POLICY COMMITTEE

(Online meeting)

Tuesday, 2nd February 2021 at 6.30pm

Committee Members: The Chairman (Councillor Foster) and Councillors Barrett, Heseltine, Ireton, Lis, Madeley, Metcalfe, Morrell, Mulligan, Myers, Noland, Place, Rose and Wheeler.

Substitutes: Conservatives – Councillors Handley, Moorby and Whitaker; Independents – Councillors Shuttleworth and Solloway (plus 1 vacancy); Labour – Councillor Mercer; Green – Brown.

(Please note that due to Covid-19, this meeting will be held remotely and will be livestreamed here https://www.youtube.com/channel/UCdfb6ZRbYnZ1-rRliLmjUwg**)**

Exclusion of the Public - In accordance with the Council's Access to Information Procedure Rules, Members are recommended to exclude the public from the meeting during consideration of Items $11 and $12, it is likely that if Members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 (relates to the financial or business affairs of any person including the Authority holding the information) of those Rules and Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

AGENDA

1. **Apologies for absence and substitutes** – To receive any apologies for absence and notification of substitutes.

2. **Confirmation of Minutes** – To confirm the minutes of the meeting held on 19th January 2021 (there is also an exempt minute which is not for publication).

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.

   (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. Revenue Budget 2021/22 and Medium Term Financial Plan 2021/22 – 2024-25 (including the Capital Strategy) – Report of the Chief Finance Officer. Attached.

Purpose of Report – To identify a fully funded revenue budget for 2021/22; recommend a prudent level of general fund reserve balances for the financial year; and outline the Medium Term Financial Plan (MTFP) to 2024-25 – including the updated Capital Strategy.

6. Capital Programme 2021/22 – Report of the Chief Finance Officer. Attached.

Purpose of Report – To seek approval of the proposed capital programme for 2021/22 – 2024/25, subject to their being sufficient capital resources.

7. Council Plan 2021/22 – Report of the Chief Finance Officer. Attached.

Purpose of Report – To present the 2021 update to the Craven District Council Plan 2020 and Beyond for approval.

8. 2021/22 Treasury Management Strategy Statement, Minimum Revenue Provision Statement and Annual Investment Strategy – Report of the Chief Finance Officer. Attached.

Purpose of Report – This report presents for approval the proposed Treasury Management Strategy together with the MRPS, Prudential Indicators and the Annual Investment Strategy for 2021/22 as required by the Department of Communities and Local Government and CIPFA.

9. Pay Policy Statement 2021/22 – Report of the HR Manager. Attached.

Purpose of Report – To seek approval to implement the Council's 2021/22 Pay Policy Statement in accordance with S.38 of the Localism Act 2011.

10. Local Government Association Peer Challenge – Planning Service – Report of the Director of Services. Attached.

Purpose of Report – To receive an update on progress with the Council's response to the Planning Peer Challenge and approve the Improvement Action Plan.

Items Exempt from Publication

$11. Update on the Council's Affordable Housing Programme – Report of the Director of Services. Report Attached, Appendix is excluded.

Purpose of Report – To provide an update on the Council's shared ownership programme of property acquisitions and small site development. To present the forward programme and highlight changes to future delivery.

$12. Shared Ownership Developments - Council Owned Sites – Report of the Director of Services. Report and appendix not attached.

Purpose of Report – To secure approval for the development of three council-owned sites for shared ownership housing, following the receipt of tenders

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.

15. **Date and Time of Next Meeting –** Tuesday, 2nd March 2021.

Agenda Contact Officer: Vicky Davies
Telephone: (01756) 706486
E-mail: committees@cravendc.gov.uk
25th January 2021

POLICY COMMITTEE (On-line)

19 January 2021

Present – The Chairman, Councillor Foster and Councillors Barrett, Handley (substitute for Welch), Heseltine, Ireton, Lis, Madeley, Metcalfe, Morrell, Mulligan, Myers, Noland, Place, Rose and Wheeler.

Officers – Chief Executive, Director of Services, Chief Finance Officer (S151 Officer), Strategic Manager for Planning and Regeneration, Solicitor to the Council and Monitoring Officer, Business Services Manager, Communications, Customer Services and Partnerships Manager, Communications Officer, Senior Democratic Services Officer and Democratic Services Manager.

Apologies for Absence – An apology for absence was received from Councillor Welch.

Confirmation of Minutes – The minutes of the Policy Committee meeting held on 1 December 2020 were confirmed as a correct record.

Exclusion of the Public -

Resolved – That, in accordance with the Council's Access to Information Procedure Rules, the public is excluded for the purposes of Minute $POL.1115 below (marked $) on the grounds that it is not in the public interest to disclose the Category 3 exempt information (relates to the financial or business affairs of any particular person).

Start: 6.32pm **Finish:** 7.45pm

Minutes for Report

POL.1110 **COLLECTION FUND COUNCIL TAX SURPLUS/(DEFICIT) 2020/21**

The Chief Finance Officer submitted a report declaring an estimated deficit of £1,266,522 on the Council's collection fund in respect of council tax for the financial year ending on 31st March 2021.

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

- North Yorkshire County Council (£90,022.09)
- North Yorkshire Police and Crime Commissioner (£17,547.26)
- North Yorkshire Fire and Rescue Service (£ 4,799.30)
- Craven District Council (£15,900.32)

Craven District Council was required to take the £15,900 into account when setting its element of the council tax for 2019/20. However, due to the impacts of the Coronavirus pandemic any deficits could be spread over the next three financial years in order to reduce the impact on any individual year. As a result of the spreading, the estimated closing cumulative deficit was £128,269.

Resolved – (1) That, an estimated deficit of £1,266,522 on the Council's collection fund at 31st March 2021 relating to council tax transactions is declared.

(2) That, it is noted that the estimated deficit declared for 2020/21 is eligible for spreading over the next three financial years

(3) That, as part of the budget strategy, the Council's element of the estimated deficit and subsequent spreading thereof, is used in calculating the level of Council for 2021/22.

POL.1111 **COLLECTION FUND NATIONAL NON-DOMESTIC RATES SURPLUS/(DEFICIT) 2020/21**

The Chief Finance Officer submitted a report declaring an estimated deficit of £9,232,490 on the Council's collection fund at 31st March 2020 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 (£ 4,336)
- Central Government (£24,091)
- North Yorkshire Fire and Rescue Service (£ 482)
- Craven District Council (£19,273)

Members were advised that Craven District Council had to take the £19,273 into account when it set its element of the council tax for 2020/21. However, due to the impacts of the Coronavirus pandemic, any deficits could be spread over the next three years to reduce the impact on any individual year. The deficit spreading could only be applied to deficits that were not as a result of the additional grants awarded due to the reaction of Coronavirus. The overall adjusted deficit was £144,546 which could be spread over the next three years as it related to an assumed adjustment in non-collection allowance for the Collection Fund.

