(417,545)**	**(408,269)**
(1,258,646)	**(1,188,817)**	**(1,151,978)**	**36,839**	**Car Parks**	**(1,180,195)**	**(1,175,363)**	**(1,174,127)**

CRAVEN DISTRICT COUNCIL SUMMARY BUDGET 2019/20

APPENDIX A

2017/2018 Actual £	2018/2019 Original Budget £	2018/2019 Q1 Forecast £	2018/2019 Variance £	Cost Centre	2019/2020 Original Budget £	2020/2021 Indicative Budget £	2021/2022 Indicative Budget £
Col 1	Col 2	Col 3	Col 4		Col 5	Col 6	Col 7
(31,750)	(30,712)	(30,712)	-	Private Garage Sites	(30,712)	(28,592)	(28,592)
55,041	56,234	48,645	(7,589)	Public Conveniences	56,882	56,982	56,982
96,817	106,102	106,102	-	Amenity Areas	116,082	120,792	120,792
1,288	(38,100)	(38,100)	-	Shared Ownership Scheme	(38,100)	(41,225)	(41,225)
121,396	**93,524**	**85,935**	**(7,589)**	**Assets & Commercial Services**	**104,152**	**107,956**	**107,956**
271,075	294,744	237,928	(56,816)	Environmental Health Services	290,928	288,980	303,742
(15,678)	-	-	-	Flooding 15/16	-	-	-
255,397	**294,744**	**237,928**	**(56,816)**	**Environmental Health Services**	**290,928**	**288,980**	**303,742**
34,812	50,065	52,715	2,650	Aireview House	**19,040**	20,080 MK	21,020
203,895	255,560	215,030	(40,530)	Homelessness	**229,490**	230,070 MK	234,000
(256,533) -	27,400 -	53,810	26,410	Private Sector & Housing Enabling	**(13,509)**	(2,930) MK	(2,360)
19,690	22,824	20,170	(2,654)	Housing Service Unit	**23,090**	24,180 MK	24,850
1,864	**355,849**	**341,725**	**(14,124)**	**Housing Services**	**258,111**	**271,400**	**277,510**
712,872	707,620	736,154	28,534	Refuse Collection Domestic	639,797	657,674	666,682
(311,431)	(186,507)	(228,820)	(42,313)	Refuse Collection Commercial	(260,293)	(254,295)	(250,960)
297,617	334,850	337,377	2,526	Street Cleansing	349,474	358,363	363,011
331,832	280,223	261,801	(18,422)	Recycling	460,260	480,641	489,671
74,422	87,204	87,225	21	Cleaner Neighbourhoods	88,804	90,482	92,112
43,997	(2,171)	(8,282)	(6,111)	Mechanics Workshop	(1,314)	(1,254)	359
234,277	233,242	232,507	(734)	Waste Management Service Unit	211,490	214,612	217,766
(116,093)	(125,637)	(88,868)	36,769	Garden Waste Subscription Scheme	(160,811)	(154,895)	(153,113)
1,267,492	**1,328,824**	**1,329,094**	**270**	**Waste Management & Recycling**	**1,327,407**	**1,391,328**	**1,425,528**
814,268	**1,504,091**	**1,310,677**	**(164,104)**	**Resilient Communities**	**1,466,888**	**1,627,630**	**1,716,620**
319,257	818,273	868,367	50,094	Corporate Costs	860,728	856,928	857,740
383,197	482,204	482,104	(100)	CLT	493,927	500,477	509,874
447,355	508,137	470,703	(37,434)	Financial Services	518,075	545,253	559,025
140,619	199,097	181,010	(18,087)	Business Support	205,906	209,576	215,587
119,979	144,820	138,213	(6,607)	Human Resources & Training	155,583	157,448	158,878
169,610	123,463	173,437	49,974	Legal Services	125,887	127,132	131,504
443,403	493,135	471,446	(21,689)	ICT	449,644	442,927	461,011
15,624	12,706	18,206	5,500	Miscellaneous Property	12,646	12,646	12,646
14,549	12,840	14,220	1,380	Bus Station	13,228	16,228	16,228
49,702	39,972	43,220	3,248	Skipton Depot	40,192	40,815	40,192
600	70	70	-	Settle Depot	70	70	70
233,957	239,102	239,690	588	Belle View Square	213,848	213,848	213,848
-	-	-	-	Build to Rent	-	-	-
(92,532)	(86,963)	(94,161)	(7,198)	Estates Services	(94,074)	(94,074)	(94,074)
-	-	-	-	Skipton Developments	-	-	-
20,632	-	12,000	-	Joint Venture - CBR Ltd	-	-	-
373,999	389,703	403,647	13,944	Assets & Commercial Service Unit	403,469	404,525	422,459
2,639,950	**3,376,558**	**3,422,172**	**33,614**	**Financial Resilience**	**3,399,129**	**3,433,799**	**3,504,988**
4,513,870	**5,593,894**	**5,455,616**	**(120,998)**	**TOTAL NET COST OF SERVICES**	**5,767,796**	**5,796,675**	**5,948,121**

CRAVEN DISTRICT COUNCIL SUMMARY BUDGET 2019/20

2017/2018 Actual £ Col 1	2018/2019 Original Budget £ Col 2	2018/2019 Q1 Forecast £ Col 3	2018/2019 Variance £ Col 4	Cost Centre	2019/2020 Original Budget £ Col 5	2020/2021 Indicative Budget £ Col 6	2021/2022 Indicative Budget £ Col 7
				Corporate Items and Financing			
				Corporate Income and Expenditure			
	255,710		(255,710)	Interest Payable (Incl Premia/Discount)	255,710	255,710	255,710
	(92,820)		92,820	Investment Income	(120,000)	(80,000)	(80,000)
	247,000		(247,000)	MRP for Capital Financing	280,000	300,000	300,000
	583,140		(583,140)	Revenue Contributions to Capital Outlay	409,248	370,000	350,000
	75,000		(75,000)	Corporate Contingency	75,000	75,000	75,000
	4,000		(4,000)	Top Up Grant to Parishes -CDC Contribution	-	-	-
	128,980		(128,980)	Revenue Growth Bids to Allocate	67,250	63,863	65,099
4,513,870	**6,794,904**	**5,455,616**	**1,322,008**	**NET REVENUE EXPENDITURE**	**6,735,004**	**6,781,248**	**6,913,930**
				Contributions to/(from) Reserves/Other			
	(18,975)			Contribution (from) Enabling Efficiencies Fund Reserve	(59,600)	(27,450)	(27,450)
	-			Contribution (from) Planning Reserve	-	-	-
	(553,160)			Contribution (from) New Homes Bonus Reserves	(176,400)	(265,700)	(265,700)
	(100,000)			Contribution (from) Business Rates Contingency	-	-	-
	(98,668)			Contribution (from) Future Budgets Reserve	(76,702)	-	-
	(49,000)			Contribution (from) Buildings Reserve	(97,000)	-	-
	(157,330)			Contribution (from) IT Reserve	(65,000)	(40,000)	(40,000)
	-			Contribution (from) Vehicle Reserve	(212,000)	(330,000)	(310,000)
	(7,000)			Contribution (from) Elections Reserve	(7,000)	(7,000)	(7,000)
	430,977			Contribution to New Homes Bonus Reserves	444,385	202,000	120,000
	10,000			Contribution to Insurance Fund	10,000	10,000	10,000
	52,000			Contribution to Buildings Reserve	52,000	52,000	52,000
	30,000			Contribution to IT Reserve	30,000	30,000	30,000
	30,000			Contribution to Vehicle Reserve	30,000	30,000	30,000
	-			Contribution to Enabling Efficiencies	-	-	-
	-			Contribution To Elections Reserve	-	-	-
	6,363,748	**5,455,616**	**(1,322,008)**	**AMOUNT TO BE MET FROM GOVERNMENT GRANT AND COUNCIL TAX (Budget Requirement)**	**6,607,687**	**6,435,098**	**6,505,780**
				Central Government Support			
	(141,269)			Revenue Support Grant	-	-	-
	(224,600)			Rural Services Delivery Grant	(279,914)	(225,000)	(225,000)
	-			Transition Grant	-	-	-
	(46,160)			Housing Grants	(46,160)	(46,160)	(46,160)
	(98,168)			Transfer from CtaxCollection Fund	(96,049)	(30,000)	(30,000)
	20,000			Transfer from NDR Collection Fund	102,855	-	-
	(512,635)			New Homes Bonus	(516,385)	(274,000)	(192,000)
	(1,600,000)			National Non-Domestic Rates	(1,892,855)	(1,600,000)	(1,600,000)
	3,760,916	**5,455,616**	**(1,322,008)**	**TOTAL AMOUNT TO BE MET FROM COUNCIL TAX**	**3,879,179**	**4,259,938**	**4,412,620**
				Financed By			
	(141,269)			Revenue Support Grant	0	0	0
	(783,395)			Other Grants	(842,459)	(545,160)	(463,160)
	(1,580,000)			Redistributed National Non-Domestic Rates & Grant	(1,790,000)	(1,600,000)	(1,600,000)
	(98,168)			Transfer from CtaxCollection Fund	(96,049)	(30,000)	(30,000)
	(3,754,701)			Council Tax	(3,879,178)	(4,011,503)	(4,145,278)
	6,214			**Deficit/(Surplus)**	**0**	**248,435**	**267,342**
	22,455			**Tax Base**	22,525.86	22637	22750
	167.21			**Ctax @ Band D**	172.21	177.21	182.21
	3,754,701				**3,879,178**	**4,011,503**	**4,145,278**

CRAVEN DISTRICT COUNCIL
2019/20 BUDGET
SUBJECTIVE ANALYSIS

Cost Centre	Employees	Premises	Transport	Supplies/ Services	Agency/ Contracted	Transfer Payments	Internal Rcharge	Total Costs	External Income	Govt Grants	C/Tax NNDR	Reserves	Internal Income	Total Income	Net Cost of Service
Hackney Carriages	41,290		15,000	11,750			-	68,040	(70,000)					(70,000)	(1,960)
Licencing	41,400		-	2,925				44,325	(76,000)					(76,000)	(31,675)
Licensing Services	**82,690**	**-**	**15,000**	**14,675**	**-**	**-**	**-**	**112,365**	**(146,000)**	**-**	**-**	**-**	**-**	**(146,000)**	**(33,635)**
Street Naming, Numbering & GIS	**64,382**	**7,000**		**-**				**71,382**	**(15,000)**	**-**				**(15,000)**	**56,382**
Historic Buildings & Conservation				4,000				4,000	-					-	4,000
Building Control - Non Fee Earning	33,657		2,400	1,850				37,907	-					-	37,907
Building Control - Fee Earning	118,002		7,000	2,530				127,532	(165,000)					(165,000)	(37,468)
Local Plan	196,903		-	29,090				225,993		-				-	225,993
Local Land Charges	18,991	-		36,500				55,491	(150,000)					(150,000)	(94,509)
Development Control	479,809	-	11,500	61,320				552,629	(422,500)					(422,500)	130,129
Head of Planning & Building Control	-		-	-				-	-	-				-	-
Planning and Building Control Services	**847,362**	**-**	**20,900**	**135,290**	**-**	**-**	**-**	**1,003,552**	**(737,500)**	**-**	**-**	**-**	**-**	**(737,500)**	**266,052**
Arts Development	29,700		300	8,500				38,500	-					-	38,500
Great Places (Resilient Communities)	171,040		-	475,420				646,460	(607,490)					(607,490)	38,970
Attraction of Trade & Tourists (Resilient Communities				21,800				21,800						-	21,800
Industrial Development & Promotion (Resilient Communities)				79,540				79,540						-	79,540
Settle Tourist Information Centre (Resilient Communities)	30,360	7,080	50	7,330				44,820	(14,960)					(14,960)	29,860
New Homes Bonus (Resilient Communities)				42,000				42,000						-	42,000
Economic & Community Development Unit (Resilient Comms)	117,110	10	1,000	8,570				126,690	(200)					(200)	126,490
Economic & Community Development Services	**348,210**	**7,090**	**1,350**	**643,160**	**-**	**-**	**-**	**999,810**	**(622,650)**	**-**	**-**	**-**	**-**	**(622,650)**	**377,160**
Museum-Indispensable	-		-	-				-	-				-	-	-
Museum-WW1			-	-				-	-					-	-
Museum-WW1 Home Front	6,660	-	630	10,080				17,370	(43,850)					(43,850)	(26,480)
Museum Development Project - Development Phase	-		-	-				-	-					-	-
Museum Development Project - Delivery Phase	44,170		1,950	37,850				83,970	(50,380)					(50,380)	33,590
Museums & Town Hall	245,400	62,090	120	66,540				374,150	(145,440)					(145,440)	228,710
Skipton Town Hall & Museums	**296,230**	**62,090**	**2,700**	**114,470**	**-**	**-**	**-**	**475,490**	**(239,670)**	**-**	**-**	**-**	**-**	**(239,670)**	**235,820**
Enterprising Craven	**1,638,874**	**76,180**	**39,950**	**907,595**	**-**	**-**	**-**	**2,662,599**	**(1,760,820)**	**-**	**-**	**-**	**-**	**(1,760,820)**	**901,779**
Customer Services	257,574	1	1,500	11,670				270,745	(8,500)					(8,500)	262,245
Communications,Partnerships & Engagement	127,514	-	100	62,350				189,964	(5,850)	-				(5,850)	184,114
Sport Events	14,000		-	44,810				58,810	(75,010)					(75,010)	(16,200)
Elections	28,336	5,000	500	46,426				80,262	(10,000)					(10,000)	70,262
Electoral Registration	38,470		220	36,843				75,533	(1,400)	(4,000)				(5,400)	70,133
Craven Crime Reduction P'ship	36,805		1,500	2,285				40,590					-	-	40,590
Cost of Coll. & Rent Allowances	-	-	-	14,710		7,000,000		7,014,710	(7,100,000)	(266,940)	(97,000)			(7,463,940)	(449,230)
Revenues & Benefits Services	492,944		2,500	161,960		-		657,404	(5,000)	-	-			(5,000)	652,404
Community Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Democratic Services	92,975		-	3,164				96,139	-					-	96,139
Democratic Representation	172,995	16	-	10,440				183,451	-					-	183,451
Others	**1,261,613**	**5,017**	**6,320**	**394,658**	**-**	**7,000,000**	**-**	**8,667,608**	**(7,205,760)**	**(270,940)**	**(97,000)**	**-**	**-**	**(7,573,700)**	**1,093,908**
Craven Leisure	591,511	341,250	-	236,597	-		2,000	1,171,358	(1,153,630)					(1,153,630)	17,728
Revive - Craven Leisure Café	55,022	10,201	-	72,060			1,600	138,883	(141,000)					(141,000)	(2,117)
Healthy Lifestyles - Craven Leisure	20,582	2,550	1,200	9,100				33,432	(30,000)					(30,000)	3,432
Craven Swimming Pool & Fitness Centre	**667,115**	**354,001**	**1,200**	**317,757**	**-**	**-**	**3,600**	**1,343,673**	**(1,324,630)**	**-**	**-**	**-**	**-**	**(1,324,630)**	**19,043**

Cost Centre	Employees	Premises	Transport	Supplies/ Services	Agency/ Contracted	Transfer Payments	Internal Rcharge	Total Costs	External Income	Govt Grants	C/Tax NNDR	Reserves	Internal Income	Total Income	Net Cost of Service
Bereavement Services	**175,518**	**118,118**	**1,374**	**64,840**	**35,500**	**-**	**3,100**	**398,450**	**(844,914)**					**(844,914)**	**(446,464)**
Car Parks	**41,298**	**291,523**	**2,600**	**104,670**			**27,714**	**467,805**	**(1,648,000)**					**(1,648,000)**	**(1,180,195)**
Private Garage Sites		6,358		5,400			30	11,788	(42,500)					(42,500)	(30,712)
Public Conveniences	33	31,499		19,850				51,382	5,500					5,500	56,882
Amenity Areas	-	26,192		800	94,190		4,900	126,082	(10,000)					(10,000)	116,082
Shared Ownership Scheme	-	900		6,000				6,900	(45,000)					(45,000)	(38,100)
Assets & Commercial Services	33	64,949	-	32,050	94,190	-	4,930	196,152	(92,000)	-	-	-	-	(92,000)	104,152
Environmental Health Services	291,218	7,520	19,030	87,310			1,370	406,448	(115,520)					(115,520)	290,928
Flooding 2015/16	-	-		-				-	-					-	-
Environmental Health Services	**291,218**	**7,520**	**19,030**	**87,310**	**-**	**-**	**1,370**	**406,448**	**(115,520)**	**-**	**-**	**-**	**-**	**(115,520)**	**290,928**
Private Sector & Housing Enabling				592,121				592,121	(605,630)					(605,630)	(13,509)
Aireview House	26,790	5,920	100	29,250			9,980	72,040	(53,000)					(53,000)	19,040
Homelessness	146,100	5,850	2,400	90,200				244,550	(60)	(15,000)				(15,060)	229,490
Housing Service Unit	16,760		1,000	13,390				31,150	(8,060)					(8,060)	23,090
Housing Services	**189,650**	**11,770**	**3,500**	**724,961**	**-**	**-**	**9,980**	**939,861**	**(666,750)**	**(15,000)**	**-**			**(681,750)**	**258,111**
Refuse Collection Domestic	465,265		154,690	23,440			28,902	672,297	(32,500)				-	(32,500)	639,797
Refuse Collection Commercial	148,563		50,641	456,368			19,885	675,457	(925,750)				(10,000)	(935,750)	(260,293)
Street Cleansing	247,039	1,219	73,950	34,070			33,196	389,474	(2,000)				(38,000)	(40,000)	349,474
Recycling	408,637	65	71,667	246,970			18,517	745,856	(285,596)					(285,596)	460,260
Cleaner Neighbourhoods	76,904	-	1,350	13,550				91,804	(3,000)					(3,000)	88,804
Mechanics Workshop	99,524	20,271	2,493	13,180			-	135,468	(3,500)				(133,282)	(136,782)	(1,314)
Waste Management Service Unit	188,079		1,893	20,150			1,368	211,490	-					-	211,490
Garden Waste Subscription Scheme	99,502		43,641	101,083			15,414	259,640	(420,451)					(420,451)	(160,811)
Waste Management & Recycling	**1,733,513**	**21,555**	**400,325**	**908,811**	**-**	**-**	**117,282**	**3,181,486**	**(1,672,797)**	**-**	**-**	**-**	**(181,282)**	**(1,854,079)**	**1,327,407**
Resilient Communities	**4,359,957**	**874,453**	**434,349**	**2,635,057**	**129,690**	**7,000,000**	**167,976**	**15,601,482**	**(13,570,371)**	**(285,940)**	**(97,000)**	**-**	**(181,282)**	**(14,134,593)**	**1,466,889**
Corporate Management	636,560			228,338				864,898	(4,170)					(4,170)	860,728
CLT	488,537		1,600	8,010				498,147	(4,220)					(4,220)	493,927
Financial Services	418,195	-	250	99,630				518,075	-					-	518,075
Business Support	202,151	-	1,300	3,915				207,366	(1,460)					(1,460)	205,906
Human Resources & Training	119,158		40	36,435				155,633	(50)					(50)	155,583
Legal Services	115,807		250	26,830				142,887	(17,000)					(17,000)	125,887
Information Services	284,995	909	750	162,990				449,644	-					-	449,644
Miscellaneous Property		12,396		250				12,646	-					-	12,646
Bus Station		26,358		-			5,370	31,728	(18,500)					(18,500)	13,228
Skipton Depot	1,625	36,697		1,870				40,192	-					-	40,192
Settle Depot		70		-				70	-					-	70
Belle Vue Square	-	158,541		29,418			67,186	255,145	(41,297)					(41,297)	213,848
Build to Rent	-			-				-	-					-	-
Estates Services	-	7,436		12,440				19,876	(113,950)					(113,950)	(94,074)
Joint Venture - CBR Ltd				-				-				-		-	-
Assets & Commercial Service Unit	465,248	14	525	7,600				473,387	(19,918)				(50,000)	(69,918)	403,469
Financial Resilience	**2,732,276**	**242,421**	**4,715**	**617,726**	**-**	**-**	**72,556**	**3,669,694**	**(220,565)**	**-**	**-**	**-**	**(50,000)**	**(270,565)**	**3,399,129**
TOTAL NET COST OF SERVICES	**8,731,107**	**1,193,054**	**479,014**	**4,160,378**	**129,690**	**7,000,000**	**240,532**	**21,933,775**	**(15,551,756)**	**(285,940)**	**(97,000)**	**-**	**(231,282)**	**(16,165,978)**	**5,767,797**