Resolved – (1) That, an estimated deficit of £9,232,490 on the Council's collection fund at 31st March 2021 relating to NNDR transactions is declared.

(2) That, as part of the budget strategy the Council's element of the estimated deficit, is used in calculating the level of Council Tax for 2021/22.

POL.1112 **SUPPORT FOR FRIENDS OF THE SETTLE CARLISLE LINE TO BECOME A COMMUNITY RAIL PARTNERSHIP**

The Chief Executive submitted a report asking Members to formally support the application of the Friends of the Settle Carlisle Line to become a Community Rail Partnership. Community rail was a Government supported programme that enabled community involvement in the planning and delivery of local rail services. Becoming a Community Rail Partnership opened up access to further funding and support as well as formal recognition as a consultative body for the planning and delivery of rail services.

Users of the Bentham line were currently represented by the successful Leeds-Morecambe Community Rail Partnership but despite a large and active membership, FoSCL was not formally recognised as a Community Rail Partnership and they had asked if the Council would support their application.

Resolved – (1) That, the intention of the Friends of the Settle Carlisle Line to apply to become members of community rail and be formally recognised as a community rail partnership is noted.

(2) That, this Council supports Friends of the Settle Carlisle Line to become a community rail partnership.

POL.1113 **REVIEW OF OPERATION OF WARD MEMBER GRANTS SCHEME 2018-2021**

The Chief Executive submitted a report presenting a review of the ward member grant scheme that had been launched in 2016/17 and revised in 2017/18. Funding for the continuation of the scheme was also requested.

The Council had a long standing commitment to empowering people and organisations to help their communities and ward member grants allowed every District Councillor to respond to local needs by recommending the allocation of small amounts of money, up to a maximum of £1000, to support projects or activities that benefitted the local communities they represented.

As part of the annual audit plan for 2017/18 an audit (as shown in appendix A), was undertaken reviewing key controls on 20 randomly selected projects. The subsequent audit recommendations were adopted and implemented effective from the 2018/19 financial year.

The Chief Executive's report highlighted the grant distribution and the projects the money had been used to support.

During the ensuing debate, Members commented on the value they placed on the scheme and the opportunity it gave them to make a real difference to projects in their ward and, it was

Resolved – (1) That, the report is noted.

(2) That, an annual budget of £30,000 for the scheme (£1,000 per Councillor) funded by £30,000 from the revenue budget is approved.

POL.1114 CONSERVATION MANAGEMENT PLAN FOR FORMER COUNCIL DEPOT SITE, LANGCLIFFE QUARRY, SETTLE

The Chief Executive submitted a report presenting an updated Conservation Management Plan for the Council owned depot/workshop site at Langcliffe Quarry required by way of a Section 106 Agreement in order to obtain full planning approval for the proposed redevelopment to create a rural enterprise centre.

The proposal for the vacant former Council depot, derelict buildings and no longer needed quarry was to build a low density and low level development of commercial units together with the refurbishment into offices of the stone buildings closest to the iconic and Scheduled Ancient Monument the Hoffman Kiln.

A Conservation Management Plan had been produced in 2007 and an updated plan had been prepared as attached to the report now submitted. The revised plan took into account the proposed redevelopment of part of the site into a rural enterprise centre. The plan would last for 30 years and be reviewed every 5 years, in accordance with the terms of the Section 106 Agreement attached to the report at Appendix B. The Council was obliged to maintain a Conservation Management Plan for the extent of the Scheduled Monument area within its ownership, irrespective of the sites use because of the significant importance of the site as a heritage and ecological asset.

The Council had worked very closely with the Yorkshire Dales National Park officers to develop the brief for, and the development of, the Conservation Management Plan now presented to Members.

The development proposals had received positive feedback from a consultation event in October 2019 at Settle Victoria Hall and several local businesses had expressed a keen interest. The Yorkshire Dales National Park had considered and supported a planning application and provided delegated authority to officers to finally determine the application once all conditions had been satisfied.

Members had already approved an open tender route for construction companies to undertake the proposed redevelopment and the invitation to tender was currently live with an imminent closing date.

Resolved – (1) That, the updated Conservation Management Plan, attached at Appendix A to the report now submitted, secured by way of a S.106 planning obligation, the draft as attached at Appendix B to the report now submitted, is approved.

(2) That, the Chief Executive is authorised to instruct Council Officers to set up a Conservation Management Plan Liaison Steering Group to guide the implementation of the action plan attached at Appendix A to the report now submitted.

(3) That, the Conservation Management Plan Liaison Steering Group is instructed to produce an annual report providing an update on the progress of the Conservation Management Plan implementation together with a proposed work programme for the following 12 months' period.

(4) That, the Chief Executive is authorised to instruct Council Officers to undertake a five yearly review of the Conservation Management Plan actions to consider whether an update is required to the action plan, in accordance with the requirements set out in the draft S.106 as attached at Appendix B to the report now submitted.

Minutes for Decision

$POL. 1115 **LOCAL GROWTH DEAL UPDATE: HIGHWAY IMPROVEMENTS – ENGINE SHED LANE LINK ROAD**

(A separate excluded full minute has been prepared for this item. It is published (on pink paper) in an Appendix to Committee Members, relevant officers and others who are entitled to all details.)

Date and Time of Next Meeting – Tuesday, 2nd February 2021 at 6.30pm.

Chairman

AGENDA ITEM 5

Policy Committee – 2nd February 2021
Revenue Budget 2021/22 and Medium Term Financial Plan 2021/22 to 2024/25 (Including the Capital Strategy)

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 2021/22
- Recommend a prudent level of General Fund Revenue Balances for the financial year
- outline the Medium Term Financial Plan (MTFP) to 2024/25 – including the updated Capital Strategy

2. Recommendations

That the following be recommended to Council:-

2.1 Revenue Budget assumptions as detailed in the report are noted

2.2 The Revenue Budget for 2021/22 of £7,132,749 detailed at Appendix B is approved.

2.3 The schedule of growth bids of £77,348 as identified in Appendix C be approved.

2.4 The savings of £176,000 in Appendix D is incorporated into the budget.

2.5 A net contribution from Earmarked Reserves of £137,000 is made to support the 2021/22 budget, subject to the realisation of the Amber Savings identified in Appendix D.

2.6 The assessment of the Robustness of the Budget and Adequacy of Reserves in 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 2020 in Paragraph 10 and Appendix F be approved.

2.8 That Council Tax is increased at Band D by £5 to £182.21

2.9 The Revenue Budget incorporates the net contributions to/(from) earmarked based as detailed in Tables 1 & 2, Appendix A and 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
  (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 The Funding sources identified in the report and Appendices A and B be approved.

2.13 To note the attached Medium Term Financial Plan and the estimates of future years' budgets contained therein (Annex 1).

2.14 To note the updated Capital Strategy included with the MTFP (Annex 1).

3. Background Information

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

3.2 As the final settlement has not yet been confirmed the 2021/22 budget is based on the provisional settlement announcement in December 2020. It is expected that there will be little or no change to the final figures. As part of the settlement, permission was given for district councils to increase their Council Tax by 2.00%, without triggering a referendum or £5 (if Band D is less than £250), whichever is the greater. In calculating the estimates of council funding for 2021/22, the government assumes the maximum rise will be applied.

3.3 A £5 increase gives a Council tax of £182.21 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 is due to be completed for the deadline of 31 January 2021. The information on the NDR1 is an estimate and the actual financial position will normally vary from the estimate.

3.5 A budget consultation exercise has been undertaken and a summary of the feedback is noted in paragraph 11 below and more detail included at Appendix G.

4.0 Revenue Budget Proposals 2020/21

4.1 Appendix A, attached, identifies the proposed budget for 2021/22 at £7.133m. (£7.042m 2020/21). Indicative budgets are also shown for 2022/23 and 2023/24. The budget includes £77k of revenue bids (£152k 2020/21) and £428k (£498k 2020/21) of support to the Capital Programme which will be funded from earmarked reserves. Overall the Net Cost of Services has increased by £91k.

4.2 The summary budget for 2021/22 and indicative future budgets are shown in Table

2 in Appendix A.

4.3 Appendix B shows the Revenue budget including a subjective analysis of the net cost of service by cost centre.

4.5 Further information on the indicative future budgets is included within the Medium Term Financial Plan included as part of Appendix A.

4.6 The budget provides for contributions to reserves of £408k and contributions from reserves of £545k giving net contributions from reserves of £137k as detailed in Table 3 in Appendix A. Further, the capital financing budget has been increased in 2021/22 to provide for the anticipated borrowing costs associated with recently approved major capital schemes.

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 ongoing impact of the reduction or removal of sources of financial support from government. The plan is regularly reviewed and updated. Savings and additional income achieved in 2020/21 equate to £176k and is included within the 2021/22 budget. This information is shown at Appendix D.

5. <u>Review of 2020/21</u>

5.1 Corporate monitoring of the budget has taken place through monthly income and staffing costs reported to the Corporate Leadership Team (CLT) and Senior Leadership Team and quarterly reporting to this Committee.

5.2 Based on the Quarter 2 Budget Monitoring Report to Policy Committee in December 2020, an overspend of £222k was forecast. The report recognised the financial impact of Covid-19 in what has been an extraordinary year. During the year, the council moved from estimating a significant financial shortfall early on, to a more stable position, reflecting confirmation of additional government expenditure grant funding and support for lost revenues from sales, fees and charges. The financial impact of the pandemic is likely to be long-lasting, though hopefully less drastic than in 2020/21. The medium term impact on business rates and Council Tax revenues is difficult to predict with certainty and will depend on many factors, but will be reflective of the wider economic situation. While most predictions currently anticipate an economic recovery during 2021/22, it may not be uniform and the cost of dealing with the pandemic - and the knock-on impact on government revenues - will, eventually, have to be addressed through a reassessment of taxation and public spending.

5.3 Work on the Quarter 3 position is continuing, and will be reported to Committee in March. As part of the quarter 3 report, the Government support received to date will be an apportionment to services. Any in-year savings will be assumed to contribute to certain reserves to support the council's short-term financial position and help to mitigate the impact of the global pandemic. Savings could also support the delivery of important council projects in future years. Identification of savings, without detriment to public service provision, is becoming extremely challenging and the council is continuing to seek to deliver balanced budgets through maximising income generation opportunities, income generating investment projects and careful cost management - whilst continually seeking to find additional savings.

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 2020/21 Revenue Budget and MTFP

6.1 Figures released by the Office of National Statistics showed that CPIH inflation for the year to December 2020 was 0.6% (the equivalent last year was1.5%).

Pay and Prices Inflation

6.2 The budget for 2021/22 recognises the proposed public sector pay increases announced as part of the Spending Review in November and beyond that, includes an estimated impact of future national pay awards ranging between 2-3%.

6.3 The impact of the current triennial review of pension costs is reflected in the proposed budget.

6.4 Prices inflation has been applied at a cost centre level where known inflationary pressures exist, for example in relation to utility costs.

6.5 In total service cost pressures of £58k (£82k last year) arising from inflation has been incorporated into the 2021/22 budget.

6.6 Fees & Charges

Increases to fees and charges were agreed by Policy Committee at its meeting on 1st December 2020. 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 £50k of additional income.

6.7 Financing of Capital Expenditure

The Capital Programme is included as a separate report. The budget assumes that new long term external borrowing will be required to finance the programme in 2020/21. Consequently, the Revenue Budget has been increased by £403k to fund the expected borrowing required.

6.8 The council's capital programme has to be financially sustainable and fully financed. To deliver investment priorities, the use of capital receipts, revenue reserves and contributions, grants and external borrowing (which will have a revenue impact) will be evaluated. In addition, investment in or acquisition of assets with revenue generating potential will also be considered where appropriate. The estimated capital programme for 2021/22 is £2,230k and is summarised in table 4 in Appendix A.

7. 2021/22 Revenue Budget Funding

Grant Settlement and Specific Grants

7.1 The Draft Local Government Finance Settlement for 2021/22 was announced on 17th December 2020. The date of the final settlement is as yet not confirmed and so the budget report has been based on the draft announcement as little change is expected to the final figures.

7.2 The Council has previously accepted the government's Four Year Settlement Offer which was made as part of the 2016/17 funding announcements and ran to March 2020. The settlement for 2020/21 was effectively an additional year of this agreement, following the general election in 2019 and pending reviews of major funding streams. The settlement for 2021/22 could be viewed as a further additional year of this agreement and is very much one-year in nature, with no material changes to the methodology and approach. There is no clarity nationally beyond the next financial year and it is assumed that the previously planned funding formula review, review/resetting of business rates and changes to or removal of the New Homes Bonus (NHB) will all continue – but the timing is still unclear. Individually and collectively, each of these will have a potentially significant impact to the council's funding position, though funding changes are usually introduced with smoothing mechanisms to help dampen the impact over time.