Craven District Council
2019/20 Revenue Budget Bids

Bid No	Bid Ref	Section	Cost Centre	Description	Description of Bid	2019/20 Amount £	2020/21 Amount £	2021/22 Amount £	2022/23 Amount £	One off / Permanent / Fixed Term	Fund from?
2	RB02 19/20	Street Cleansing	R202	New Operatives	The Council as part of its budget setting process in 2017 reduced the number of drivers and cleansing operatives from the then total of 45 to the now 42. Unfortunately this has not proven to be the case with our 'Agency' bill increasing significantly and further on many occasions many of our Driver/Cleansing Operatives being taken from the Street Cleansing service to cover shortages on Domestic and Trade 'rounds'. In order to deal with the Street Cleansing service stress it is now suggested that we recruit an additional 2 Driver/Cleansing Operatives.	23,524	23,995	24,474	24,964	P	NHB Reserve
3	RB03 19/20	Economic Development	R330	Additional Post	To appoint a Town Centre Development Officer to work with Parish Councils and Chambers of Trade to develop and deliver projects aimed at improving the local trading environment. The post will focus on supporting (a) the implementation of existing action plans for Grassington, Ingleton and Settle, and (b) the development of proposals for the rejuvention of villages such as Horton-in-Ribblesdale.	36,726	37,868	38,625	39,397	P	
4	RB04 19/20	Bureavement Services	R190	Professional Services	Bereavement Services has been the subject of a business development plan and a review undertaken by the Council's Select Committee. Through this detailed planning and scrutiny work there has been recommendations for an extension to be erected to one side of the chapel's main entrance to be used as additional covered service space for large funeral's which cannot be accommodated in the main chapel. The main chapel seats 64 people at maximum capacity and is therefore one of the smallest operating chapel's compared to Craven's neighbouring boroughs where crematorium facilities are in operation. This does leave Craven at a disadvantage as it means that for larger funerals to take place here the remaining mourners are required to stand outside and merely listen to the service through loudspeaker and often in the rain, wind or even snow.There are several forms an extension could take and the services of a professional architect with experience of working on such specialist sites is required to provide an options appraisal together with developing, undertaking detailed designs and fully costing the preferred option to enable the submission of a robust business case in support of a substantiated capital bid to be made for the financial year 2020/21.	5,000				O	Enabling Efficencies Reserve
5	RB05 19/20	CLT	R350		Craven Green Apple Awards	2,000	2,000	2,000	2,000	P	EE
Total Revenue Bids						**67,250**	**63,863**	**65,099**	**66,361**		

Appendix D

Craven District Council Income & Savings Plan

Income & Savings Action Plan 2018/19 - 2021/22 v9 at January 2019

Reporting Spreadsheet

Key:

Green	Income / Savings achieved - low risk

Income Genereation/Cost Savings Ideas			RAG	Realism	Priority					Member Decision Req	Additional Resources	SLT Lead Update /Comments	Lead Member	CLT Lead	SLT Lead
Line No	Serv Ref	Description				2018/19	2019/20	2020/21	2020/21						
13	BuSu	Daisy Telephone Rentals	Green	H	L	1,780	1,780	1,780	1,780	N	N	Review of the Daisy telephone lines contract & line usage	John Dawson	Paul Shevlin	Joanne Garnet
14	EnSe	Littering Penalties - Increase in Fees	Green	H	L	1,000	1,000	1,000	1,000	Y	N	Policy committee meeting 17 June approved an increase in the littering penalty charges. Estimated contribution towrads costs of £500-£1,750 per annum.	Carl Lis	Paul Ellis	Wyn Ashton
15	Fi	External Audit Fee Savings as a consequence of PSAA negotiations	Green	H	L	5,000	5,000	5,000	5,000	N	N	PSAA have renegotiated the external audit contracts and savings are being handed back to LA's on an annual basis until March 2019 when the new contracts commence. The reductions are included in the base for the new contracts.	Patrick Mulligan	Nicola Chick	James Hordern
16	IT	Network / Firewall Replacement	Green	H	H	2,000	2,000	2,000	2,000	N	N	Complete	John Dawson	Paul Ellis	Darren Maycock
17	PrSe	Estate Rationalisation	Green	H	H	2,000	2,000	2,000	2,000	Y	N	Crosshills Toilets, Wilson Street Sutton and Embsay Car Park all disposed	Patrick Mulligan	Paul Ellis	Darren Maycock
18	EnSe	Commercial Waste	Green	H	M	10,000	10,000	10,000	10,000	y		Changes to commercial waste agreed by Policy Committee and included in 2019/20 budget	Carl Lis	Paul Ellis	Wyn Ashton
		TOTAL GREEN SAVINGS				**21,780**	**21,780**	**21,780**	**21,780**						

MAJOR BUDGETS RISK ASSESSMENT 2019/20

1 Background

1.1 This appendix provides a risk assessment for material items of revenue income and expenditure. It identifies those significant budgets where the risk of over or underachievement is greatest, including budgets which are particularly volatile or susceptible to fluctuation as a result of external factors, and attempts to quantify the financial risk to the Council.

1.2 Inflation is an important factor for the Council's budgets, and can have an impact when rates are high relative to income growth. The Council is also locked into some contracts which use the RPI for the rate of uplift, and these alone can add considerable risk to the relevant expenditure budgets.

2 Salaries and Wages

2.1 Salaries and Wages and other employee costs form a major expenditure for the Council accounting for 39.81% of revenue expenditure with total budgets for 2019/20 being £8.731m.

2.2 Variances to the budgets can arise for a number of reasons such as:
□ Vacancies (downward pressure).
□ Service pressures – unexpected requirement for overtime e.g. backlogs in work or cover for sickness absence (upward pressure).
□ Maternity leave (upward pressure – due mainly to reduced staffing resources).
□ Sickness absence – short term sickness generally has no financial implications. Long term sickness absence is likely to require posts to be covered to maintain service performance, for example by overtime or temporary staff (upward pressure).

2.3 The Service reviews in recent years have seen a reduction in employee numbers, this is seen to increase the risk on the budget, as there are less staff available to meet any subsequent pressures. Also, the size of the budget means that a minor change can result in a significant variance. However recent Service Reviews have aimed to boost the resilience of teams to deal with additional pressures or to improve Service performance.

2.4 Historically there has been an underspend in salaries and wages and the Council factors in a corporate vacancy allowance to its budget.

2.5 Assessment

2019/20 Budget	1 % Variance	5% Variance	10% Variance
8,730,903	8,818,212	9,167,448	9,603,993

Likelihood:	High	Impact:	Low	Risk:	High

3 Local Government Pension Scheme

3.1 The Local Government Pension Scheme and its funding have been and continue to be the subject of change. The main cost pressure is the under performance of the Fund, together with increases in pension fund membership, and although the latter has not been significant in the past, changes introduced in 2011/12 mean that employees who have previously opted out of the scheme will be automatically re- entered every 3 years, bringing a potential increase in cost if those employees do not choose to opt out again. 2019/20 is the third year in the cycle, so it is a possibility of the superannuation costs being greater in the 2020/21 budget.

3.2 The employer's contribution is based on a future service rate of 17.7% together with a lump sum. The back funding element is a fixed lump sum contribution, and is only liable to inflationary increases. Any variation over and above this will impact as per the figures below. The Council made the decision last year to prepay 3 years of Back funding, so as to benefit from a discount offered. The Lump sum was £1.7m and this covers Craven's payments until 2020/21.

3.3 Assessment

2019/20 Budget		1 % Variance	5% Variance	10% Variance
Current Cost	1,016,287	1,026,450	1,067,101	1,117,916
Back funding	635,400	641,754	667,170	698,940

Likelihood:	Low	Impact:	Medium	Risk:	Low

4 **Housing Benefits**

4.1 The national roll out of Universal Credit has been phased in from February 2015. There are doubts over the inclusion of Housing Benefit within Universal Credit and the budget has been set assuming no change. There is a potential that Universal Credit would see a reduction in workload, but there has been no evidence to suggest this. Officers are working to understand the implications of Universal Credit on the Authority.

4.2 The Budget for Housing Benefit payments is estimated to be £7.2m in 2018/19. The calculation takes into account Rental Price Increases and the current economic climate. Housing Benefit is estimated to equate to the Government Grant. Money recovered from over payments is estimated to be in the region of£0.110m. The recovery level is at risk in difficult economic times creating a risk factor.

4.3 Assessment

2019/20 Budget	1 % Variance	5% Variance	10% Variance
7,000,000	7,070,000	7,350,000	7,700,000

Likelihood:	High	Impact:	Low	Risk:	High

5 **Council Tax Support**

5.1 The estimated value of Council Tax Support for 2018/19 is £2.474m. Council Tax Support is funded as a discount on Council tax. Craven DC's risk is that any increased demand for Council Tax Support will result in a 13% liability to the Council of this additional amount. The rest is covered by the NYCC, Fire and Police Authority.

5.2 Assessment

2017/18 Budget	1 % Variance	5% Variance	10% Variance
2,474,131	2,498,872	2,597,838	2,721,544

Likelihood:	Low	Impact:	Low	Risk:	Low

6 **Energy Costs (various budgets)**

6.1 Energy costs are difficult to predict with precision as they are affected by both volume of consumption and price. The Council procures energy through a framework contract.

6.2 Through its capital programme in 2018/19 the Council is installing a new Building Energy Management System (BEMS) at the Craven Leisure. This will makes savings on the annual utilities at that site.

6.3 Assessment

2018/19 Budget		1 % Variance	5% Variance	10% Variance
Electricity	109,135	110,226	114,592	120,049
Gas	127,151	128,423	133,509	139,866

Likelihood:	High	Impact:	Medium	Risk:	Medium

7 **Waste Collection**

7.1 With effect from January 2010, the Council introduced an alternate weekly bin collection system. A sum of £644k is included in the 2019/20 budgets for Council waste collection costs and waste disposal charges made by the County Council.

7.2 Assessment

2018/19 Budget	1 % Variance	5% Variance	10% Variance
643,936	650,375	676,133	708,330

Likelihood:	Medium	Impact:	Medium	Risk:	Medium

7.3 Contained within the budget is an allowance for inflation on certain costs such as vehicle fuel. In addition growth in property numbers impacts on the services costs. The outcomes of the Local Plan will impact the number of properties per year which will be built in the district which may lead to the need for additional resources (vehicles and staffing).

7.4 The County Council charges relate to the disposal of trade waste. In 2018/19 this was £120.30 per tonne. This is multiplied by the latest estimated tonnage figures which then form part of the pricing calculations which aim to return a small surplus. With regard to tonnage the estimates are based upon the latest information and to the extent that tonnage is not certain, there is the risk that there may be some variance to the original budget.

7.5 It is estimated that NYCC will increase the Disposal Charge price per tonne in 2019/20. It is assumed this will be £126.93.

8 Recycling

8.1 A sum of £310k is included in the 2019/20 budgets for fees that the Council pays to process commodities for recycling. The main items for recycling are green waste, paper, glass, plastic containers/bottles and cans. The costs are variable as the price and tonnage can vary throughout the year due to seasonal trends (green waste) and market forces.

8.2 Assessment

2018/19 Budget		1 % Variance	5% Variance	10% Variance
Disposal Costs	309,953	313,053	325,451	340,948

Likelihood:	Medium	Impact:	Low	Risk:	Medium

8.3 As the cost per tonne charged and the recycling credit per tonne are not directly related, the correlation between expenditure and income is not direct. The County Council rate for 2018/19 recycling credit is £51.15 per tonne, it is estimated that this will decrease by 40% to £30.40 for 2019/20. The assessment below analyses the risk of reductions in the tonnages.

8.4 Assessment

2018/19 Budget		1 % Variance	5% Variance	10% Variance
Recycling Credits	378,455	374,670	359,532	340,610

Likelihood:	Medium	Impact:	Medium	Risk:	Medium

9 Sale Of Recyclables

9.1 As a result of the collapse in the commodities markets for dry recyclates in 2016/17 Craven District Council (CDC) faced a significant loss of income from the sale of these materials collected at kerbside and from the Council's bring sites. As a result the Council had to pay to send these materials for processing and recycling which means that there had been a huge budget swing for this area. 2019/20 is the fourth year of this arrangement and there is no sign of it coming to an end.

10 Garden Waste Collection Service

10.1 The Council provides a garden waste collection service to householders who pay a subscription. The subscription charge for 2019/20 has been increased by £3.50 to £36.00 pa.

10.2 This garden waste collection scheme generated over £270k of income in 2018/19 but this did not cover the cost of running of this service after recharges. The increase in the subscription charge should mean that more income is generated, and if costs can be controlled, may mean that the service could add a contribution to the Council's overhead costs.

10.3 Assessment

2019/20 Budget	1 % Variance	5% Variance	10% Variance
326,592	323,326	310,262	293,933

Sensitivity:	Low	Impact:	Medium	Risk:	Low

11 Planning Application Fees

11.1 During 2017/18 the was a significant decrease in the planning fee income, this was thought to be caused by the increase in the applications which only attracted a smaller fee, and a reduction in the larger more expensive applications. Although lower value applications increased, there is still considerable volatility in the submission of larger applications. This unpredictability means that this area has a high degree of sensitivity and therefore should continue to be monitored closely.

11.2 As part of the Settlement in 2017/18, the Government have allowed a 20% increase in the Fees chargeable and 2018/19 saw a slight increase in Fee income as a result. The budget for 2019/20 was been set at £410,000 as planning fees are very dependent on economic levels of activity, and as outlined above until the situation improves considerably, income levels may remain flat. The pattern over recent years is shown in Table1:

11.3 Table 1:

Year	Original Estimate	Actual/Projected Outturn	Variance	
	£	£	£ +ve/(-ve)	% +ve/(-ve)
2013/14	255,000	406,423	151,423	59
2014/15	263,500	465,344	201,844	77
2015/16	285,000	543,042	258,042	91
2016/17	388,500	519,843	131,343	34
2017/18	418,500	379,723	(38,777)	(9)
2018/19	410,000	410,000	-	-
2019/20	410,000	410,000	-	-

Assessment

2019/20 Budget	1 % Variance	5% Variance	10% Variance
410,000	405,900	389,500	369,000

Sensitivity:	High	Impact:	Medium	Risk:	High

12 Building Control

12.1 The Council runs its own Building Control Service and as with many other Council's has experienced reduced levels of business due to the economic slowdown, with income levels down. The Council has had to make significant changes and savings to streamline the service to reduce costs to offset the shortfall in income.

12.2 It is anticipated that the Service will run after allocation of overheads at a deficit for 2018/19. The improvement in fees experienced up to 2016/17 has slightly reduced. That coupled with the actual Fees earned in 2017/18 has meant the Budget set for 2019/20, is a reduced estimate of £165k.

12.3 Table 2:

Year	Original Estimate	Actual/Projected Outturn	Variance	
	£	£	£ +ve/(-ve)	% +ve/(-ve)
2013/14	153,000	140,967	(12,033)	(8)
2014/15	150,000	160,956	10,956	7
2015/16	175,000	149,533	(25,467)	(15)
2016/17	175,000	170,944	(4,056)	(2)
2017/18	175,000	158,085	(16,915)	(10)
2018/19	175,000	175,000	-	-
2019/20	165,000	165,000	-	-

Assessment

2019/20 Budget	1 % Variance	5% Variance	10% Variance
165,000	163,350	156,750	148,500

Sensitivity:	Medium	Impact:	Low	Risk:	Medium

13 Land Charges Income

13.1 Land Charges fees are set in line to recover the cost of the service. In addition Land Charges income is particularly susceptible to external factors such as the movement in the property market, and the option for house buyers to facilitate gathering of information in the most economical way by undertaking elements of the searches themselves. In 2017/18 the Fees and Charges were updated to create a charge rate for the non-residential searches, which take 50% longer than the residential searches. This has remained the same in 2019/20.