7.3 The key elements of the provisional settlement announcement and associated key notifications, including New Homes Bonus, which have been incorporated into the budget proposals for 2021/22 are:

- No Revenue Support Grant
- No change to Settlement Funding Assessment/Baseline Funding Level
- Rural Services Delivery Grant increased by 5% to at £294k
- The NHB methodology reflected changes last year (so no legacy payments for 2020/21) but otherwise a continuation of the existing scheme resulting in an allocation of £286k (a reduction of 49% compared to 2020/21)
- Lower Tier Services Grant is an assumed one-off grant to ensure no council has a reduction in 'Core Spending Power (CSP)'. An allocation if £88k has been made
- A Local Council Tax Support Grant of £62k is awarded
- CSP calculation assumes that a £5 rise is applied to Council Tax
- Continued support to manage the change from RPI to CPI indexation on business rates multiplier of £77k

7.4 The Fair Funding Review first announced in February 2016 is still unresolved with no implementation date confirmed. The review should set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources. The outcome will likely result in redistribution of funding (winners and losers) and so the impact will have to be carefully managed nationally, with, it is hoped, a sensible transition period to mitigate the impact on individual councils.

7.5 <u>Retained Business Rates</u>
For 2021/22 the Council estimates that it will collect around £18,1m. The budgeted amount for 2020/21 was £18.5m but this is now forecast to be £15.4m. The response to Covid-19 has meant that a significant proportion of the collectable rates have been grant funded by government in 2020/21 and latest estimates suggest an increase in non-collection. This position will be more definitive toward the end of the current financial year. Amounts not collected in-year will be taken to the Collection Fund and spread over three-years – there is also government support to help with non-collection from 2020/21 and it is assumed that this support

will continue for at least part of 2021/22.

7.6 The pandemic has introduced even more uncertainty to the rates system. Consequently, it was agreed amongst North Yorkshire councils not to consider a retained rates pool for 2021/22 and so the council will not be in a regional pool next year. 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 the expected reset of business rates and a more fundamental review of the system, though timings are not yet confirmed.

7.7 The Council has declared that there will be a £48k adjusted deficit on the NDR collection fund at the end of 2020/21 and that its share will be £19k. this forms part of the budget for 2021/22.

Localisation of Council Tax

7.8 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.

7.9 The Council has agreed that for 2021/22 the Localisation of Council Tax Support Scheme will remain unchanged. That is that the maximum discount for eligible claimants towards their Council tax bill is 90%. For Pension age claimants the maximum is 100%. Additional grant support of £62k has been provided to help the Council deal with the expected additional cost of the local council tax reduction scheme, It is assumed that this grant will be for one-year only and is payable to the general fund.

7.10 New Homes Bonus

The indicative New Homes Bonus (NHB) allocation for 2020/21 is £286k. This reflected changes announced last year, so no legacy payments were added to reflect 2020/21 allocation, though tapering legacy payments for 2018/19 and 2019/20 have been included.

7.11 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.

8. Financial Standing and Governance

8.1 Subject to the agreement of the Budget, the Council's 2021/22 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 2021/22 are:

- Sustaining income levels – particularly those directly and indirectly affected by responses to Covid-19
- 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.
- Managing the continued uncertainty around key funding sources and

formulae

- As the council's capital programme becomes more ambitious and reliant on local resources, unexpected cost increases pose a risk
- Servicing increased borrowing commits revenue funding over the long-term, so reduces capacity in the revenue budget

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 and performance reports presented to Policy Committee during 2021/22.

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 provisional Settlement announcement confirmed that the referendum limit for Council Tax rises in 2021/22 is 2% or £5 for Shire Districts charging less than £250 at Band D.

9.2 The draft budget is based on the Council increasing the Council tax for 2021/22 by £5 to give a Council Tax at Band D of £182.21. The government in its calculations of Core Spending Power assumes that this is the option that the Council will take, so not doing so will result in a permanent weakening of the council's finances.

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.

During 2019/20, the Council declared a climate emergency. The actions the council will take to respond to this are still being developed. In anticipation of financial commitments that will likely be required to invest in this priority, a new reserve will be established to begin to set aside funds to support the council's commitment.

10.3 This budget report shows that the estimated position on the General Fund Balance at 31 March 2020 will be £995k. No further contribution will be made to it in 2021/22. 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 proposals set out are robust and will deliver a balanced budget in 2020/21, as required by Section 25 of the Local Government Act 2003.

11. Budget Consultation

11.1 A budget consultation exercise was undertaken between October and December 2020. The consultation focussed on areas of expenditure, income, savings and Council priorities. The Council received 206 responses compared to 223 for 2020/21. A summary of the feedback from the Consultation is attached at Appendix G.

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 2021/22 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. The proposals for 2021/22 are very much in the context of a 'one-year' budget. The future of key funding sources remains uncertain beyond 2021/22 and if cost pressures continue to grow faster than can be absorbed through local funding, difficult decisions will be required to balance the budget in future years.

12.5 Equality Impact Assessment

The Council's Equality Impact Assessment Procedure **has been** followed.

13. Consultations with Others

Public consultation has been undertaken. Consultation with Members has been undertaken during the course of the budget setting process.

14. Access to Information : Background Documents

Fees & Charges 2021/22 – Policy Committee December 2019
Council Tax Base Report
Collection Fund reports

15. Authors of the Report

James Hordern, Accountancy Services Manager and Richard Weigh, Chief Finance Officer (S.151 officer)
Tel: 01756 706316, 01756 706418,
Email: JHordern@cravendc.gov.uk , rweigh@cravendc.gov.uk

16. Annexes

Annex 1 – Medium Term Financial Plan - 2021/22 – 2024/25
Annex 2 - Capital Strategy - 2021 - 2025

17. Appendices

Appendix A – Summary of key tables

Appendix B – Summary Revenue Budget 2021/22 – 2023/24

& Subjective Analysis 2021/22
Appendix C – Summary Revenue Growth Bids
Appendix D – Income & Savings Plan
Appendix E – Budget Risk Assessment
Appendix F – Robustness of Budget and Adequacy of Reserves and Balances Assessment
Appendix G – Budget Consultation

CRAVEN DISTRICT COUNCIL

Medium Term Financial Plan 2021/22 – 2024/25

1. Introduction and Background

1.1 The Medium Term Financial Plan (MTFP) provides a financial framework for the Council's strategic planning and decision making over the next four years. This enables a longer term strategic view to be taken when decisions are made that have a financial impact beyond the annual budget. The MTFP spreadsheet is regularly reviewed and formally updated on an annual basis to provide a rolling longer term financial strategy and forecast. Given the number of variables and uncertainties that can impact the council's financial position (some significantly), there is limited value in extending the period of the MTFP beyond four years.

1.2 Previous versions of the Medium Term Financial plans have taken a cautious and prudent view of the Council's finances given the uncertainty within the wider economy and the Government's on-going resource review. This paper presents the annual update taking into account changes to the key assumptions within the strategy as a consequence of known and anticipated external factors and refers to the additional uncertainty and potential financial impacts of the Covid-19 pandemic.

1.3 The MTFP sets out the latest estimated funding resources that will be available to the Council over the period 2021/22 to 2024/25, the demands on those resources, and the level of savings or additional income that is likely to be needed to keep a balanced budget and to keep Council Tax affordable. Anticipating financial pressures now enables the Council to plan ahead to meet the significant challenges that local government continues to face over the medium term. In this way we can ensure that financial resources are targeted to the Council's highest priorities within the Council Plan and maintain financial stability.

1.4 The MTFP covers all revenue and capital spending plans of the Council.

1.5 The MTFP seeks to achieve the following objectives.

a) Budgets are prudent and sustainable in the long term.
b) Financial plans recognise corporate priorities and objectives.
c) The capital programme and its resource requirements are factored into forecasts (including the revenue consequences of capital decisions).
d) Constraints on revenue and capital resources are recognised and taken into account.
e) Significant risks are identified.
f) Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council.
g) Cash identified to support the revenue budget position is applied only

in a carefully managed and prudent way.

1.6 Proposals to reform local government across North Yorkshire are currently being considered. Until there is a definitive outcome, the following MTFP is presented on the assumption that Craven District Council continues to operate. Clearly, if and when a decision to the contrary is taken, then financial plans would have to be redrawn on the basis of the new authority type and geographic boundary.

2. Update on Financial Assumptions

General Inflation (Prices)

2.1 The Government has set a target to maintain the CPI measure of inflation at 2%. During 2020, it has not gone beyond 2% and as of December 2020 is 0.6%. The rate in September, which is used for setting many government revenues for the following year (and is the base assumption for the Council's level of fees and charges increase) was 0.7%. Inflation has been impacted by the availability and demand for goods during the year. As a result, movement in CPI during the year has been more volatile as a result of the pandemic responses. The Bank of England's Monetary Policy Committee (MPC) in its November report, forecasts CPI to be 0.4% at the end of 2020/21, rising in Q3 2021/22 to 1.8% and 2.2% in 2022/3.

2.2 For the purposes of the MTFP, an assumption for general price inflation of 2% is included but this is revised annually to account for any in-year or known variances, for example, in the cost of utilities. This should give enough flexibility for above average increases in relation to items like utility costs. Price inflation will only be allocated to service budgets as required, not as a general rule.

Inflation – Pay

An inflationary allowance of 1.7% is included for 2021/22, representing the government's position on public sector pay, outlined in the Spending Review of November 2020. An allowance of 2.5% is built in for the following years. The actual increase in pay is affected by the pay award, incremental movement within pay scales and changes to on-costs. Also, the headline pay award figure tends not to be evenly weighted across all pay grades, so the actual impact can be different.

2.3 Fees and charges were reviewed in November, in line with the Council's policy. It is assumed that fees will increase in line with inflation or in response to cost increases. However, with the need to ensure a sustainable Council, the policy will need to be kept under review to ensure that it remains appropriate going forward.

Interest Rates

2.4 The bank base rate had been maintained at 0.75% since August 2018. It was reduced 0.1% in March 2020 in response to the pandemic. It has remained at 0.1% and most forecasts assume the base rate will remain at 0.1% until the end of December 2022.

2.5 Changes to bank interest rates impact the level of return on Council investments and on the cost of borrowing, particularly when the borrowing is not from the government. Borrowing rates from the government are driven by the demand for Government Gilts and these have been at record low levels for a number of years. HM Treasury increased the cost of local authority borrowing in 2019 by 1%, but this position was reversed in November 2020, meaning that borrowing rates remain very low by historical standards. The difference between the rates the Council can achieve on investment yield and the cost of existing borrowing currently is around 1.2%. The Council will need to take some additional long-term external borrowing in future to ensure that its capital programme is adequately funded. The MTFP currently assumes that long term borrowing will increase to £5.988m in the coming months. The Council has been in an 'under-borrowed' position in recent years, when compared to the value of capital projects funded. This means the Council is 'internally borrowing', using its working capital position and reserved cash to finance capital in the short term, rather than locking in long-term debt.

Projects currently being planned and requiring financing via long term borrowing in the next few years will be evaluated along with current projects to ascertain the optimum time-frame for securing this funding.

2.6 If the Council decides to borrow to fund the Capital programme then the estimated additional cost of borrowing each £1.0m next year would be approximately 1.5% from the government (via the PWLB) for 25-year money, meaning the annual cost would be approximately £15k in interest, with MRP assumed to be £40k per annum.

Expenditure Assumptions

2.7 Budgets are cash limited – The MTFP reflects this policy, making no provision for service growth, which will require a revenue bid. Inflation has only been allowed on external contracts and in respect of pay, pensions, business rates and utilities. A corporate contingency of £75k has been provided to manage unexpected service pressures during the year.

2.8 Borrowing – The Council's current external borrowing of £5.988m is forecast to increase. There may also be a need in the short-term to undertake temporary borrowing to assist with cash flows to fund projects. Any additional borrowing will have an impact on the revenue account, and will be assessed as part of the financial viability of the proposed project. This and the rules governing the council's borrowing and investments are included in the council's treasury management strategy and statement (TMSS). Boundaries for borrowing limits will increase as the Capital Financing Requirement increases.

2.9 Pensions – The latest triennial valuation of the Council's contribution rate for the North Yorkshire Pension Fund came into effect from April 2020 and runs until March 2023. This contribution is based upon the returns of the fund investments, contributions and achieving a 100% funding position (rather than a deficit position). The latest valuation reports note that there is no deficit payment to make as the funding position has improved, indeed funding is now in excess of 100%. The surplus that has built up will not be paid back but will be kept as a buffer to protect against future funding level volatility. Pension fund policy is to return any excess over 110%, this will be reviewed at the next valuation. The estimated funding level for the Craven DC element of the fund has improved from 77.1% to 103.2%. However, to maintain stability in the fund, based on the latest actuarial assumptions, the 2020/21 service contribution increased to 25.5% from 17.7%, although this is a significant increase it is somewhat mitigated by the removal of the deficit payments.