13.2 The housing market is continuing to recover. The budget for 2019/20 has been set at with a modest decrease to reflect the trend over 16/17, 17/18 and 18/19.

13.3 Assessment

2018/19 Budget	1 % Variance	5% Variance	10% Variance
150,000	148,500	142,500	135,000

Sensitivity:	Low	Impact:	Low	Risk:	Low

14 Council Tax Court Costs (income)

14.1 Owing to a more effective and embedded recovery procedure, accounts reaching the summons stage remain fairly consistent. This area is still fairly sensitive to the state of the economy.

14.2 Assessment

2019/20 Budget	1 % Variance	5% Variance	10% Variance
90,000	89,100	85,500	81,000

Sensitivity:	Low	Impact:	Low	Risk:	Low

15 Commercial And Other Property Rents

15.1 The Council has a small property portfolio which includes garages, industrial units and other commercial property which it rents out. Rents are reviewed on a regular basis. Table 3 below shows estimated and actual income levels since 2013/14.

15.2 Table 3:

Year	Original Estimate	Actual/Projected Outturn	Variance	
	£	£	£ +ve/(-ve)	% +ve/(-ve)
2013/14	144,040	156,229	12,189	8
2014/15	141,330	175,279	33,949	24
2015/16	141,330	175,514	34,184	24
2016/17	170,000	137,625	(32,375)	(19)
2017/18	150,700	133,445	(17,255)	(11)
2018/19	153,950	153,950	-	-
2019/20	153,950	153,950	-	-

Assessment

2018/19 Budget	1 % Variance	5% Variance	10% Variance
153,950	152,411	146,253	138,555

Sensitivity:	Low	Impact:	Medium	Risk:	Low

16 Shared Ownership Scheme Income

16.1 In 2014 the Council took the decision to allow investigation into the possibility of implementing a Shared Ownership Scheme. The principle of shared ownership is that occupiers buy a share of the property, for example 50%, and then pay a rent on the remainder. The owners then have the option of acquiring additional shares with a consequent reduction in the rental payment.

16.2 In order to generate an annual revenue stream of £100,000 from shared ownership, the council would need to build or buy approximately 50 dwellings. A realistic programme of developing three to five sites per annum for 10 - 15 dwellings per year over the four years to 2019/20 is being considered

16.3 The major risk is that the development of sites is delayed or not possible. This will significantly reduce the income potential of the scheme. Budget for 2019/20 is set at £45,000 as is set to increase in the subsequent years as the Council develops it's portfolio.

16.4 Assessment

2018/19 Budget	1 % Variance	5% Variance	10% Variance
45,000	44,550	42,750	40,500

Sensitivity:	Low	Impact:	Low	Risk:	Low

17 Car Park Pay And Display Income

17.1 Car parking income has a separate policy for increasing fees which is reviewed bi-annually in accordance with the policy agreed in July 2006.

17.2 A review of the Car Parking Charges in 2016/17, ahead of the 2017/18 financial year along with a consistent level of Car park usage, has resulted in a increase in anticipated income. For 2019/20 there has been no increase proposed.

17.3 As part of the review it was resolved to introduce charges to the Craven Pool & Fitness Centre car park, in line with the approval granted by Policy Committee, December 2015. Also in 2017/18 the residents and non-residents parking permit scheme was amalgamated. In 2018/19 a staged increase, approved in 2017/18, for the Short and medium stay permits has been applied. An assessment of the Car Parking Income is below.

17.4 Table 4:

Year	Original Estimate	Actual/Projected Outturn	Variance	
	£	£	£ +ve/(-ve)	% +ve/(-ve)
2013/14	1,215,000	1,216,686	1,686	0
2014/15	1,215,000	1,309,175	94,175	8
2015/16	1,215,000	1,344,155	129,155	11
2016/17	1,350,000	1,458,089	108,089	8
2017/18	1,445,000	1,484,844	39,844	3
2018/19	1,503,000	1,503,000	-	-
2019/20	1,513,000	1,513,000	-	-

Assessment

2018/19 Budget	1 % Variance	5% Variance	10% Variance
1,513,000	1,497,870	1,437,350	1,361,700

Sensitivity:	Low	Impact:	High	Risk:	Medium

18 Income From Domestic And Trade Waste Collection

18.1 Income is derived from two main sources, the collection and disposal of commercial waste from non-domestic premises, and the collection of bulky household waste from domestic properties. It has been resolved that the way Craven DC charges for it's Trade Waste be altered from a Volume based system to a Weight based one. This will be in line with how the competitors charge and so make the Council more competitive and commercially minded.

18.2 There should be little risk to the domestic waste income, as sales of bins and sacks, and use of the bulky refuse collection service are expected to achieve the budgets set.

18.3 The commercial waste budgets for 2019/20 have been set to take into account the increased disposal costs from the County Council, and an inflationary increase, the result of which are prices that offer competitive services to customers within the district. Income from trade waste collection charges is now in the region of £893k per annum This is a £81k increase of the original 2018/19 estimate. Like any other business, income from this source is subject to increasing competition from other providers, and from the tough economic conditions currently being encountered. These prices are calculated to make the service a small surplus and are agreed as part of the annual fees and charges review

18.4 There has been a review of Fess and Charges in 2018/19 ahead of the 2019/20 financial year. This coupled with the change to the charging model used to calculate the weights of Bins rather than an estimation of volume, has resulted in an estimate of £900k of income for the 2019/20 year. This is not without it's risks however, as the change is a dramatic shift from what is currently charged, it may take a while for customers to come to terms with it and may result in lost of business. However as most of the competition charge on this basis, this is seen as minimal.

18.5 Assessment

2018/19 Budget	1 % Variance	5% Variance	10% Variance
900,000	891,000	855,000	810,000

Sensitivity:	Medium	Impact:	Low	Risk:	Medium

19 Licensing Act 2003 Income

19.1 Licensing charges fees are set by central government and increases are governed by direction from them.

19.2 Licensing Act 2003 income which forms the largest element has the potential to be volatile as it depends on the number of applications for variables such as temporary events notices. Table 5 shows the income since 2013/14.

19.3 Table 5:

Year	Original Estimate	Actual/Projected Outturn	Variance	
	£	£	£ +ve/(-ve)	% +ve/(-ve)
2013/14	62,000	73,804	11,804	19
2014/15	65,000	76,507	11,507	18
2015/16	69,000	71,627	2,627	4
2016/17	69,000	74,718	5,718	8
2017/18	69,000	74,995	5,995	9
2018/19	69,000	69,000	-	-
2019/20	74,000	74,000	-	-

Assessment

2018/19 Budget	1 % Variance	5% Variance	10% Variance
74,000	73,260	70,300	66,600

Sensitivity:	Low	Impact:	Low	Risk:	Low

20 Bereavement Services Income

20.1 Bereavement services income is generated from crematorium fees at Waltonwrays and burial fees at Skipton, Ingleton and Waltonwrays. The Council is required to pay mercury abatement costs which are recharged as part of the cost of cremation. Table 6 analyses the total income compared to budget since 2013/14.

20.2 Table 6:

Year	Original Estimate	Actual/Projected Outturn	Variance	
	£	£	£ +ve/(-ve)	% +ve/(-ve)
2013/14	569,670	654,933	85,263	15
2014/15	608,120	713,757	105,637	17
2015/16	650,970	683,470	32,500	5
2016/17	676,680	763,549	86,869	13
2017/18	777,326	788,687	11,361	1
2018/19	808,852	836,962	28,110	3
2019/20	844,914	844,914	-	-

Assessment

2019/29 Budget	1 % Variance	5% Variance	10% Variance
844,914	836,465	802,668	760,423

Sensitivity:	Low	Impact:	Medium	Risk:	Low

21 Craven Pool Income

21.1 Craven pool generates a significant level of income but in the last few years it has seen a rise in costs. Table 7 analyses the income compared to budget since 2013/14.

21.2 Table 7:

Year	Original Estimate	Actual/Projected Outturn	Variance	
	£	£	£	%
2013/14	1,089,800	1,155,383	65,583	6
2014/15	1,127,000	1,121,406	(5,594)	(0)
2015/16	1,127,000	1,211,120	84,120	7
2016/17	1,129,180	1,242,635	113,455	10
2017/18	1,266,720	1,212,000	(54,720)	(4)
2018/19	1,300,190	1,300,190	-	-
2019/20	1,324,630	1,324,630	-	-

Assessment

2018/19 Budget	1 % Variance	5% Variance	10% Variance
1,324,630	1,311,384	1,258,399	1,192,167

Sensitivity:	Low	Impact:	Medium	Risk:	Low

22 Investment Interest

22.1 The low bank base rate continues to challenge our investment returns. Investment rates are currently in the 0.3% - 1.0% range dependent on the length and counterparty involved. Due to the economic situation forecasters are not expecting a rise in the base rate until the April-June quarter of 2019. With this in mind 0.86 % has been used for budget calculations. If this level fails to be achieved the impact of reduced rates is shown below.

22.2 In 2019/20 forecasted income for investments totals £120k. This is made up of investment income (£47k), Pension Fund Discount (£58k) and the interest from the Loan made as part of the 2017/18 Capital Programme (£15k).

22.3 Assessment

2019/20 Budget		Average 0.3%	Average 0.5%	Average 0.7%
Investment Interest	47,000	16,395	27,326	38,256
Loan	15,000	15,000	15,000	15,000
Pension Fund	58,000	58,000	58,000	58,000

Sensitivity:	Low	Impact:	Low	Risk:	Low

23 Localisation of Business Rates

23.1 The implementation of the Localisation of Business Rates means that the Council is now sharing the potential impact of the volatility of business rates funding and uncertainties around levels of and impact of appeals which are outside of its control. The impact is being mitigated by the creation of an earmarked reserve however this may not be adequate to cover the Councils liability.

23.2 Assessment

2019/20 Budget	1 % Variance	5% Variance	10% Variance
1,600,000	1,584,000	1,520,000	1,440,000

Sensitivity:	High	Impact:	High	Risk:	High

24 Skipton Town Hall

24.1 Following the recent improvements to the Skipton Town Hall the Council has an opportunity to utilise the newly refurbished office space and other areas to achieve additional revenue. However in 2019/20 there are further significant refurbishments, which has meant that the Town Hall is mostly out of commission for the 2019/20 Financial year. This is inevitably mean that there is a significant reduction in the income it can generate. However steps are in place to promote and utilise the Town Hall and Museums attributes around the district and so still managing to earn some needed revenue. Part of the Town Hall space will still be available and now impact on the current tenants so should be no impact on the already in place rental streams.

24.2 The Concert Hall income will suffer as a result of the continued building works. The 2019/20 budget is set at £7k - a fifth of last years £40k.

24.3 It is anticipated that the income for 2019/20 will be significantly decreased due to the continued works. However there will be full year effects of the tenanted units generating Service charges and rental income.

24.4 Assessment

2018/19 Budget		1 % Variance	5% Variance	10% Variance
Concert Hall	7,200	7,128	6,840	6,480
Commercial units	81,580	80,764	77,501	73,422
Service Charges	26,610	26,344	25,280	23,949

Likelihood:	Medium	Impact:	High	Risk:	High

ROBUSTNESS OF THE BUDGET and ADEQUACY OF RESERVES ASSESSMENT 2019/20

1.0 Robustness of the Budget – Local Government Act 2003 – Section 25 Report

1.1 Background

1.1.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (section 151 Officer) to report to the Authority when it is making the statutory calculations to determine its Council tax or precept. The authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

1.1.2 What is required is the professional advice of the Chief Finance Officer on these two questions. Both are connected with matters of risk and uncertainty. They are interdependent and need to be considered together. In particular, decisions on the appropriate level of reserves should be gained by advice based on an assessment of all the circumstances considered likely to affect the Authority.

1.1.3 In each Authority the Chief Finance officer alone must prepare the Section 25 report.

1.1.4 Section 25 requires the report to be made to the Authority when the decisions on the calculations are formally being made (i.e. Council). However, those decisions are the conclusion of a process involving consideration of the draft budget by various parts of the organisation, including Policy Committee and other member meetings / briefings and officers. During this process appropriate information and advice has been given at the earlier stages on what would be required to enable a positive opinion to be given in the formal report.

1.1.5 DCLG guidance states that "it should be possible to identify the sections of a composite report that are made under section 25, so that the Authority is able to discharge its duty to take account of the statutory report under section 25(2)".

1.2 Section 25 Report (Report of the Chief Finance Officer (s151 officer))

1.2.1 Inflationary pressures – an appropriate estimate has been included for the provision of the impact of the national pay award which is expected to take effect from 1 April 2019. Budgets have been prepared at out-turn prices to take account of inflationary and usage pressures.

1.2.3 Income – increases to fees and charges were approved by Policy Committee in December 2018. Income budgets fee increases delegated to officers under the Council's fees and charges policy have been reviewed. Income budgets have been reviewed to take into account both the increases in price and forecasted changes to usage.

1.2.4 Savings – the savings proposals from the Council's Income and savings plan are not without risk. Therefore only those identified as green are contained within the budget all projects still identified at Amber and Red status (those requiring additional resources, member approval and robust planning) have not been included. The additional income proposals for on-going services also carry risk but they are prudent. A risk assessment has been undertaken of the council's major expenditure and income budgets.

1.2.5 Capital Programme Revenue Effects and Financing – The revenue budget includes all the effects of capital schemes. The Capital plan and capital programme are reviewed regularly. The availability of capital receipts is finite and the balance that the council currently holds will be all but spent by 2020/21. If the Council wishes to continue with funding its capital programme beyond 2020/21 then significant contributions will be required from the revenue account to appropriate reserves or consideration given to further borrowing.

1.2.6 The overall level of reserves is considered in detail as part of this paper.

1.2.7 **S151 Officer Statement**

In setting the Revenue Budget for 2019/20 I consider that the proposed budget is robust, and reflects a realistic and prudent view of all anticipated expenditure and income.

2.0 Adequacy of Funds & Reserves

2.1 As part of the budget setting process it is necessary to give members an indication of the levels of reserves and balances and comment thereon. Annex 1 to this appendix sets out the projected major Funds and Reserves balances for 2019/20 to 2021/22 based on the Long Term Financial Strategy forecasts and Medium Term Plan. The Council's revenue budget for 2019/20 assumes no draw on the General Reserve to support the budget.

2.2 The rationale for each of these reserves and the level required in each has been reviewed. Recommendations regarding reserves are made within the body of the Budget Report.

2.3 The CIPFA guidance on reserves does not recommend a statutory minimum level of reserves. It states that "Local Authorities should make their own judgements on such matters taking into account all the relevant local circumstances which will vary between Authorities". The CIPFA Local Authority Accounting Panel (LAAP) has issued a guidance note on Local Authority Reserves and Balances (LAAP 77) to assist Council's in this process. This guidance is not statutory, but compliance is recommended in CIPFA's 2003 Statement on the Role of the Finance Director in Local Government. It would be considered best practice to follow this guidance.

2.4 The guidance states that no case has yet been made to set a statutory minimum level on general reserves, either as an absolute amount or a percentage of the budget. Each local authority should take advice from its Chief Finance Officer and base its judgement on local circumstances. A well run Council, with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves.

2.5 Reserves can be held for three main purposes:
a) general fund reserve to meet the potential costs of emergencies or unexpected events, including a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
b) a contingency to meet the costs of events that are possible but whose occurrence is not certain – this also forms part of the general fund reserve. For example the planning reserve which is to be used to help fund the work on the local development framework.

c) earmarked reserves to meet known or predicted liabilities over a period of time usually more than one year. These earmarked reserves protect the Council against specific financial risks and this is a factor to be taken into account when assessing the adequacy of the totality of balances and reserves and the level of the General Fund Balance.

2.6 In formulating my view on the adequacy of the Council's General Fund Unallocated Reserve and level of Earmarked Reserves, I have taken into account the risks facing the council, which includes items identified in closing the 2017/18 accounts which still exist, issues that have arisen in 2018/19, funding of the capital programme, prospects for inflation and the risks surrounding the budget as identified in the risk assessment in Appendix E and provision for bad debts.

General Fund Unallocated Reserve

2.7 The Council's unallocated General Fund Balance is currently at £995k. The 2019/20 budget does not require support from this balance. This represents 14.77% of the net revenue budget. Whilst this may seem high there are a number of risks which the Council faces some of which are identified below and therefore the balance in the current climate is appropriate.

a) An adverse movement of 1% pay and prices on the budget estimates would cost the council an additional £210k.
b) The Council has a number of significant income streams and adverse movement of 5% would cost £410k
c) The council budgets contain no allowance for emergencies such as flooding, the council is expected to 0.2% of its budget available (£14k) and whilst there would be access to the Bellwin scheme it does not cover 100% of costs. It is prudent to have £50k.
d) The localisation of business rates is volatile and a movement of 5% would result in a reduction of £395k
e) Continued uncertainties for local government funding.
f) The Council has a reserve for the costs of its LDF however this assumes that there will be no unexpected (such as judicial reviews) costs over and above those already identified for its completion.
g) The Council along with other Local Authorities still faces a risk that the national litigation in respect of Land Charges fees will continue with currently unidentified claimants submitting requests for refunds. These costs are at present unknown, but could be substantial.

Significant Earmarked Reserves

2.8 New Homes Bonus

This reserve contains the grant received from the government and is being utilised for support of the revenue budget and specific projects under the headings of Infrastructure, Localism and Empty Homes. Use of the reserve is subject to reports to members. The reserve is adequate for the purpose for which it was set up and the projects that have already been approved. Going forward New Homes Bonus is required to support the budget and only limited funds are available for new projects. £176k will be required in 2019/20 of which £50k will be used to support the budget with the balance funding projects.