2.10 Pay awards & National Minimum Wage – A standard 2.5% increase is assumed in the MTFP from April 2022. Pay inflation is affected by changes beyond pay awards, so the amounts included give some cover to allow for inflationary awards and makes some provision for movement within pay spinal columns as a consequence. The budget for 2021/22 reflects the government's intended position of a pay freeze for many public sector employees – but takes account of the intention to increase pay by £250 for those earning less than £24k.

Members' allowances are also increased in line with standard pay awards.

2.11 Election Costs – The Council currently elects one-third of its members for three years out of four. An elections reserve has been established so that the costs are spread over four years rather than three.

Income Assumptions

2.12 External Income – The model assumes that approximately 53% of external income will be subject to inflationary or growth increases. Planning assumptions apply an average rate of 2% growth to these income streams. Fees and charges should generally increase in line with cost inflation, unless there is a case made to deviate from this approach.

2.13 Interest on Surplus Funds – With the forecasts for the bank rate to remain at 0.1% in the medium term it is prudent for the MTFP to assume an average yield of 0.5% on investments. This reflects margins above base on some investments.

3. Government Grants & Business Rates

3.1 The balance of funding for Local Government is continuing to shift, with less and less support being made available from central government grants and more emphasis on funding generated locally, through Council Tax, fees and charges and retained Business Rates. The latter and other funding streams such as the New Homes Bonus (NHB) are designed to deliver central government objectives through local infrastructure – i.e. to financially incentivise councils to deliver new business growth and housing. Changes to the rates system, NHB and proposed changes to local government funding formulae were all postponed during 2020, in recognition of the demands created in response to dealing with Covid-19. Indeed, a further consequence was that the local government settlement for 2021/22 is essentially the second continuation of the four-year settlement agreed ahead of 2016/17. It is very unlikely that these funding models will continue in their current form beyond 2021/22, with proposed changes to the business rates system planned and a tapering of New Homes Bonus with no replacement model yet announced. However, at the time of writing, no firm timescales or further details have been published and so the impact of future changes is likely to differ from the assumptions currently shown in the MTFP.

<u>Revenue Support Grant (RSG)</u>

3.2 RSG was removed from 2019/20 and is unlikely to be reintroduced.

3.3 The Council receives an allocation of Rural Services Delivery Grant (RSDG). The budget for 2021/22 includes an allocation of £294k. Beyond 2021/22 however, it is unclear what the position will be – however it is assumed that the RSDG will form part of the baseline funding used in the calculation of retained business rates.

3.4 The provisional amount of the Council's grants and base line funding allocation from Business Rates was announced on 17th December 2020. This information has been reflected in the MTFP.

<u>Business Rates</u>

3.5 Changes to the Business Rates system continue to unwind. The change from using CPI rather than RPI to uplift the rates multiplier means that baselines (and tariffs and top-ups) are adjusted to reflect the lower increase in the multiplier. Authorities will not therefore lose out if they are collecting business rate at baseline. But, for authorities above baseline, their gains will be lower, and the yield gap will be compounded over time. Craven has tended to collect at rates above baseline so the change will reduce the amount of income collected (and therefore able to retain above baseline) compared to what it would have been using RPI. It is assumed that authorities will receive a section 31 grant payment to compensate for any losses in income and this is included within the provisional settlement for 2021/22.

3.6 The second fundamental change to the operation of the business rates system is the change in the pattern of revaluations. After the next revaluation, which is assumed to take place in April 2023 (thus taking account of values as at April 2021, so that the impact of the Covid-19 pandemic can be taken into account on property values.), revaluations will take place every 3 years. There is broad support for this change because it will reduce the volatility in the system and the scale of changes that occur with each revaluation. The introduction of triennial revaluations will cause more regular upheaval – but the shorter periods ought to lessen the financial impact of revaluations when they occur, both for businesses and for the Council. The vast scale of increases in rateable value in some parts of the country in the 2017 revaluation undermined the credibility of the business rates system, and required huge transitional payments operating over many years to stabilise the system.

3.7 Under the Retention of Business Rates Scheme the Council retains a portion of business rates collected based on an assumed business rates income and the balance it pays to central government in the form of a tariff (which is now subject to CPI uplift rather than RPI).

3.8 The impact of rating appeals and other movements continues to be a volatile area of the rating system over which the Council has little influence.

3.9 The Council has been part of various Business Rates Pools since April 2014. However, the business uncertainty created by the Covid-19 pandemic means that for 2021/22, it was deemed more prudent not to join a pool. The position for future years will be assessed as the economic situation stabilises and there is more clarity over the national rates system.

3.10 The MTFP takes the estimated business rates income for 2021/22, based on the provisional settlement and then modelled estimates going forward. Forecasting future years' income is complicated by having to estimate the impact of the business rates reset planned and other potential changes to the system and so caution must be applied to such estimates, until the national policy context is clearer. Whatever the outcome, it must be assumed that there will be a ceiling and floor mechanism to ensure the impact on councils is manageable over a reasonable period of time, as not to have some form of transition, when taken in the context of other fundamental changes to council funding, would cause some councils significant financial pressure.

3.11 The Government, as part of the settlement gives a baseline of rates income that it thinks the Council needs for funding services. Since localisation of business rates the actual income that the Council has collected as its share has exceeded this level. However the shared liability for appeals and other valuation fluctuations has meant in previous years all of this additional income has been required to be set aside to pay for this share.

3.12 The impact of the business rates revaluation which came into effect from April 2017 is still unwinding. The impact of appeals is still an area of uncertainty. The impact of Covid-19 has been significant on business rates. In 2020/21, a significant proportion of businesses were provided with rate reliefs totalling approximately £10m. For other businesses, there has been an impact in collection rates throughout the year. There is government support to help manage the impact of non-collection (assumed to be at a rate of 75%) but the ongoing economic impact of national and local restrictions, as well as wider changes, makes forward planning more challenging – along with the potential impact of system changes highlighted in previous paragraphs. Forecasts are that the Council will continue to generate rateable income above its baseline funding need for 2021/22 and under the business rates retention is able to keep its share of this, noting the arrangements for 2021/22 are for one-year only. Forecasts for future years are based on cash-based extrapolations at a national level.

3.13 The Council holds a specific reserve to help mitigate the impact of revaluations or other turbulence within the rates system and the impact on its own funding position. This reserve helps to smooth the impact of funding changes or revaluations in the short term but more permanent measures would be required if ongoing changes to the rating system result in an ongoing loss of revenue. A reset of the Business Rates system was scheduled for April 2020 but has been deferred until at least April 2022. It is possible that the Government will take the opportunity to redistribute the "national surplus" towards adult social care or may take measures to ease the burden on businesses, particularly within the retail sector. Either approach will reduce the level of rates income that the Council can retain.

New Homes Bonus (NHB)

3.14 This funding started in 2011/12 and provided Authorities grant based on the number of new properties completed and long-term empty properties brought back into use. It is based on the amount of extra Council Tax revenue raised. There is also an additional payment for providing affordable homes. In 2018/19 the payments for each eligible property were reduced from five years to four years - the second reduction from the previous scheme of six years. The national baseline for housing growth introduced from April 2017 of 0.4% has remained in place for 2021/22, for Craven this equates to approximately 107 properties. However, the resulting financial allocation for 2021/22 includes legacy payments only from 2018/19 and 2019/20 – but not for growth in 2020/21. This means that the amount received in 2021/22 is less than half the amount received in 2020/21.

3.15 NHB is an un-hypothecated grant, which means local authorities are free to decide how to spend it, as they are in the best position to make decisions about local priorities. As un-hypothecated grant, NHB funds can therefore be spent on either revenue or capital, strategic projects, or placed in a local authority's reserves.

3.16 The majority of NHB that the Council has received has been placed in an earmarked reserve and it is being used on specific regeneration and capital projects, although some of the funding has been prudently used to support the revenue budget position. The general assumption within the MTFP is that expenditure – including assumed contributions to reserves - matches the funding available. This de-risks reduction to or the removal of NHB going forward to some extent, from a day to day budget perspective, as the revenue budget does not rely on the funding to support the base. However, removal or significant reduction without replacement would severely restrict the council's opportunities for future capital investment and risk delivery of the council's priorities.

3.17 The MTFP includes the impact of projects approved to commence with funding from the NHB reserve and continuation of the Member Grants for their wards. Going forward some NHB reserve funding will continue to be required to support the budget in a prudent way, whilst income generation projects and other savings are implemented.

The MTFP assumptions for NHB show the legacy payments due only for 2022/23 – no assumptions about a replacement funding source have been included.

Fair Funding Review

3.18 The Fair Funding Review (FFR), first announced in 2016, revealed that there are so many moving parts in the Review that changes would not be implemented before 2021/22 at the earliest. As 2021/22 is now effectively a continuation of the previous five years, the FFR will be further delayed. It is not yet clear from when it will be implemented. It is assumed that the implementation of the FFR will be linked with the review of business rates – and indeed changes to NHB, but again details and timing are not yet certain.

3.19 Cost drivers are critical in getting the funding formula right and the criteria are felt to be that they should be:

- Relevant – with evidence to show that it has a significant impact on the cost of providing services
- Objective – measurable using robust data that is collected on a consistent basis across England
- Distinct – must explain a good degree of unique variation in the need to spend and not overlap
- Stable – should not exhibit unpredictable or large changes year on year
- Future proof – expected to drive the ongoing costs of providing services; not one-off events.

3.20 The FFR outcomes the government wants to achieve will:

- Set new baseline funding allocations for local authorities;
- Deliver an up-to-date assessment of the relative needs of local authorities;
- Examine the relative resources of local authorities;
- Focus initially on the services currently funded through the local government finance settlement; and
- Be developed through close collaboration with local government to seek views on the right approach.

3.21 Since the Business Rates Retention system was introduced in April 2013, additional layers of complexity and uncertainty have been added to the system to a point where there are significant challenges within the system.

3.22 The FFR suggests that 'the design and operation of the system has reached a point where it is arguably now unfathomable to anyone beyond the specialists and practitioners who work with the system on a day to day basis'. It identifies several the issues that have led to these complexities:

- Appeals – No-one quite envisaged just how much variability appeals would have upon annual levels of revenues and no-one has yet found an acceptable solution that mitigates the need for Billing Authorities to set aside revenues which could otherwise be used to fund local services or compensate Councils for actual (realised) appeal losses that they have little or no ability to mitigate;
- Policy Announcements – A complex suite of s31 grants has been built up to compensate local authorities for losses resulting from policy announcements relating to business rates since April 2013;
- Revaluation – The last revaluation exercise highlighted how challenging it is to rebalance the system following such an event. Although much effort was devoted to ensuring fiscal neutrality, in some cases it was only possible to use proxy calculations to determine no better/no worse positions. The same challenges (and more) need to be overcome for the forthcoming revaluation;
- Devolution – A series of deals covering the devolution of powers, funding arrangements and the piloting of 100% rates retention have added another layer of complexity that is challenging to accommodate following events such as revaluation or a reset of the system.

3.23 The local government paper states that it seeks to eliminate some of these challenges by setting out a proposal for simplifying the administration of the rates retention system , without compromising the original policy objectives underpinning Business Rates Retention. Primary of these is the objective to encourage and reward business rate growth.

It believes it represents an ‘evolution’ of the system based on what the MHCLG and the Local Government sector has learned since 2013 and will:

- Ensure the Local Government share of Business Rates Revenue remains ‘localised’ and that it is demonstrably funding the provision of local services;
- Include a reward element for local growth in Business Rate Revenues;
- Honour existing commitments and agreements reached as part of the devolution agenda; and
- Operate within the existing legislative framework given there is no opportunity to revise primary legislation before the reset is due in 2020.

4. <u>Council Tax</u>

4.1 As part of the Spending Review 2020 and restated in the provisional settlement issued in December 2020, headline announcements of an increase in local government ‘Core Spending Power’ of 4.5%. Although this increase is lower than in 2020/21 it is substantially above inflation and better than any other year in the past decade, save 2020/21. However, most of this increase is predicated on assumed Council Tax rises and government estimates of Council Tax bases. Indeed, 87% of the increase in CSP is attributable to Council Tax – this compares to only 52% in 2010/11. This approach continues a trend to push more of the burden of funding council services on the local taxpayer. This is a concerning approach and is likely to lead to an inconsistent level of service provision across the country, as the ability to raise taxes locally will not always correspond with the degree of need in the area. The government has proposed that for 2021/22 the level of increase in Council Tax above which a public referendum is required at 2% for district councils (not providing adult social care). In addition, a dispensation was allowed for districts allowing them put up Council Tax by a maximum of £5 if this was greater than the 2% increase and the average Band D Council Tax is below £250.

4.2 Government calculations of council funding needs assume the highest increase allowable is applied. If it is not, the Council suffers a permanent loss of revenue capacity in the year and in all subsequent years.