2.9 Planning

The planning reserve is to be used for the costs of the creation of the Craven District Local Plan (LDF). The forecasted balance at April 2019 will be £475k. The Local Plan has been reviewed by the Inspector and his proposals are currently out to consultation. The LDF is expected to be adopted at the end of 2018/19 or early 2019/20. The very nature of the inspection process has incurred costs for the Council which have been funded from the reserve. There may be small residual costs which require funding and these can be accommodated from the reserve. The reserve is also available to fund challenges to planning decisions should they arise. The balance is considered adequate at this time, but will need to be reviewed during 2019/20

2.10 Enabling Efficiencies
This reserve is used to fund revenue and capital projects that will generate efficiencies or additional income for the council. The 2019/20 budget contains net usage of £60k. A balance of between £200k and £300k is considered adequate for this reserve.

2.11 Vehicle Replacement
This reserve has been set up to provide resources for funding replacement vehicles. The current costings within the replacement programme far outweigh the resources within this fund. The 2019/20 budget contains a planned contribution of £30k. The capital programme requires £212k. The resources within this reserve are inadequate and this reserve in my opinion is a priority for additional contributions of at least £150k per annum.

2.12 ICT Projects
This reserve has been set up to provide resources for funding ICT projects both revenue and capital. The estimated balance at April 2019 is adequate for the commitments of the 2019/20 revenue budget and capital programme. The 2019/20 budget contains a planned contribution of £30k and utilises £65k. To ensure continued investment in IT the resources within this reserve are inadequate and this reserve in my opinion is a priority for additional contributions of at least £75k per annum.

2.13 Buildings
This reserve has been set up to provide resources for funding works to the Council's property portfolio both revenue and capital. The estimated balance at April 2019 is adequate for the commitments of the 2019/20 revenue budget and capital programme. The 2019/20 budget contains a planned contribution of £52k and utilises £97k. To ensure continued investment in the Council's property assets consideration should be given to increasing contributions to £200k per annum. A level of at least £750k should be the target.

2.14 Insurance
In order to keep insurance premiums at an affordable level the council agreed to increase its excess on public liability claims up to £5k per claim. Based on the current claim history, the contributions and forecasted balance on this reserve are adequate.

2.15 Business Rates Contingency
The forecast balance on the business rates contingency at April 2019 is estimated at £650k. The 2019/20 budget has a deficit of £103k declared for the Non Domestic Rates Collection Fund. The localisation of business rates has identified a number of issues of the volatility of the rates system which will impact on the council. The 2019/20 budget does not require a contribution from this reserve to support the budget. In the current climate with the unknown impact of appeals for the 2017 rating list and the impact of the fairer funding review it is prudent to leave this reserve at its current level for budget support in future years.

2.16 Elections Reserve

The elections reserve is available to help smooth the funding of the costs of the District Council elections. The Council currently has one third of its members standing for election for three years out of four. This causes a yoyo effect within the revenue budget. A contribution to the reserve of up to £35k is made in the year there is no election. 2019/20 is an election year and a draw-down of £7k from the reserve will be made.

2.17 VAT Partial Exemption

This reserve was created as part of the 2017/18 year-end to mitigate against the impact of capital programme costs associated with services that are partially exempt from VAT (i.e. they have some parts that are taxable for VAT and some that are exempt from VAT). If the Council goes above a certain threshold then VAT from purchases cannot be recovered and the gross amount has to be paid on all exempt items. This can impact on both the capital and revenue programme increasing costs by 20%. This reserve will be reviewed as part of the 2018/19 year-end procedures. The balance of £800k is considered adequate at this stage for any utilisation that will be required in 2018/19 or 2019/20.

2.18 Future Year Budget Support

This reserve has been created to capture in-year savings from projects within the Council's Income and Savings Plan. The resources within the reserve are being held to support future years where there is a delay in a project coming on stream. Use of up to £76k of funds from this reserve will be required to balance the 2019/20 budget. In year contributions to this reserve should continue from projects within the Council's Income and Savings Plan.

2.19 **S151 Officer Statement**

I am satisfied that:-

Having conducted a review of the Council's requirement for the minimum General Fund Balance and taking into consideration various matters including:-

a) the Council's spending plans for 2019/20 and the medium term financial position;
b) a risk assessment of the main items of income and expenditure;
c) a risk assessment of the savings plan;
d) adequacy of estimates of inflation, interest rates
e) treatment of demand led pressures;
f) the need to respond to emergencies, and
g) other potential calls on balances.

The balance of £995k on the General Fund is considered adequate for this purpose.

In addition that the Council's earmarked reserves are adequate for the Council's 2019/20 financial plans and to meet any known or predicted liabilities over the period which are expected to become due for payment.

Forecasted Balances and Reserves 2018/19 to 2021/22

Reserve	2019 - 20			2020 - 21			2021 - 22			2022 - 23				Link to Council Plan / Priority	Purpose of Reserve (all reserves are revenue and their purpose is reviewed as part of the budget process each year)
	Estimated Balance Apr-19 £'000	Budgeted in Year Receipts £'000	Utilisation & Commitments £'000	Estimated Balance Apr-20 £'000	Budgeted in Year Receipts £'000	Utilisation & Commitments £'000	Estimated Balance Apr-21 £'000	Budgeted in Year Receipts £'000	Utilisation £'000	Estimated Balance Apr-22 £'000	Budgeted in Year Receipts £'000	Utilisation £'000	Estimated Balance Apr-23 £'000		
New Homes Bonus Projects	1,609	517	(198)	1,928	224	(137)	2,015	92	(117)	1,990	50	(117)	1,923	1,2,3	3 Overarching project areas - Infrastructure, Empty Homes & Localism. Plus support for budget.
Planning	475	0	0	475	0	0	475	0	0	475	0	0	475	1,2	To contribute towards costs of LDF and contingency for planning enquiry costs / appeals
Enabling Efficiencies	281	0	(60)	221	0	(17)	204	0	0	204	0	0	204	2,3	For use for projects to create future savings and efficiencies
Vehicles	293	30	(212)	111	30	(141)	0	30	0	30	30	0	60	2,3	Set up to fund purchase of vehicles
ICT	269	30	(65)	234	30	(40)	224	30	(40)	214	30	(40)	204	3	Set up to fund investment in IT (enabling technology)
Buildings	249	52	(97)	204	52	0	256	52	(90)	218	30	(90)	158	3	Set up to fund maintenance, repairs and improvements to council properties
Insurance	80	10	0	90	10	0	100	10	0	110	0	0	110	3	Fund excess on insurance claims
Business Rates Contingency	650	0	0	650	0	0	650	0	0	650	0	0	650	3	To mitigate against deficits in the North Yorkshire Business Rates Pool
Elections Reserve	28	0	(7)	21	0	(7)	14	27	(35)	6	27	0	33	3	Proposed new reserve to smooth funding of elections.
Future Year Budget Support	141	0	(77)	64	0	0	64	0	0	64	0	0	64	3	Savings achieved as per savings plan in year to support future year budgets. 2017/18 ustilisation is maximum available to contribute to budget.
Contingency & Revenue Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	4	Contingency funding and Slippage requests
Edith Stead, Bishopdale Court, Etc	888	0	0	888	0	0	888	0	0	888	0	0	888		VAT equalisation, LABGI & ERDF & Building Control funds
Total Earmarked Reserves	**4,964**	**639**	**(716)**	**4,887**	**346**	**(342)**	**4,891**	**241**	**(282)**	**4,850**	**167**	**(247)**	**4,770**		
General Fund	995	0	0	995	0	0	995	0	0	995	0	0	0	3	Unallocated GF reserve acts as contingency for unexpected expenditure
Total Revenue Reserves	**5,959**	**639**	**(716)**	**5,882**	**346**	**(342)**	**5,886**	**241**	**(282)**	**5,845**	**167**	**(247)**	**4,770**		

KEY Council Plan Priority Area

1. Enterprising Craven. 2. Resillient Communities. 3. Financial Sustainability

Craven District Council

Budget Consultation

2019/20

Full analysis of responses

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Contents

Introduction

This report describes the results of Craven District Council's budget consultation, held between August and October 2018 to support the setting of the 2019/20 budget.

Direct contact was made by email/letter to around 400 individuals or organisations across:

- The Council's Residents Panel
- Parish/Town Councils
- A number of local voluntary/community organisations and partners listed on Council contact lists
- Local Chambers of Trade

Details were press released advertised and copies of the consultation document placed in main Council contact points, and on the Council's website. Regular posts promoting the consultation were made to social media sites Twitter and Facebook. The survey was made available in both print and online versions.

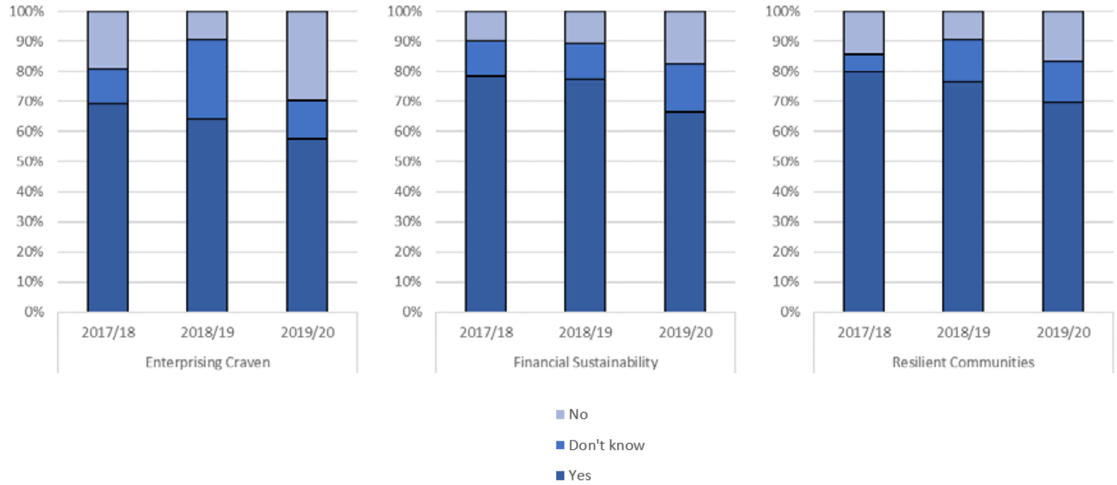
There were 160 responses to the survey, though not all responders answered all questions. The survey sample is closely representative of the genders and ethnic groups of residents, however the views of younger and older people, and those living in more rural parts of the district, may be under-represented.

Summary

- A majority of people responding to the survey said that the council's 3 priorities are still the right ones. Support for the 3 priorities has reduced slightly over the past 3 years.
- The most common priority identified by residents was 'affordable housing', which appeared in 11 comments. There were 25 other themes suggested, mostly practical suggestions relating to specific issues. 9 of these themes were raised by 3 or more responders.
- 61% of those responding said that they would be prepared to accept a 2% increase in Council Tax. 53.1% of those responding said they would accept a £5 per year increase in Council Tax.
- Overall, a majority of those responding said that spending should stay the same for all statutory areas with the exception of Planning & Building Control Services. For Planning & Building Control Services, 34.6% said that the council should increase or introduce fees and charges and 21.1% said that the council should consider reducing spending.
- A majority of those responding support maintaining current spending in most discretionary areas. There were three areas where fewer than half of responses suggested maintaining current spending: Arts Development (39.1% supported current spending), Partnerships and Communications (40.5%) and Partnerships & Communication (45.0%).
- A small proportion of those responding (around 20%) supported an increase in fees and charges for CDC's chargeable services.
- A majority of those responding would support an increase in the number of volunteers helping to deliver services (63.8%), and in the transfer of some services to voluntary or community groups (57.5%). However there were 3 separate comments in the final comments section specifically opposing this idea.
- There were 23 additional suggestions for saving money or generating income, and 13 other general comments on the budget.

Q1

Do you think these priorities are still the right ones for 2019/22?



A majority of responses to the survey say that the council's 3 priorities are still the right priorities. However, the proportion of responses agreeing that these are the right priorities has reduced over the past 3 years.

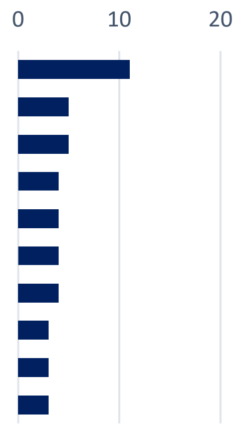
- For 2019/20, support is highest for the priority 'Resilient Communities'. Almost 70% of responses agreed that this is still the right priority. This is 9.8 percentage points lower than those agreeing in 2017/18
- Support is lowest for 'Enterprising Craven'. However, a majority (57.7%) still agreed that this is the right priority. Support for this priority is 11.6 percentage points lower than in 2017/18.

	Year			*Year*		
	2017/18	**2018/19**	**2019/20**	***2017/18***	***2018/19***	***2019/20***
Enterprising Craven						
Yes	106	102	90	*69.3%*	*64.2%*	*57.7%*
Don't know	18	42	20	*11.8%*	*26.4%*	*12.8%*
No	29	15	46	*19.0%*	*9.4%*	*29.5%*
Total	153	159	156			
Financial Sustainability						
Yes	119	122	103	*78.3%*	*77.2%*	*66.5%*
Don't know	18	19	25	*11.8%*	*12.0%*	*16.1%*
No	15	17	27	*9.9%*	*10.8%*	*17.4%*
Total	152	158	155			
Resilient Communities						
Yes	122	121	109	*79.7%*	*76.6%*	*69.9%*
Don't know	9	22	21	*5.9%*	*13.9%*	*13.5%*
No	22	15	26	*14.4%*	*9.5%*	*16.7%*
Total	153	158	156			

Q2

If you think there is a different priority the council should focus on in future years, please tell us

Theme	No.
Availability of affordable housing	11
Road safety and cycle safety	5
Road maintenance	5
The environment	4
Schools	4
Street cleaning	4
Reducing council administration and staffing costs	4
Rural transport	3
Limiting rural and green belt housing development	3
Encouraging housing developers to contribute to infrastructure costs	3



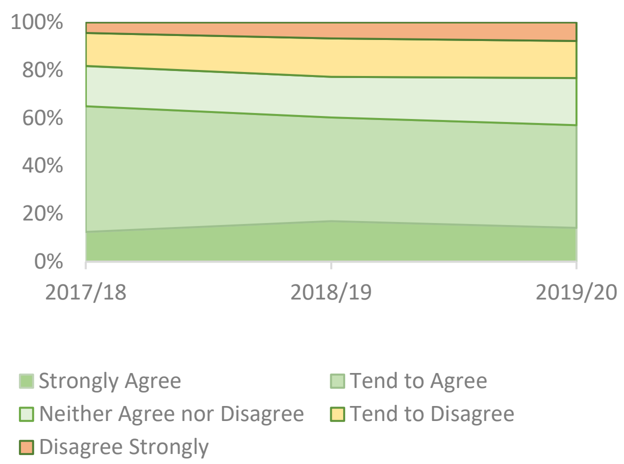
In total, there were 67 responses to this question, raising 26 separate suggestions for alternative priorities. The majority of these were practical suggestions about specific concerns. There were 10 themes that appeared in more than two separate responses. These themes are listed above.

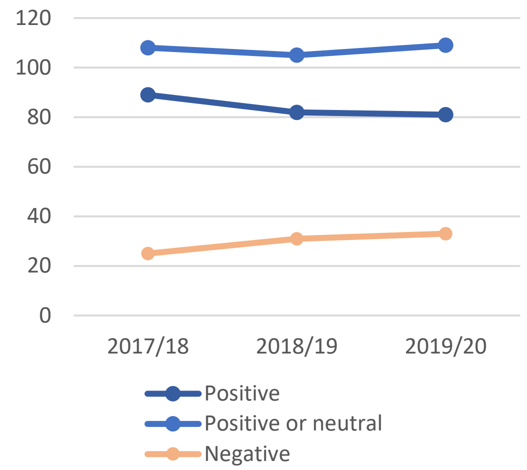
- Concerns regarding the cost and availability of housing and appropriate housing development are already covered in the priority ‘Resilient communities’.
- Reducing council administration and staffing costs is already covered by the priority ‘Financial sustainability’.
- Roads, transport and schools are the responsibility of North Yorkshire County Council.

Q3

Bearing in mind Craven householders only pay £167.21 per year (about £3.22 per week) for services provided by the Council (based on average Band D Council Tax 2018/19).

To what extent do you agree or disagree that Craven District Council provides value for money?





A majority of responders to this question (57.1%) say that Craven District Council provides good value for money.

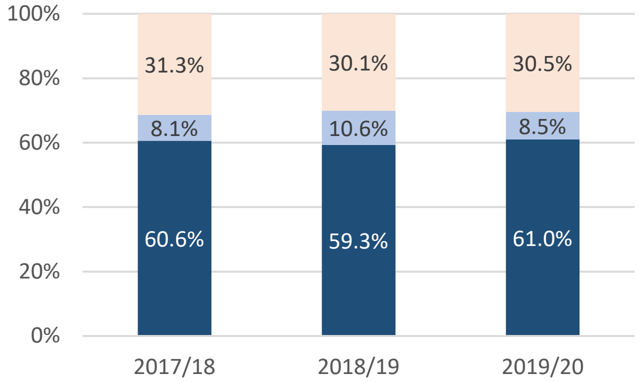
- There has been no significant change in the proportion of responses saying that Craven District Council provides value for money since the last consultation.
- Overall, around 77% of responders were either positive or neutral about CDC's value for money. This has not changed since 2018/19.
- The proportion of positive responses has decreased slightly, but not significantly, since 2018/19 (from 60.3% to 57.1%).

	2017/18	**2018/19**	**2019/20**	***2017/18***	***2018/19***	***2019/20***
Strongly Agree	17	23	20	*12.4%*	*16.9%*	*14.1%*
Tend to Agree	72	59	61	*52.6%*	*43.4%*	*43.0%*
Neither	23	23	28	*16.8%*	*16.9%*	*19.7%*
Tend to Disagree	19	22	22	*13.9%*	*16.2%*	*15.5%*
Disagree Strongly	6	9	11	*4.4%*	*6.6%*	*7.7%*
Total	137	136	142			

Q4

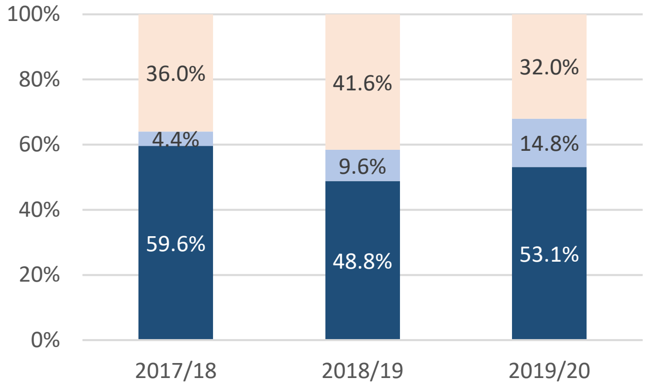
Would you be willing to accept an increase in Council Tax?

Would you be willing to accept an increase of 2% (£3.34 per Band D household in 2019/20)



	2017/18	2018/19	2019/20
Yes	60	67	72
Not Sure	8	12	10
No	31	34	36
Total	99	113	118

Would you be willing to accept an increase of £5 per year?



	2017/18	2018/19	2019/20
Yes	68	61	68
Not Sure	5	12	19
No	41	52	41
Total	114	125	128

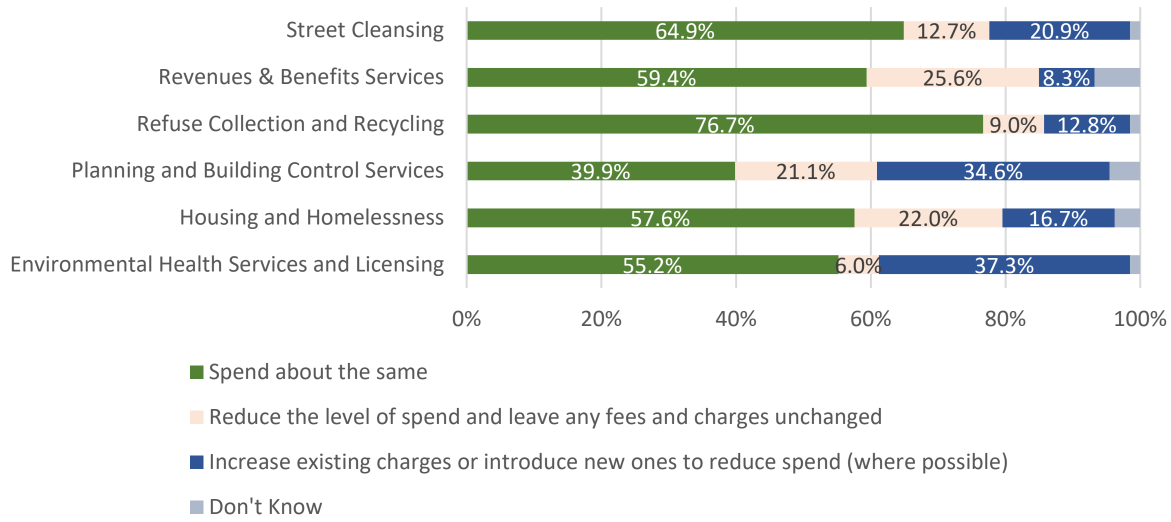
A majority of responders (61.0%) would be prepared to accept a 2% increase in council tax. This is a similar proportion to previous years.

Just over half of responders would be prepared to accept a £5 increase in council tax.

Q5

Below is a list of statutory services. We have shown in simple terms the amount of the £167.21 (based on average Band D) received in Council Tax from a Craven Council Tax payer spent on each service.

For each service please tell us what you think we should do.

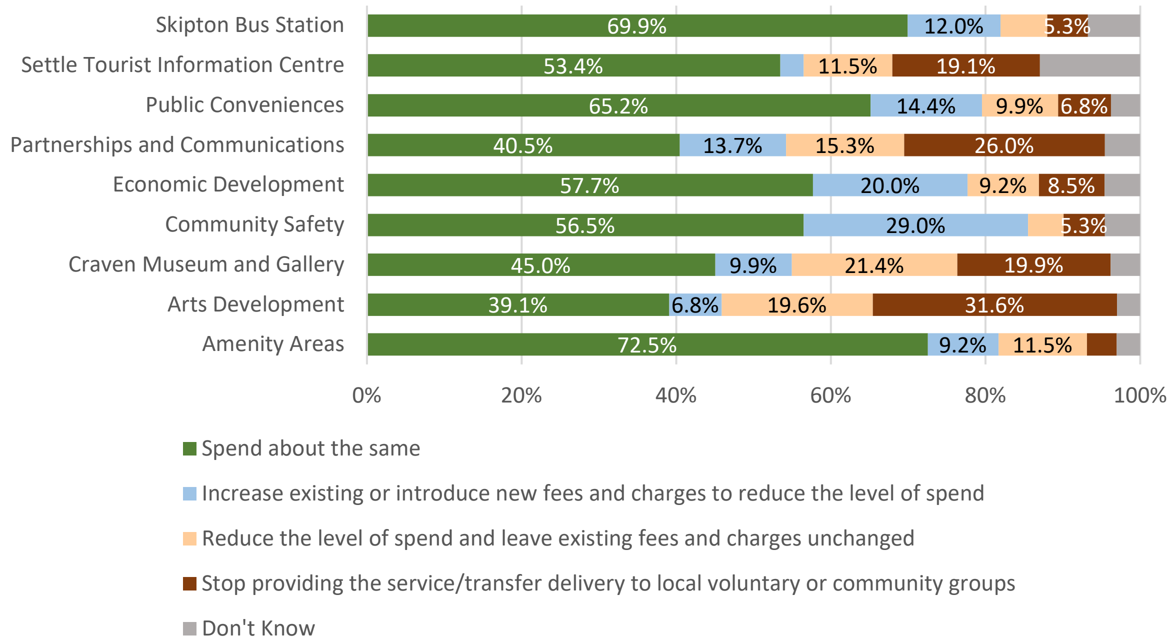


- More than half of responses suggested that spending should stay the same for every statutory areas with the exception of Planning and Building Control services (39.9%).
- ‘Spend about the same’ was the most common response for every area.
- Responses were most likely to say that spending on Refuse Collection and Recycling should stay the same (76.7%).
- The service area with the highest level of support for a reduction in spending was Revenues & Benefits (25.6%).
- The service areas with the highest levels of support for increasing or introducing fees and charges were Environmental Health Services & Licensing (37.3%), and Planning and Building Control Services (34.6%).

Q6

Below is a list of discretionary services. We have shown in simple terms the amount of the £167.21 (based on average Band D) received in Council Tax from a Craven Council Tax payer spent on each service.

For each service please tell us what you think we should do.

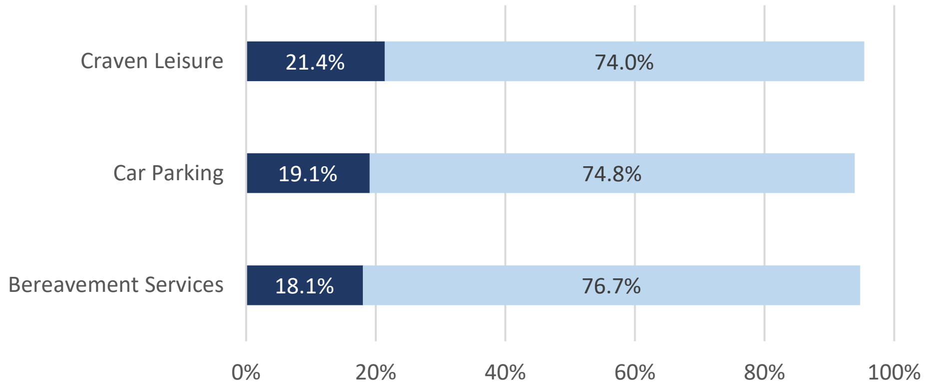


- 'Spend about the same' was the most common response for every discretionary area.
- Support for maintaining existing levels of service was particularly strong for Community Safety, Amenity Areas and Skipton Bus Station. Over 80% of responses supported either maintaining existing spending or introducing fees and charges for these services.
- The only area where fewer than half of responses supported maintaining existing levels of service was Arts Development. 31.6% of responses suggested that this service area should be stopped or delivery transferred to local voluntary or community groups.

Q7

Below is another list of discretionary services. Whilst we do not have to provide these services, the additional fees and charges paid to use these services generates income which covers the cost of providing them and is reinvested to support the delivery of these and other services. We could increase fees and charges for these services to help make the savings we need.

For each service please tell us what you think we should do.



	Increase Fees and Charges	Keep Fees and Charges as they are
Bereavement Services	18.1%	76.7%
Car Parking	19.1%	74.8%
Craven Leisure	21.4%	74.0%

A small proportion of responses (around 20%) supported the increase of fees and charges for these services. There was a slight but not significant preference for increasing fees and charges at Craven Leisure when compared to the other two services listed.

Q8

Below is a list of Support/Back Office functions which are needed to support the delivery of other services to our customers. We have shown in simple terms the amount of the £167.21 (based on average Band D) received in Council Tax from a Craven Council Tax payer spent on each service.

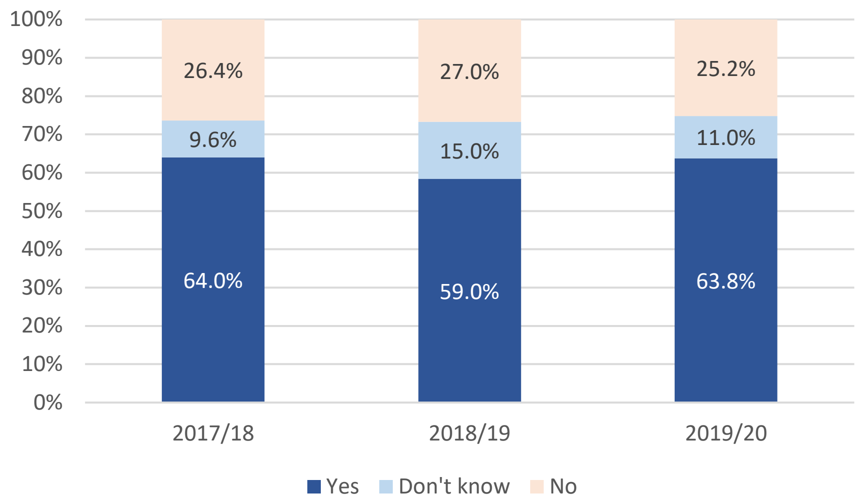
Please tell us the level of priority you think we should give to reducing the spend on each service. (Note: There may be some costs included in here that the Council cannot influence).

	High Priority	Medium Priority	Low Priority
Assets and Projects	24.8%	55.2%	20.0%
Central Business Support Services	43.2%	37.6%	19.2%
Corporate Costs	54.3%	30.7%	15.0%
Customer Services	11.9%	38.9%	49.2%
Democratic Services	50.8%	24.6%	24.6%
Financial Services	31.8%	48.4%	19.8%
Human Resources	26.2%	42.9%	31.0%
Information Services	24.0%	43.2%	32.8%
Legal Services	24.0%	43.2%	32.8%
Senior Management	66.7%	19.1%	14.3%

- Responders were particularly likely to identify ‘Senior Management’ as a high priority for reducing spend (66.7% of responses), followed by ‘Corporate Costs’ (54.3%) and ‘Democratic Services’ (50.8%)
- Responders highlighted ‘Customer Services’ as a particularly low priority area for reducing spend. 49.2% of responses suggested that this should be a low priority.

Q9

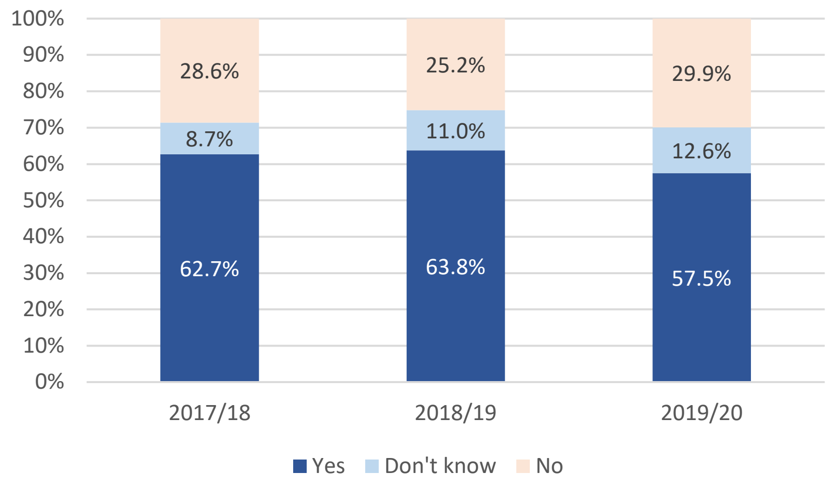
Would you support the idea of the Council using more volunteers to help deliver services it provides?



A majority of responders support the use of more volunteers to help the council to deliver its services. The proportion of responders supporting the use of volunteers is slightly but not significantly higher than in 2018/19. The proportion is very similar to 2017/18.

Q10

Would you support the idea of transferring the delivery of some services we deliver to voluntary and community organisations and local communities?



A majority of responders support the idea of transferring some services to voluntary and community organisations and local communities. The proportion of responses supporting the transfer of services to voluntary and community organisations and local communities has fallen slightly but not significantly since last year.

Q11

If you have any suggestions as to how the Council should save money or generate more income, please tell us.

There were 23 different suggestions for saving money or generating income.

14 responses suggested that the council could save money by reducing the cost of management and administration. This activity is already covered within the council priority 'Financial Sustainability'.

The full list of suggestions is below:

Suggestion	No.
Reduce council management and administration costs	14
Clamp down on dog fouling and increase fines	3
Increase fines for littering	2
Introduce a park and ride scheme	2
Privatise or outsource some services	2
Reduce availability of or increase charges for on-street parking	2
Build more small affordable housing units	1
Campaign for increased funding from Central Government	1
Campaign to remove the Police and Crime Commissioner Role	1
Charge for the use of public toilets	1
Hold more events in Aireville Park	1
Introduce low carbon energy schemes	1
Introduce new discretionary chargeable services (individual suggestions: Duke of Edinburgh's Scheme, Will Writing Service, Tax Advice)	1
Make use of Community Service to carry out manual work (e.g. street cleaning, flower beds)	1
Means-test discounts on services for retired people	1
Provide a budget to a voluntary group to oversee council spending	1
Reduce car parking charges	1
Review and possibly reduce grass-cutting (for environmental benefit as well as cost cutting)	1
Sell an small areas of land currently not used	1
Set up a plastic bottle recycling token scheme	1
Support communities to raise money for projects within their own communities (e.g. parks, grass-cutting, wall repairs, church/historical building repairs, etc)	1
Turn off lights overnight in council buildings	1
Turn the pitch & putt into a bike course	1

Q12

If you have any other comments on the Council's budget please tell us.

Further comments are listed below:

Comment	No.
The council provides a good service, or good value for money	4
Don't replace council jobs/council services with volunteers. This risks the sustainability of services.	3
Merge departments and/or functions across councils	2
Reduce council management and administration costs	2
Avoid using expensive consultancy firms	1
Employ a dog warden	1
Ensure that the council supports services in locations other than Skipton (examples: Settle swimming pool, Settle Town Hall)	1
Focus on statutory duties	1
Increase council tax	1
Increase the number of events at the Town Hall to contribute towards costs	1
Invest in local community activities in rural areas	1
Reduce council tax for rural communities (who received less of the benefits)	1
Use business rates to influence the mix and balance of retail outlets	1

Policy Committee – 5 February 2019

2019/20 Treasury Management Strategy Statement,
Minimum Revenue Provision Statement, and Annual Investment Strategy

Report of the Chief Finance Officer (s151 Officer)

Lead Member – Finance: Councillor Mulligan

Ward(s) affected: All

1. Purpose of Report

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

2. Recommendations

It is recommended to Council that:

- The Operational Boundary for 2019/20 is set at £10.5m

- The Authorised Limits for 2019/20 is set at £12.75m

- Councillors delegate authority to the Chief Finance Officer (s151 Officer) to effect movement within the agreed operational boundary and authorised limits for long-term borrowing for 2019/20 onwards.

- The Treasury Management Strategy Statement 2019/20, incorporating the Minimum Revenue Position Policy Statement and the Annual Investment Strategy, is approved.

- The prudential indicators for 2019/20, which reflect that the capital expenditure plans are affordable, prudent and sustainable, be approved.

3. Background

3.1 <u>The Council's Obligations</u>

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

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

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

CIPFA defines treasury management as:
"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

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

3.2 <u>Reporting requirements</u>

3.2.1 <u>Capital Strategy</u>

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

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

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- For non-loan type investments, the cost against the current market value.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

3.2.2 Treasury Management reporting

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

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:

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

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3.3 Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Policy Committee.

3.4 Treasury Management Strategy for 2019/20
The strategy for 2019/20 covers two main areas:

Capital issues

- the capital expenditure plans and the associated 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
- the policy on use of external service providers.

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

3.5 Training
The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. The training needs of treasury management officers are periodically reviewed. Training is provided by the council's treasury management consultants as required.

3.6 Treasury management consultants
The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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

4. Financial and Value for Money Implications

Approved counterparties, investment vehicles, lending limits and prudential indicators are reviewed periodically to enable the Council to take full advantage of investment opportunities while maintaining a sufficient level of security of capital, and to help make informed decisions with regard to borrowing requirements.

5. Legal implications

The Council is required to have regard to the CIPFA code of Practice. It is a requirement that the Council sets its operational and authorised limits for borrowing before the start of the financial year.

6. Contribution to Council Priorities

An effective treasury strategy supports financial sustainability of the Council.

7. Risk Management

Approval of the Treasury Management Strategy enables the Council to comply with Government guidelines. It also contributes to its business and service objectives, and to the effective management of the risks associated with Treasury Management activities.

8. Equality Impact Assessment

The Council's Equality Impact Assessment Procedure has been followed. An Equality Impact Assessment has not been completed on the proposals as completion of Stage 1- Initial Screening of the Procedure identified that the proposed policy, strategy, procedure or function does not have the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

9. Consultations with Others

Treasury strategy is reviewed by the Corporate Leadership Team. Link Asset Services.

10. Access to Information : Background Documents

Working papers held in Financial Services.

11. Author of the Report

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12. Appendices

Appendix A – Treasury Management Practise 1 – Credit & counterparty risk
Appendix B – Approved countries for investment
Appendix C – Treasury Management scheme of delegation
Appendix D – Economic outlook

TREASURY MANAGEMENT STRATEGY STATEMENT

1. INTRODUCTION

The strategy statement comprises:

- capital prudential indicators and MRP statement 2019-2022
- borrowing policy and strategy
- annual investment strategy
- Treasury Indicators

2. CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22

2.1 Capital Expenditure and Financing

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

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle:

Table 1 Capital Expenditure

Capital Expenditure	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Total	**3,435**	**3,164**	**1,763**	**3,779**	**1,033**

The table below summarises how the capital plans are being financed by capital or revenue resources. Any shortfall of resources results in a borrowing need:

Table 2 How capital expenditure is to be financed

Financing of Capital Expenditure	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Capital receipts/grants	1,524	1,581	1,354	3,409	683
Earmarked reserves	1,253	583	409	370	350
Revenue	16	0	0	0	0
Net financing need for the year	**642**	**1,000**	**0**	**0**	**0**

2.2 **The Council's Borrowing Need (the Capital Financing Requirement (CFR)**

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.

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

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase 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. The Council currently does not have any such schemes within the CFR.

The Council is asked to approve the CFR projection below:

Table 3 Capital Financing Requirement

	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Capital Financing Requirement					
Total CFR	**5,463**	**5,775**	**6,472**	**6,210**	**6,005**
Movement in CFR	**312**	**697**	**(262)**	**(205)**	**(200)**

Movement in CFR represented by					
Net financing need for the year (above)	642	1,000	0	0	0
Less MRP/VRP and other financing movements	329	303	262	205	200
Movement in CFR	**312**	**697**	**(262)**	**(205)**	**(200)**

2.3 **Core Funds and Expected Investment Balances**

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales, etc.). Table 4 below shows estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Table 4 Year end resources

Year End Resources	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
General Fund balances and reserves	7,337	6,145	6,438	6,353	6,235
Capital receipts	2,418	1,294	2,731	243	493
Provisions	0	0	0	0	0
Other	288	288	288	288	288
Total core funds	**10,043**	**7,727**	**9,457**	**6,884**	**7,016**
Working capital*	10,236	9,500	9,000	8,500	8,500
Expected investments	**11,400**	**10,900**	**10,400**	**9,800**	**9,800**

*Working capital balances shown are estimated year end; these may be higher mid-year

2.4. **Minimum Revenue Provision (MRP) Policy Statement.**

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

MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement. For capital expenditure incurred before 1 April 2008, or which in the future will be Supported Capital Expenditure, the MRP policy will follow the existing practice outlined in former MHCLG regulations – that is cost spread equally over 25 years providing an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will make a provision based on the estimated life of the assets, in accordance with the regulations. This option provides for a reduction in the borrowing need over approximately the asset's life.

3. Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 **Current Portfolio Position**

The overall treasury management portfolio as at 31st March 2018 and for the position as at 31st of December 2018 are shown below for investments and borrowing.

Table 5 Treasury Portfolio

Treasury Portfolio				
	Actual	Actual	Current	Current
	31.03.18	31.03.18	31.12.18	31.12.18
Treasury Investments	£000	%	£000	%
Banks (incl current account)	2,133	15	1,238	6
Building societies – unrated	3,000	22	4,000	21
Building societies – rated	3,000	22	5,000	26
Local Authorities	4,000	28	6,000	31
Money market fund	1,400	10	2,150	11
Other	400	3	1,032	5
Total treasury investments	**13,933**	**100**	**19,420**	**100**
Treasury external borrowing				
PWLB	5,988	100	5,988	100
Total external borrowing	**5,988**	**100**	**5,988**	**100**
Net treasury investments/(borrowing)	**7,945**		**13,432**	

The council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 6 External debt

	2017/18 Actual £'000	**2018/19 Estimate £'000**	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**	**2021/22 Estimate £'000**
External Debt					
Debt at 1 April	5,988	5,988	5,988	6,988	6,988
Expected change in Debt	0	0	1000	0	(500)
Actual gross debt at 31 March	**5,988**	**5,988**	**6,988**	**6,988**	**6,488**
The Capital Financing Requirement	**5,463**	**5,775**	**6,472**	**6,210**	**6,005**
Under / (over) borrowing	**(525)**	**(213)**	**(516)**	**(778)**	**(483)**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 7 Operation boundary for external debt

	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Operational boundary £m	10.5	10.5	10.5	10.5

The authorised limit for external debt. This represents a control on the maximum level of borrowing - a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Table 8 Authorised limit for external debt

	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Authorised limit £m	12.75	12.75	12.75	12.75

3.3 Prospects for Interest Rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Table 9 Interest rate forecast

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

The positive economic statistics after the quarter ended 30 June meant that the MPC came to a decision on 2 August to increase the bank rate from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowing significantly during the last quarter. At their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. After the US Presidential election in November 2016, bond yields rose further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.25 – 2.50% in December 2018.

It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. By early January 2019, US 10 year bond yields had fallen back considerably on fears that the Fed was being too aggressive in raising interest rates and was going to cause a recession. Equity prices have been very volatile on alternating good and bad news during this period.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have backtracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when the council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 **Borrowing Strategy**

The Council currently has a small over-borrowed position which will continue in 2019/20. This means that current borrowing is sufficient to cover the capital financing requirements.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- 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.
- 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 an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.5 **Policy on Borrowing in Advance of Need**

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.

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.

3.6 Debt Rescheduling

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).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- 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 residual 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.

All rescheduling will be reported to the Council at the earliest meeting following its action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy

The Council's investment policy has regard to the following: -

- MHCLG'S Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in public Services Code of Practise and Cross sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then return.

In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in appendix B under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices.

4.2 **Creditworthiness Policy**

The primary principle governing the Council’s investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council’s prudential indicators covering the maximum principal sums invested.

Potential investment counterparties may be rated for creditworthiness by any or all of the three rating agencies – Fitch, Moodys and Standard & Poors.

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below and this is the starting point for the compilation of a list of counterparties deemed suitable for the Council’s investments.

Additional requirements under the Code require the Council to supplement credit rating information using additional operational market information before making any specific investment decisions. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

The criteria for providing a pool of high quality counterparties (for both specified and non-specified investments) is:

- Banks 1 – good credit quality:
  i) UK banks;
  ii) Non-UK and domiciled in a country which has a minimum sovereign rating of AAA

  and have, as a minimum, the following Fitch, Moodys and Standard and Poors credit ratings (where rated):
  i) Long term A-

- Banks 2 - Part nationalised UK bank – Royal Bank of Scotland. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
- Banks 3 - The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Bank subsidiary and treasury operation - The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building Societies and challenger banks – The Council will use all institutions which
  - i) Meet the ratings for banks outlined above, or
  - ii) Have a minimum asset holding of £1bn
- Money market and other pooled funds which are rated AAA
- UK Government (including gilts and DMADF)
- Local Authorities, parish councils, etc
- Housing associations
- Supranational institutions
- Other organisations which pass creditworthiness tests

The Chief Finance Officer will maintain the counterparty list in compliance with the criteria set out in the Council's Treasury Management Practices (TMP1). The TMP1 is revised at least annually and is included at Appendix A.

Additionally, the Chief Finance Officer will review TMP1 should there be significant shift in financial markets or in government policy, and will submit a revised TMP1 to Council for approval as necessary.

Counterparty criteria are separate to those which determine which types of investment instrument are either specified or non-specified as the former provide an overall pool of counterparties considered sufficiently high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

Table 10 Time and monetary limits for institutions

	Fitch Long term Rating (or equivalent)	Money and/or % Limit	Time Limit
Banks 1	AAA to A-	£2m / 20%	5 yrs
Banks 2 – part nationalised	N/A	£2m / 20%	2 yrs
Banks 3 – Council's banker (not meeting Banks 1)	N/A	£3m	3 yrs
Other institutions limit	-	£1m / 10%	1 yr

DMADF	AA	unlimited	6 months
UK government, local authorities & other public bodies	N/A	£2m	5 yrs
UK Registered Social Landlords	A-	£1m	5 yrs
	Fund rating	Money and/or % Limit	Time Limit
Money market funds	AAA	£2m / 20%	liquid
Short Duration Managed Funds	AAA	£2m / 20%	liquid

UK banks – ring fencing
The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 **Other limits**
Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

Country limit. The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA-, and have banks operating in sterling markets. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix C. This list will be added to, or deducted from, should ratings change in accordance with this policy.

The council has determined it will not use sector limits (e.g bank vs building society) so as not to overly constrain investment opportunities since the application of counterparty and county limits will provide sufficient security of its portfolio.

4.4 **Investment strategy**
In-house funds. Investments will be made with reference to the core balance and

cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.
Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	Now
2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit.

Table 11 Maximum sums to invest for longer than 365 days

Maximum principal sums invested for longer than 365 days			
	2019/20	**2020/21**	**2021/22**
Principal sums invested for longer than 365 days	£4.3m	£4.4m	£4.2m

4.5 **Investment Risk Benchmarking**
The Council will use the three-month LIBID uncompounded as its investment benchmark to assess the performance of its portfolio.

4.6 **End of Year Investment Report**
At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5 TREASURY INDICATORS 2019/20-2021/22

5.1 **Affordability Prudential Indicators**
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 indicator:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream

Table 12 Ratio of financing costs to net revenue stream

%	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Ratio	7.81	6.99	6.02	5.92	5.56

The estimates of financing costs include current commitments and the proposals in this budget report.

5.2 **Treasury Indicators for Debt**
There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Table 13 Maturity structure of debt

Interest rate exposures	**2019/20**	**2020/21**	**2021/22**
	Upper	**Upper**	**Upper**
Limits on variable interest rates based on debt	30%	30%	30%
Limits on fixed interest rates based on debt	100%	100%	100%

Maturity structure of fixed interest rate borrowing 2019/20		
	Lower	**Upper**
Under 12 months	0%	10%
12 months to 2 years	0%	15%
2 years to 5 years	0%	15%
5 years to 10 years	0%	20%
10 years to 25 years	0%	40%
Over 25 years	0%	90%
Maturity structure of variable interest rate borrowing 2019/20		
	Lower	Upper
Under 12 months	0%	10%
12 months to 2 years	0%	15%
2 years to 5 years	0%	15%
5 years to 10 years	0%	20%
10 years to 25 years	0%	0%
Over 25 years	0%	0%

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Appendix A

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 27/03/2012 and will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced its treasury management practices (TMPs). This part, TMP1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.

- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.S

- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds and short duration managed funds) that have been awarded a high credit rating by a credit rating agency.
5. A body that is considered of a high credit quality (such as a bank or building society).

For category 5 this covers bodies with a minimum Short Term rating of F2 (or the equivalent) as rated by Fitch, Moody's and/or Standard and Poor's rating agencies.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the duration and amount of monies which will be invested in these bodies. These criteria are detailed in Section 4.

Non-specified investments –are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any investments with:

	Non Specified Investment Category	**Limit (£ or %)**
a.	**Supranational bonds greater than 1 year to maturity**	
	(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.).	£1m or 10%
	(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. National Rail, the Guaranteed Export Finance Company {GEFCO})	£2m or 20%
	The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£2m or 20%
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£3m or 30%
d.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of £1bn.	£1m or 10%
e.	Any **bank or building society** that has a minimum long term credit rating of BBB+ for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£1m or 10%

f.	**Bond funds.** See note 1 below.	£2m or 20%
g.	**Pooled property funds** – The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	£2m or 20%

NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

Within categories c and d, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. These criteria are a robust balance sheet, a supportive trading and credit history, and information published by the Prudential Regulation Authority, the Financial Conduct Authority, and the Bank of England.

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Finance Officer, and if required new counterparties which meet the criteria will be added to the list.

Approved Countries for Investments

Based on the lowest available rating:

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- UK

AA-

- Belgium
- Qatar

(i) Full Council

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy

(ii) Policy Committee

- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Receiving and reviewing regular monitoring reports and acting on recommendations
- Approving the selection of external service providers and agreeing terms of Appointment

(iii) Audit and Governance Committee

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

ECONOMIC BACKGROUND **Appendix D**

Global outlook- World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

Key risks - central bank monetary policy measures

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we have indeed, seen a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. The potential for central banks to get this timing and strength of action wrong are now key risks. At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and was likely to cause a recession in the US economy.

The world economy also needs to adjust to a sharp change in liquidity creation over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK - The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also raise Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation - The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.3% in November. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the labour market figures in October, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.0%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

AGENDA ITEM 10

Policy Committee –
5 February 2019

Craven District Council Capital Strategy 2019 – 2023

Report of the Chief Finance Officer (s151 Officer)

Lead Member Finance – Councillor Mulligan

Ward(s) affected: All

1. Purpose of Report

1.1 The Capital Strategy is intended to give a high level overview of how capital expenditure and financing plans are decided upon and how they contribute to the delivery of the Council Plan, Long Term Financial Strategy, Medium Term Financial Plan and overall delivery of services.

2. Recommendations

2.1 That Members approve the Capital Strategy 2019 – 2023 and confirm that it will be refreshed on an annual basis alongside the Treasury Management and Investment Strategies.

3. Background Information

3.1 The Council has had a Capital Strategy in place for a number of years. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities 2017 now requires the Capital Strategy to be approved annually alongside the Treasury Management and Investment Strategies.

3.2 The strategy is additionally required to incorporate the revised Ministry for Communities, Housing and Local Government (MHCLG) statutory guidance on Local Government Investments, which is included in the updated CIPFA Code of Practice on Treasury Management and the Prudential Code.

3.3 The approval of the Capital Strategy and a refresh on an annual basis rather than every four years will enable it to remain totally consistent with the Council Plan which is reset periodically and refreshed in the intervening years. Ideally as with the Long Term Financial Strategy the Capital Strategy will cover a period of 10 years. However, in view of the pending major review of the Council Plan for 2020 and beyond and the uncertainties around local government finance going forward. This strategy is as previously four years only.

4. The Report

4.1 The Capital Investment Strategy gives a framework for the budget considerations for the next four years and gives an indication of the likely factors that will have an impact in the budget setting process. The strategy overarches the more detailed capital programme.

4.2 The capital programme and its financing will play an ever more important role in shaping future budget considerations due to:

- The decline in asset sales and opportunities for asset sales have impacted on the revenue budget through the requirement to fund the capital programme with borrowing.
- Additional capital investment decisions will in all probability require revenue funding either as a direct contribution either from the budget, or via revenue reserves or through borrowing costs.

Although the Council has a forecast for its borrowing requirement to fund capital projects, there are factors that will affect this estimate. These include:

- Asset sales generating receipts, will reduce the borrowing requirement.
- Opportunities to acquire assets to assist in the delivering the Council's Economic Development and investment aims.

5. Implications

5.1 Financial and Value for Money Implications

There are no direct financial implications as a consequence of this report. All prudential indicators associated with the Capital Strategy and the Capital Programme are contained in the Treasury Management Strategy.

5.2 Legal implications

The Prudential Code applies to all local authorities which in England and Wales are defined in legislation for the purposes of Part 1 of the Local Government Act 2003. The code underpins the system of capital finance and it is a requirement of the Code that all Local Authorities have due regard to it.

5.3 Contribution to Council Priorities

The Capital Strategy is linked to all council priorities.

5.4 Risk Management

Risk assessments are undertaken for specific projects within the Capital

Programme. Prior to approval of the projects an assessment is undertaken to ensure that the project fits council priorities and that it is affordable and deliverable within the resources available to the Council.

5.5 **Equality Impact Assessment**

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

6. Consultations with Others

None

7. Access to Information : Background Documents

None

8. Author of the Report

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9. Appendices

Appendix A – Capital Strategy 2019 – 2023

APPENDIX A

Craven District Council

Capital Strategy

2019 – 2023

Approved: Policy Committee 5 February 2019

1.0 **INTRODUCTION**

1.1 Capital expenditure is a significant part of the Council's annual expenditure. The programme for 2018/19 provided for capital expenditure of £3.164m**.** The approved capital programme for 2019/20 and the indicative programme up to 2022/2023 sets out further capital expenditure requirements of approximately £7.378m for new capital schemes over the next four years. The Council Plan for 2020 and beyond is currently subject to review and once confirmed will inform the Capital Strategy for the next five to ten years.

1.2 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles, where the cost is equal to or greater than £10,000. It also includes grants to people and other organisations towards their own capital expenditure, where the cost is equal to or greater than £4,000. Capital expenditure is concerned with the medium to long term issues affecting the Council, unlike revenue expenditure which covers the day to day operations of the Council.

1.3 Capital assets shape the way services are delivered in the long term, providing the infrastructure for service delivery. They also create financial commitments for the future in the form of financing costs and/or revenue running costs.

1.4 This Strategy is a high level summary of the Council's approach to capital investment. It sets out how the Council will allocate, maximise and manage the capital resources available for its plans and programmes, ensuring that capital investment is directed to the Council's Corporate Priorities. The strategy outlines the basis for the prioritisation of all capital bids put forward for inclusion in the rolling four-year programme, and the monitoring of that programme.

1.5 The Strategy covers the period from 2019/20 to 2022/23 and it will be refreshed on an annual basis.

2 THE CORPORATE FRAMEWORK

2.1 The Council has a well-established corporate service and financial planning process in which the Council Plan and related strategies are developed and linked. The latest review of the Council Plan sets out the Council's priorities for the period 2019-2022. These are:

- Enterprising Craven – facilitating economic growth across Craven
- Resilient Communities – creating sustainable communities across Craven
- Financial Sustainability – ensuring a self-sustainable Council

3 AIMS AND OBJECTIVES OF THE CAPITAL STRATEGY

3.1 The aims of the Capital Strategy are:

- to provide an effective policy framework for deploying the Council's capital resources for between four and ten years;
- to set out how the Council will maximise the capital resources available for its plans and programmes.

3.2 The objectives of the Strategy are:

- to ensure that the capital resources available to the Council support delivery of the Council's priorities;
- to guide the production of the capital programme;
- to assist in determining priorities between various services;
- to ensure Value For Money (VFM)

4 BACKGROUND

4.1 Opportunities for capital investment by a district council such as Craven are limited. The constraints on the Council's financing capacity mean that capital expenditure must form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources. The Council can deliver capital investment either directly through the use of its own capital resources, or indirectly through influencing partners and other external bodies.

4.2 The development and implementation of the Council's Capital Strategy involves:

- Working with partners to maximise the effect of capital investment in the District in the achievement of agreed priorities;
- Maintaining the Council's assets to achieve priorities, consistent with the Council's Asset Management Plan (AMP);
- Rationalising the Council's assets to achieve priorities, consistent with the Council's Asset Management Plan (AMP);
- Developing new initiatives and continuing current initiatives, including proposals arising through reviews of services to ensure they remain relevant;
- Seeking to maximise investment in the District through external funding sources;
- Responding to relevant Government initiatives (e.g. carbon reduction, waste management, green energy) within the resource constraints;
- A careful assessment of any revenue implications of capital proposals (both in relation to capital financing costs and running costs).

4.3 The model of delivery for capital projects will vary. Options could include direct investment and delivery by the Council, partnership working within the joint venture or through other partnering mechanisms, or an enabling approach, with delivery the responsibility of others, supported by the Council.

4.4 The Council's capital programme only reflects expenditure incurred directly by this Council for its own account and the resources raised to meet that expenditure. It does not reflect investment made directly by partners.

4.5 The Council's capital programme is set in accordance with the Prudential Code for Capital Finance in Local Authorities, under the principles of affordability, sustainability and prudence.

4.6 The prudential indicators required under the CIPFA 'Code' which relate to the capital strategy will be included within the Annual Investment Strategy which is part of the Treasury Management suite of reports.

5 INVESTMENT PRIORITIES

5.1 The Council's investment priorities which link to the 2019-2023 Council Plan are:

5.2 **Enterprising Craven – facilitating economic growth across Craven**

Enable the provision of 230 homes per year across Craven to meet the needs of our current and future communities.

- Allocate a suitable supply of land for all types of residential development and increase the supply of affordable housing.

Stimulate business growth.

- Enable the development of 8 hectares of new employment land by 2020.
- Improve the quality and capacity of the transport infrastructure serving the District.
- Ensure new and existing businesses have access to, and are able to benefit from business support services.
- Ensure all businesses and residents in Craven have access to high quality broadband connection by 2020.

Improve the economic vitality of Craven's market towns and villages.

- Enhance the quality of the trading environment within the District's core retail centres.
- Improve access to and enjoyment of Craven's great heritage and culture.
- Collaborate with partners to attract more working age households to the District.

5.3 **Resilient Communities – creating sustainable communities across Craven**

Enable active communities and improve quality of life.

- Reduce health and wellbeing inequalities.
- Enable community groups across the District to achieve their ambitions.

Create greener communities

- Reduce waste to landfill and increase re-use and recycling
- Promote use of electric vehicles in Craven.
- Make Craven's public spaces cleaner, safer and greener.

5.4 **Financial Sustainability – ensuring a self-sustainable Council**

Create a Council that is financially viable without government grant and able to deliver the services its residents require.

- Ensure expenditure is prioritised, regularly reviewed and reflects resident's priorities.
- Improve the Council's commercial acumen and generating additional income.
- Maximise the Council's assets for the long term sustainability of the Council and the District.

5.5 The Council may as part of its support to its priorities acquire assets as investments. These acquisitions will be subject to due diligence considerations which will assess the Council Priority being satisfied, the Security, Liquidity and Yield of any such purchase and the balance between that and the risk. All acquisitions as part of the due diligence are assessed for risk associated with them. Prudential indicators will be updated (if required) as part of the decision process.

6 FURTHER CONSIDERATIONS

6.1 Where there is adequate capital resource provision, the Council will aim to capitalise any expenditure which legally falls within the accepted definition of capital expenditure, or new Government directives. This will be done to relieve pressure and increase flexibility in the revenue account.

6.2 In addition to the Council priorities, the Council needs to ensure that capital resources are directed at its existing non-surplus assets to ensure that these are of good condition and to achieve best use of these assets to deliver better services. This is an area which has seen limited focussed investment over the past few years and will need to be considered during the life of the Capital Programme. The AMP will continue to inform this work, taking into account existing stock and the need for ongoing maintenance and improvements.

7.0 2019 – 2023 CAPITAL PROGRAMME

7.1 A summary of the 2019 – 2023 capital investment programme is set out below. The long term financial strategy assumes a capital programme of approximately £1.0m per annum beyond this date.

Table 1: Rolling Capital Programme

	2019/20 £'000	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Strategic Housing Services	574	621	683	683
Waste Management Services	212	330	310	50
Information Services	75	40	40	70
Property Management	902	2,788	0	0
Total	**1,763**	**3,779**	**1,033**	**803**

8 CAPITAL RESOURCES

Capital Funding Sources And Principles

8.1 Capital expenditure can be funded from a variety of sources:

- borrowing
- grants
- contributions
- capital receipts – from the sale of assets
- revenue
- partnerships

Borrowing – The 'prudential borrowing' powers available to local authorities are subject to proposals being 'prudent, affordable and sustainable'. The main source of borrowing continues to be that of the Public Works Loan Board, although there are other options such as the Municipal Bonds Agency. The Council will only consider using borrowing to finance capital projects if that borrowing has no adverse impact on the revenue budget and there is an economic argument for doing so. For example, where the investment would be justified by additional income (or the protection of existing income), or where savings could be made at least equivalent to the debt charges. Decisions on borrowing will be subject to a detailed appraisal, including the ongoing revenue implications, and will take place in the wider context of the Council's Treasury Management Strategy as agreed by Members.

Government and Other Grants – The Government currently makes an annual contribution to capital expenditure on Disabled Facilities, with any shortfall having to be funded from the Council's own capital sources.
The Council is keen to continue its record of attracting grant funding for projects and maximising these grants, either via general funding or by earmarked ring-fenced grants which fund specific proposals.

Contributions – Section 106 of the Town and Country Planning Act 1990 allows local planning authorities to enter into legally binding arrangements with land developers. These arrangements can include the provision of funding by the developer for specific local community schemes including affordable housing and community facilities. The Council will seek to maximise this funding source.

Capital Receipts – The best use of Council owned property remains a key policy driver. The Council continues to review the operational use and contribution of its buildings and land holdings with an aim of optimising returns for each asset, dependent on its use. The Council regularly reviews its disposals policy and prioritising surplus assets for disposal.

Capital receipts from disposals are available to reinvest in services in accordance with the Council's priorities. The financial constraints within which the Council operates, combined with the significant capital investment needed to maintain and improve assets, highlights the need to maximise returns from asset disposals whilst also using assets to deliver priorities such as affordable housing. It is crucial that a balance is struck between meeting these two requirements.

The Council separates the generation of a capital receipt from the spending of the receipt. Thus, capital receipts are pooled, rather than being earmarked for specific schemes, unless Members agree otherwise.

Disposal of Surplus Property – The Council has an agreed policy that it follows when disposing of assets. The standard procedure is to seek to maximise the financial benefit to the Council in accordance with Section 123 of the Local Government act 1972.
The Council can dispose of land at an undervalue to Parish Council's and Community Groups, under the General Disposal Consent 2003, where it considers that it will help to secure the promotion or improvement of the economic, social or environmental well-being of its area.

Revenue – The Council has the option to support its capital programme with contributions from its revenue resources including earmarked reserves. Given the ongoing cuts in Government revenue funding, the Strategy assumes limited revenue resources will be available to support capital spending. This position will be reviewed annually as part of the Council's ongoing long and medium-term financial planning arrangements.

Partnerships – Capital investment in the District is delivered not only by the Council directly, but also through its role as community leader, working with others to encourage investment. In such instances, public funding acts as seed funding to facilitate development. The Council adopts a strategic approach to the use of external funding and has a successful track record in securing external support to help fund capital schemes. These include community schemes enabled by the Council as well as those it delivers directly. Increasingly, capital projects are dependent on attracting grant aid from sub-regional, regional, national and European sources. Although often requiring match funding from the Council's own limited resources, this can be a very efficient method of adding value to those resources in delivering a variety of capital schemes. All such schemes must offer value for money and assist in meeting the Council's priorities. The Council also contributes towards schemes managed by other organisations if they will help to meet the Council's priorities.

Funding Sources For The 2019/20 – 2022/23 Capital Programme

8.2 The table below shows the estimated sources of capital funding over the period of this strategy.

Table 2: 2019/20 to 2022/23 Summary of Estimated Capital Resources

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2023/24 £'000
Government & Other Grants	1,354	621	683	683
Capital Receipts	0	2,788	0	0
Earmarked Reserves	409	370	350	120
Total Resources	**1,763**	**3,779**	**1,033**	**803**

Maximising Resources

8.3 The Council will seek to maximise the resources available for its future capital investment through:

- **Asset rationalisation** – the realisation of capital receipts will be one of the means of raising capital resources over the period of the Medium Term Financial Plan (MTFP). Through the Asset Management Plan (AMP) further surplus assets will be identified which are no longer required to meet the Council's Priorities and present opportunities to raise capital receipts through the disposal of such assets. The Council will endeavour to realise better VFM from its assets;
- **Resource bidding** – identifying potential external funding sources to address the revenue and capital implications of the Council Plan priorities. Where possible, officers will seek external funding for potential capital projects before submitting a capital bid; The Council has a good record of attracting external funding.
- **Partnership arrangements** – the partnership approach to service delivery is a key component of realising the Council's priorities. The Council will seek to attract investment into the District through its work in the Joint Venture with Barnfield Investment Properties Ltd and other existing partners and with the wider public and private sectors;
- **Collaborative Working** – with RSLs and other developers to maximise the supply of new housing, including affordable housing, and related facilities;
- **Prudential borrowing** – opportunities to use the prudential regime for capital finance will be re-assessed in line with improvements to the Council's financial position. This will apply in particular to spend-to-save schemes where capital investment is justified in terms of additional income and / or revenue savings. Full

assessment of the use of prudential borrowing will also take place if there are temporary shortfalls in capital resources arising from timing delays in receipt of expected support for the programme such as capital receipts or grants.

9 ALLOCATION OF CAPITAL RESOURCES

9.1 The Council reviews the allocation of capital resources on an annual basis to ensure that its programme of investment is in line with the actual resources available to support its spending needs and priorities.

9.2 The capital resources at the Council's disposal are either:

- ring-fenced / earmarked to a particular scheme or proposal;
- discretionary for use on any scheme. These funds include the use of revenue, capital receipts, capital grants, borrowing approvals and any unsupported borrowing through the prudential system.

9.3 Given the limited level of capital and revenue resources, it is vital that the Council has a robust decision making process to ensure that resources are allocated in the most effective way. The Capital Strategy guides the production of the capital programme to ensure:

- all capital investment decisions are taken based on full knowledge of the facts, options, effects and consequences of the decision being taken;
- schemes clearly show a link to corporate priorities;
- alternatives are identified and considered through a robust option appraisal process for all capital projects.;
- a formal evaluation process is used to manage the competing demands for resources.

9.4 In order to ensure that capital resources are used most effectively and contribute to the achievement of the Council's priorities, the Council assesses all schemes annually against pre-set criteria using a bidding process.

9.5 In determining whether schemes should be included within the capital programme the following criteria are considered:

- Statutory obligations.
- Risk implications
- Council priorities
- National priority initiatives
- Performance measures
- Partnership Working
- Revenue implications

9.6 The basis of the cost assessment is also considered.

9.7 The Capital Bid Form is submitted on an annual basis and used to assess capital schemes. Details are submitted for a four-year period to enable the full financial impact to be assessed and to facilitate the rolling financial programme. Any schemes put forward during the year, outside the annual bidding process, would be assessed against the same criteria.

9.8 Bids are evaluated and initially prioritised by the Corporate Leadership Team (CLT). The bids are then subject to further evaluation and prioritisation through a joint workshop with

Senior Leadership Team (SLT).

9.9 The Council's AMP and Vehicle replacement schedule and IT replacement schedule inform the capital programme on a rolling basis. With scarce resources to fund the programme this enables decisions to be made as to whether or not the replacement and or refurbishment of an asset should be undertaken according to the schedule, delayed or in some cases pulled forwards.

10 REVENUE IMPLICATIONS

10.1 It is important that the revenue implications of capital investment are clearly identified, these may include:

- Interest charges arising from existing or additional borrowing
- Investment income foregone when capital receipts are used
- Leasing costs
- Running costs of capital projects
- Depreciation costs
- Efficiency gains

10.2 It is also essential that any increases in capital expenditure are limited to a level whereby the corresponding impact on revenue is containable within projected income levels over the term of the Long Term Financial Strategy and MTFP.

10.3 The revenue effects of capital programme schemes and the assumptions on which they are based have been reflected in the 2019/20 annual budget and the forward forecast.

11 PROCUREMENT

11.1 Capital related procurement is undertaken in accordance with approved procedures set out in the Council's Contract Procedure Rules. When levels of expenditure are above the EU tendering thresholds, the Council must procure using the European Union Procurement Regulations.

12 ROLES AND RESPONSIBILITIES

12.1 The Chief Finance Officer (S151 Officer) is responsible for policy development and ensuring financial monitoring and management of the Capital Programme.

12.2 Individual budget holders and Service Managers are responsible and accountable for specific schemes within the overall Capital Programme.

13 PERFORMANCE MANAGEMENT

13.1 The financial performance of schemes in the capital programme is reported quarterly to the Corporate Leadership Team and the Policy Committee by the Chief Finance Officer (s151 officer).

13.2 Service Managers are responsible for managing capital projects. Performance monitoring clinics are held with individual budget holders on a quarterly basis in the presence of the Leader of the Council, the Chief Executive and the Chief Finance Officer. This includes capital financial performance, as well revenue budget and other key service performance indicators.

13.3 Support from the Financial Management service is provided on a regular basis in the form of regular monitoring statements and follow up meetings.

14 PARTNERSHIP WORKING

14.1 The Council recognises the importance of partnership and joint working in order to deliver its own priorities. Through working in partnership the Council can also seek to influence, ensuring all opportunities are maximised and funding opportunities are realised.

14.2 The Council has a diverse range of partners including its Joint Venture with Barnfield Investment Properties ltd, North Yorkshire County Council, the district councils of North Yorkshire, local town and parish councils, North Yorkshire Police, the Yorkshire Dales National Park Authority, North Yorkshire Fire and Rescue Service, Registered Providers of Social Housing operating in the district, Canals and Rivers Trust, Environment Agency, plus representative groups of the local business community and the voluntary sector. The Council also has a Concordat agreement with Harrogate for the delivery of shared services.

14.3 Leeds City Region Local Enterprise Partnership (LEP) brings together the six West Yorkshire local authorities plus Craven, Harrogate and Selby from North Yorkshire and York to work together towards common aims in areas such as transport, skills, housing and spatial planning.

14.4 The York, North Yorkshire and East Riding of Yorkshire Local Enterprise Partnership (LEP) brings together a number of agencies working to improve economic and community regeneration across York, North Yorkshire and East Riding of Yorkshire. As a member of the partnership, Craven District Council makes a significant contribution to the delivery of the LEP priorities. The Council has been successful in bidding for project funding from the LEP.

15 LINKS TO ASSET MANAGEMENT

15.1 The Capital Strategy is intrinsically linked to the Asset Management Plan (AMP) which sets out the Council's strategic objectives for its property portfolio. The objectives of the AMP are:

- Support regeneration, economic and housing growth.
- Maximise the efficiency and income generation of the asset portfolio.
- Maximise the efficiency and income generation of the asset portfolio.

15.2 CLT to together with key Elected Members (as determined by Policy Committee) considers significant new asset acquisitions, as well as significant asset disposals. This corporate approach seeks to ensure that the Council gets value for money from all its assets.

16 RISK

16.1 The identification, evaluation, management and monitoring of risk is an important element of a robust Capital Strategy.

16.2 The Council has a well-established Risk Management Framework. The Corporate Risk Register is monitored and updated regularly and presented to the Corporate Leadership Team and the Audit & Governance Committee. For capital projects, any associated risks and opportunities are identified, monitored and reviewed. Large capital schemes, such as the Town Hall, will feature on the Corporate Risk Register as well as on a detailed separate register, to ensure effective risk management.

17 CONCLUSIONS AND REVIEW

17.1 The Capital Strategy indicates how the Council plans to make best use of its capital resources to meet the Council's priorities. This Strategy has been refreshed for a four-year period in line with previous strategies. The time period covered by the capital strategy will be lengthened to reflect the new Council Plan – 2020 and beyond, once that Plan has been finalised during 2019/20. Going forward, in order to ensure that changing Council priorities and political and financial influences are reflected in the Strategy, it will be reviewed annually following the review of the Council Plan. Any changes to the Strategy will be reported to Members.

اردو

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POSITIVE ABOUT DISABLED PEOPLE

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Version No	AGENDA ITEM 11

Policy Committee – 5th February 2019

PREPARATION OF GROWTH STRATEGY FOR SKIPTON RAILWAY STATION AND ADJACENT AREAS

Report of the Strategic Manager for Planning and Regeneration

Lead Member - Enterprising Craven: Councillor Myers

Ward(s) affected: Skipton West

1. **Purpose of Report** –

To present Members with the proposed scope and outputs for the preparation of a growth strategy and masterplan for Skipton Railway Station and adjacent area(s).

2. **Recommendations** –

Members are recommended to:

2.1 Approve the objectives for the preparation of a masterplan for the future development of Skipton Railway Station and adjacent area(s).

2.2 Subject to approval of recommendation 2.1 above, agree the study area for the masterplan as detailed in Section 4.2 of the report.

2.3 Subject to approval of recommendation 2.1 above, agree the key outputs and deliverables for the masterplan as outlined in Section 4.3 of the report.

2.4 Subject to approval of recommendations 2.2 and 2.3, to give delegated authority to the Director of Services, in consultation with the Lead Member for Enterprising Craven to agree any changes to the study area and key deliverables for the preparation of the masterplan.

2.5 Subject to approval of recommendation 2.1 above, give permission for an allocation of £250,000 is included in the Council’s revenue budget for the new financial year (2019/20) to be funded from the Local Growth Deal (Round 3) monies awarded by the York, North Yorkshire and East Riding Local Enterprise Partnership.

3. **Background** -

3.1 In June 2017, Policy Committee was informed that the Council had been awarded £5million from the York, North Yorkshire and East Riding Local Enterprise Partnership (YNYER LEP) to deliver a scheme known as the Skipton Employment and Housing Growth project. As Members will recall, the scheme involves:

i) Upgrade of Engine Shed Lane and Ings Lane to adoptable standard, and creation of a new road linking the end of Ings Lane with the road network for phase one of Wyvern Park and the A629 Skipton by-pass;

ii) Improve pedestrian routes from the Railway Station to key destinations, including the upgrade of the canal towpath from Broughton Road to the town centre;

iii) Preparation of a masterplan for the re-development of the area surrounding the Railway Station, to provide a mix of housing and commercial space;

iv) Remediation of the Council's Waste Depot on Engine Shed Lane in readiness for the development of business space.

3.2 To-date, Members have agreed works to:

a) Manage the conveyance of the watercourses known as Gallow Syke and Ings Beck, phase one of the first element of the scheme to upgrade Engine Shed Lane and Ings Lane to adoptable standard (Minute POL.929/18-19), and
b) Upgrade the canal towpath from Broughton Road to town centre (Minute POL.934/18-19).

3.3 This report deals with the third component of the scheme, to prepare a masterplan for the re-development of the area surrounding the Railway Station.

4. **<u>The Growth Strategy and Masterplan</u> –**

4.1 <u>Introduction</u>:

The purpose of the masterplan is to produce a vision for the transformation of an area surrounding Skipton Railway Station, with the objectives of:

- Promoting the creation of high quality places, spaces and buildings of an appropriate form, scale and density that prioritises the user experience.
- Setting out the spatial layout and land use mix.
- Securing a cohesive, permeable and well connected proposition for the proposed study area and, to and from the town centre.
- Providing clarity for landowners, developers, investors, the Council and other public sector agencies as to the appropriate scale, location, mix and form of development which could be accommodated within the study area.
- Securing environmental improvements by enhancing the landscape assets and mitigating the impacts of traffic.
- Improving the quality of the public realm with a particular focus on pedestrian routes and open spaces.
- Enhancing the value of heritage assets and the setting of the Skipton Conservation Area.
- Enhancing Skipton from economic and social perspectives.

- Preparing a clear delivery plan setting out, among other items, each project's phasing, timescales, delivery approach, funding and key parties to be involved.

The masterplan is likely to be a material consideration in planning decisions. Produced in collaboration with the Council's planners and other key stakeholders, and to the satisfaction of elected members, development proposals will be expected to then accord with the principles of the masterplan.

4.2 Defining the Masterplan Study Area:

It is proposed that the focus of the masterplan is Skipton Railway Station and two areas that have been allocated as an employment/commercially led mixed use regeneration opportunity in the submission draft of the Craven Local Plan; site references SK140 and SK139. These areas are shaded brown on the map attached at Appendix A to this report.

4.2.1 Site SK140, which extends to 5.6hectares is centred on Skipton Railway Station. The south of the area incorporates the existing Sandylands Business Centre and Carleton New Road Industrial Estate whilst the north is bounded by the Leeds Liverpool Canal incorporating a row of retail units. The eastern extremity includes the Skipton Fire Station and the former LMS Social Club (now demolished).

The Heritage Impact Assessment conducted as part of the evidence base for the Local Plan concluded that the redevelopment of the area had the potential to deliver large beneficial impacts on the character and appearance of the Skipton Conservation Area and the setting of the surrounding heritage assets; the Station and Carleton New Road bridge.

The Assessment recommends that to ensure that the development of the area maximises the enhancement of these heritage assets and their setting, the creation of a landscaped amenity area in front of the Station and provision of a secondary access on the south side of the Station be explored. In order to provide the masterplanners with the flexibility to explore all possible opportunities for improving access and ensuring that there is an adequate provision of car parking for the operation of the Station, it is suggested that the study area incorporates the area to the west of Carleton New Road, bounded by Broughton Road to the north, the A629 Skipton by-pass and Carleton Road to the south.

4.2.2 Site SK139, consists of two main areas of land, east and west of Cavendish Street, which together extend to 1.95hectares. To the east the area is predominantly in the ownership of Craven District Council and used as a public car park with mixed use units including retail and leisure uses to the south. To the west of Cavendish Street (and at a substantially lower level) the site is occupied by a single large floorplate store and associated car parking

The aforementioned Heritage Impact Assessment concluded that the redevelopment of the area had the potential to deliver very large beneficial impacts on the character and appearance of the Skipton Conservation Area and the setting of the Leeds Liverpool Canal. The Assessment recognises the area as being an important site within the town centre which could contribute massively to the retail offer and urban fabric of the town but the current uses and buildings on both parts of the site fail to deliver that full potential.

The Assessment recommends that consideration should be given to providing pedestrian permeability through both parts of the area. In view of this, and the proposed objectives for the masterplan, it is proposed that the study area incorporates:

a) The area between the east of SK140 and west of SK139, bounded by the Leeds Liverpool Canal to the north and Keighley Road/Carleton Road to the south. The area which is predominately retail and associated car parking encompasses key routes such as Black Walk, Gas Street and entirety of Cavendish Street.

b) The area to the east of the Canal, currently used as a public car park and Bus Station, bounded by Keighley Road to the east and Swadford Street to the north.

The inclusion of these areas, which are similar in character to the allocated regeneration area (SK139) will allow the masterplan to take a fully comprehensive approach and will help to ensure that re-development will deliver more significant beneficial impacts in terms of providing a well-connected proposition; enhancing the setting of the town's heritage assets and creating an attractive and welcoming gateway to the town.

4.2.3 The proposed study area for the masterplan is outlined in red on the map attached to the report at Appendix A. However, subject to the findings of the surveys and site investigations that will be needed to inform the preparation of the masterplan, it may be necessary, for the purposes of mitigation and/or provision of further enhancement measures to adjust the study area and incorporate other parts of the town. It is therefore recommended that delegated authority is given to the Director of Services, in consultation with the Lead Member for Enterprising Craven to agree any changes to the study area.

4.3 <u>Key Outputs and Deliverables</u>:

In preparation of a thorough and robust masterplan, it is suggested that the following key areas of work will need to be undertaken:

4.3.1 A transport and movement framework, identifying opportunities for managing traffic and access, having regard to the planned improvements associated with the A629 Skipton by-pass and the new highway network for Wyvern Park and Engine Shed Lane, along with improved linkages to encourage people to make more journeys on foot, bicycle and public transport within the study area and beyond, to include:

- Strengthening connections between the town centre and Railway Station
- Strengthening connections between the town centre and neighbouring employment and residential areas

- Strengthening connections with the Leeds Liverpool Canal and adjoining public rights of way

4.3.2 A parking strategy for the town, to provide an understanding of how existing parking provisions are being used, giving consideration to the suitability of that provision, its operation and correlation between on and off street parking arrangements. To consider potential future demands with regard to planned housing and employment growth; delivery of the proposed strategy for Railway Station and proposed changes to rail services to and from Skipton. Identification of different scenarios that could be applied to model potential impacts on parking and the highway network.

4.3.3 Put forward a spatial vision including an indicative layout setting out appropriate land uses that will attract investors and occupiers as part of a vibrant town. Provision of a strategic design code to inform new development proposals including guidelines about townscape, layout, building form, scale, height and massing and materials.

4.3.4 A viability appraisal to demonstrate that the proposals are viable and deliverable, including monetary values and costs; anticipated outputs of the masterplan once implemented including GVA, number of new jobs, additional homes and new employment space. The viability assessment will also need to take account of the importance to the Council of the existing income from its assets and identify any potential uplift in the value of its assets as a result of the proposals in the masterplan.

4.3.5 A strategy for the Railway Station to provide a framework for the delivery of a high quality multi-modal gateway station. The strategy would consider the capacity of the Station to accommodate the anticipated growth in rail travel to and from Skipton; the provision of better quality facilities and improved connectivity (with onward travel from rail to bus, walking, cycling and the local road network). Whilst supportive of proposals to develop the Railway Station and surrounding area, Network Rail have indicated that Skipton is a low priority for them, and that nothing would happen unless locally driven. They did however indicate that if the Council were to develop a strategy for the Station, it would be used to inform the preparation of the Northern franchise retendering; likely to commence in 2023 for delivery from 2025 onwards. In the absence of a strategy, the indication was that the franchise retender would not require anything additional to the current level of “on station” provision.

4.3.6 A delivery plan that sets out a prioritised list of development opportunities including early stage projects for immediate delivery; the interventions necessary to implement the proposed measures and/or individual projects, a reasoned strategy in respect of land assembly, identification of potential timeframes, key partners and funding opportunities.

5. **<u>Delivery of the Masterplan</u> -**

5.1 <u>Consultation:</u>

An essential element of the brief for the preparation of the masterplan will be to ensure there is extensive engagement and consultation with the public and stakeholders. Whilst the masterplanners will be required to lead the debate and consultation, all aspects of the process will be undertaken in agreement with the Council.

5.2 Timeframe:

Including the tender and selection period, it is envisaged that the masterplan will take up to twelve-months to complete. The timeframe reflects the need for significant evidence gathering, the preparation of draft proposals and consultation with elected members, stakeholders, residents and businesses.

5.3 Appointment of the Masterplanners:

A multi-disciplinary team will be required, bringing together proven expertise in the areas of:

- planning, urban design, architecture, landscape and public realm design (particular with regard to creativity and innovation)
- transport engineering (including traffic and parking management)
- development viability and site assembly
- community and stakeholder engagement

The first priority will be to engage the transport engineering team to commence the preparation of the proposed parking strategy outlined in paragraph 4.2.3. Work undertaken by this component of the masterplanning team will be an essential requirement to inform a submission by this Council in conjunction with North Yorkshire County Council for a share of funding from the Leeds City Region Transforming Cities programme to improve access around gateway stations; Skipton has been identified as one of these gateways. Also, if invited, the preparation of a stage 2 business case with regard to the Government's Future High Street Fund; an expression of interest is being drafted.

A joint working group will be established between the Council (as the client), key stakeholders and the appointed masterplanner. North Yorkshire County Council (Transport and Development) and Network Rail have said that they wish to be involved in the masterplanning process and are willing to be part of the working group.

6. **Conclusion -**

The masterplan will set out a strategic plan for the study area; this comprehensive approach will allow all development opportunities and assets to be looked at in a holistic manor. The masterplan will allow the Council to clearly articulate what can be delivered, when and how. Founded on thorough and up-to-date evidence, the masterplan will also be an important tool in marketing the town to potential investors and securing external funding.

Implementation of the vision will be an essential a part of the masterplanning process. This will include viability assessments, cost estimates, delivery options and funding advice. The process will also involve a parking strategy to ensure that the Council maximises potential development assets whilst maintaining long-term income streams and meeting the needs of businesses and visitors.

7. **Implications**

7.1 **Financial Implications** –

The funding profile for the Skipton Employment and Housing Growth project submitted to the YNYER LEP, has been developed on the basis of using Local Growth Deal funding to cover the full cost of the work to prepare the masterplan for Skipton Railway Station and adjacent area(s). A budget of £250,000 has been ringfenced to cover the cost of the undertaking the work, including the associated surveys.

The allocation has been based on similar exercises commissioned by other local authorities, including the preparation of the masterplan for Burnley Town Centre and works to York Central.

The aim is to undertake this element of the scheme in the new financial year (2019/20). It is therefore recommended that the Council agrees to include an allocation of £250,000 in its revenue budget, which will be funded from the Local Growth Deal monies. In accordance with standard practice for the grant funding, the Local Growth Deal monies will be paid retrospectively.

7.2 **Legal Implications** –

The masterplanners will be appointed in accordance with the Council's Contract Procedure Rules, which requires the selected tenderer to accept the terms and conditions set out in the Council's contract for the purchase of services; a copy of which is supplied as part of the invitation to tender documentation.

The masterplan will be developed and consulted upon in accordance with the Town and Country (Local Planning)(England) Regulations 2012 before being considered by the Council for adoption.

7.3 **Contribution to Corporate Priorities** –

The proposal in this report directly contributes to the delivery of the Council Plan (2018 – 2021) through the Enterprising Craven priority, in particular the actions to: (a) stimulate business growth by improving the quality and capacity of the transport infrastructure serving the District and (b) improve the economic vitality of Craven's market towns and villages.

7.4 **Risk Management** –

The key risks are contractual. Mitigation will relate to effective management by the Council to ensure that the appointed masterplanners deliver the required activity and within the agreed price structure.

8 **Consultations with Others** –

Financial Service
Legal Service

9. **Access to Information : Background Documents** –

- Local Growth Fund Business Case Pro-forma: Skipton Employment and Housing Growth, dated 6th April 2018

10. **Author of the Report** –

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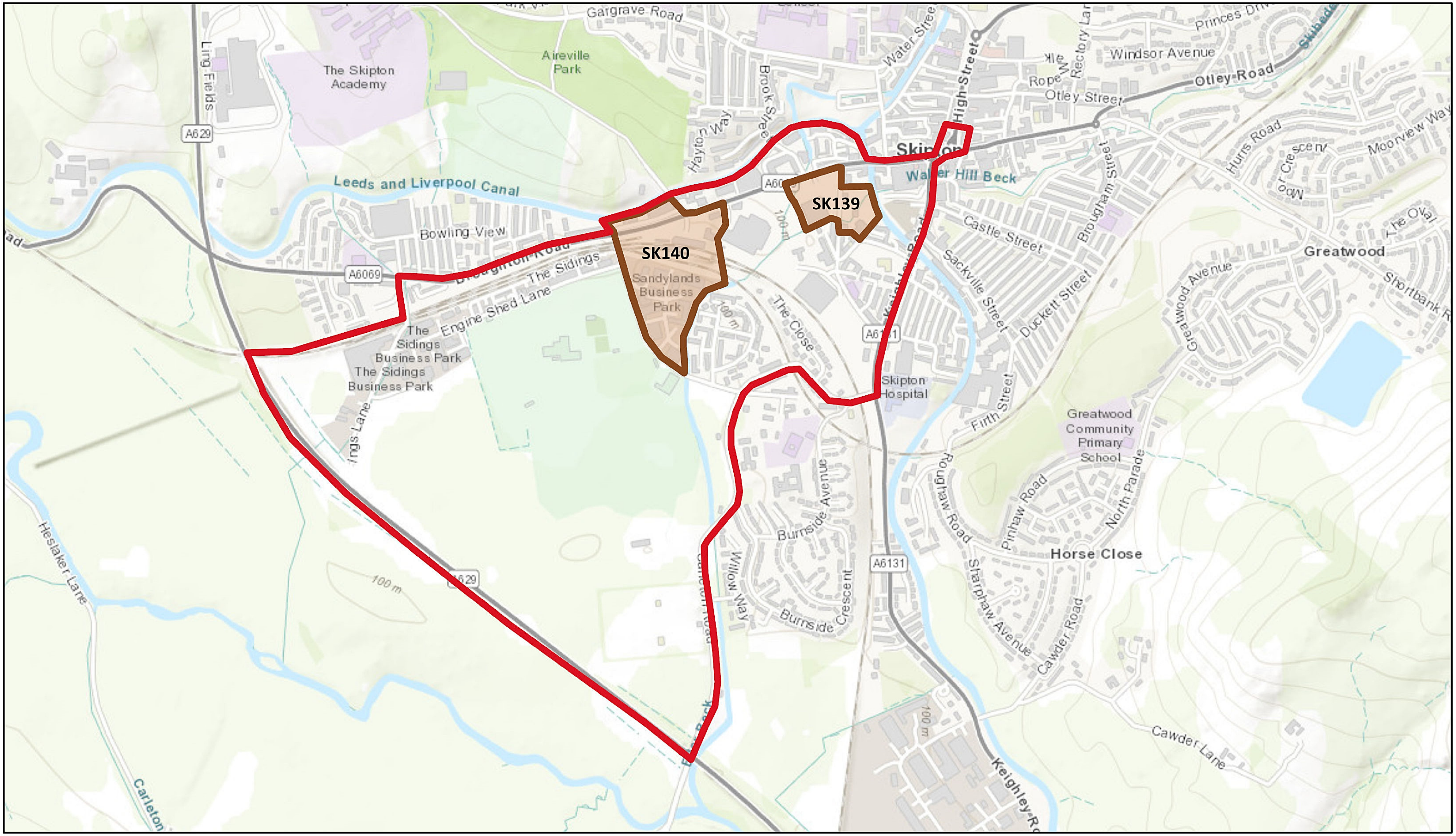
Note : Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

11. **Appendices** –

Appendix A – Plan showing the proposed study area for the Growth Strategy for Skipton Railway Station and Adjacent Areas

Appendix A: Growth Strategy for Skipton Railway Station and Adjacent Areas



1:20,000

0 0.1 0.2 0.4 mi

0 0.15 0.3 0.6 km

Local Plan Mixed Use Opportunity Site / Regeneration Area

Proposed Area of Growth Strategy / Masterplan

Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), swisstopo, © OpenStreetMap contributors, and the GIS User Community

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