4.3 The Council Tax base for Craven District has only seen a modest growth in recent years. The Local Council Tax Support Scheme has an impact on the Council Tax base, as do transfers of holiday let properties from Council Tax to Business Rates. The tax base estimated for 2021/22 forecasts, for the first time, a net overall reduction, due to the impact of the pandemic. The reduction in the Council Tax Base from 22,617 to 22,363 is the net effect of a growth in the number of properties from 27584 to 27786 but also taking into account an increase in claims for Council Tax Support (estimated at 15%) and then a general reduction in the collection rate. There is notable uncertainty around both key factors but the immediate risk around collection is mitigated by a prudent bad debt provision. The position with Council Tax Support is being and will continue to be monitored closely.

Before considering any Council Tax increase as part of the budget setting process, and based on the 2020/21 average band D charge of £177.21, this reduced tax base would result in a total reduction of £29k of Council Tax income for the Council. For every £1 of Council Tax levied, the tax base, as proposed, will enable the Authority to meet £22,363 of expenditure in 2021/22 compared with £22,617 in the current financial year

The forecasts beyond 2021/22 are that the base will revert to a more ‘normal’ position, with a modest increase of 0.5% assumed. The national average increase of 0.61% was used in previous years, but the growth between 2019/20 and the calculated tax base for 2020/21 was 0.41%.

4.4 In addition, within the Council Tax collection fund any surplus or deficit is shared amongst the major preceptors and billing authority. When setting the Council Tax any anticipated surplus or deficit is taken into account at that time. The MTFP includes a deficit of £15.9k in 2020/21 (included in the 2021/22 budget) but reverts to a level of £30k surplus beyond 2022/23.

The total deficit figure across all preceptors from 2020/21 is estimated at £1.2m and reflects the impact of the pandemic on collection rates, but more significantly, the rise in applications for Council Tax support. Special measures have been introduced in 2020/21 to allow collection fund deficits to be taken through the Collection Fund over three years. There is also support from government to assist with the impact of collection fund deficits.

This would not cover all losses but is assumed that the higher costs of local council tax support schemes and unachieved budgeted tax base growth will qualify for compensation, rather than reductions in non-collection. However, this is still being determined as final details are being developed.

Localisation of Council Tax Support Scheme

4.5 Support provided under the Local Council Tax Support Scheme (also known as Council Tax Reduction Scheme) acts as a discount on the tax base. The Council is currently providing a maximum of 90% support to working age claimants through the scheme, meaning claimants pay at least 10% of their bill. In accordance with regulatory requirements, the Council's scheme is reviewed annually and any changes apply only to working age claimants.

5. Capital Programme

5.1 The latest Capital Programme estimates are shown below. Capital investment has a revenue consequence if the expenditure is not fully funded from external sources. For example, external borrowing has a direct impact on the revenue position to service the interest and provision for repayment.

Table 1: Summary Indicative Capital Programme

	2021/22 Estimate £'000	2022/23 Indicative £'000	2023/24 Indicative £'000	2024/25 Indicative £'000
Capital Programme Costs	2,230	1,705	977	1487
Funding Resources Capital Receipts / grants	1,802	557	557	557
Earmarked Reserves	428	445	420	930
Potential Borrowing subject to Capital Receipts	0	703	0	0

5.2 Contributions to specific reserves for IT, Vehicles and Building Maintenance are included as part of the MTFP forecasts. An estimate has been included within the MTFP for future years' programmes and indications are that additional funding will be required from within the Revenue Budget.

6. Revenue Budget

6.1 Taking 2019/20 as the base year, the impact of the assumptions in the section 2 to 5 on the revenue budget for the provision of services are detailed at Annex 1 and summarised in Table 2 below. The information assumes a £5 Council Tax rise in line with Government expectations.

6.2 The information in Annex 1 shows that whilst the 2021/22 budget has been funded. Going forward, from 2022/23 estimates that additional income or savings of at least £1m are required, rising to £1.5m by 2024/25. The Council is clearly continuing to face financial challenges as costs grow in excess of income and funding and will require robust plans to deliver the savings to balance the budget. Furthermore, there is more uncertainty going forward than has been the case over the course of a challenging ten-year period. The consequences of Covid-19 will likely continue into the medium term - and the proposed reviews of significant council funding streams, mean that the forward projections are less reliable than would have been the case, had an agreed, defined period funding settlement been in place.

Table 2: Estimated MTFP Budget Position 2021/22 – 2024/25

	2021/22 **£'000**	**2022/23** **£'000**	**2023/24** **£'000**	**2024/25** **£'000**
Net Expenditure Budget	7,400	7,622	7,887	8,194
Government Grants – NHB	(286)	(7)	0	0
Government Grants – RSDG & Other	(489)	0	0	0
NDR Allocation	(2,253)	(2,001)	(1,856)	(1,854)
Collection Fund – NDR	25	0	0	0
Collection Fund – C/Tax	20	0	(30)	(30)
Transfers to/ (from) Reserves	(342)	(393)	(275)	(297)
Net Budget Forecast Before CTax	4,075,	5,221	5,726	6.013
Council Tax Income (£5.00 increase)	4,075	4,208	4,342	4,477
Budget Gap	0	1,014	1,384	1,537

Impact on Council Tax based upon increases

	2021/22 **£'000**	**2022/23** **£'000**	**2023/24** **£'000**	**2024/25** **£'000**
Amount of C/Tax @ Band D based on a £5.00 increase	(4,075)	(4,208)	(4,342)	(4,477)
Amount of C/Tax @ Band D based on a 2.00% increase	(4,042)	(4,144)	(4,248)	(4,354)
Difference	**33**	**64**	**94**	**122**

6.3 The table above shows the difference between the two options allowable to raise Council Tax. Not using the provision to raise Council Tax by £5 will result in a further budget gap in 2021/22 of £33k and has a cumulative impact on the savings required in future years of £313k over the period covered by the MTFP. The council cannot afford to forgo the opportunity to raise the additional revenue without cutting service provision and/or reducing investment in corporate priorities and the Council Plan.

The Council has an income savings plan. This plan is updated regularly and monitored on a monthly basis by CLT and quarterly at Policy Committee as part of budget monitoring reporting. The MTFP includes £209k of savings projects that will be delivered in 2021/22. This represents 2.8% of the proposed net revenue budget for the year.

6.4 The proposed budget for 2021/22 recognises a number of additional pressures, including increased Capital Financing costs for major Capital schemes, totalling £480k. The MTFP does not allow for any additional revenue bids going forward and any that emerge will increase the forecasted budget gap.

6.5 In addition indications are that the delivery of a sustainable capital programme will require continued contribution from the revenue budget or reserves increasing pressure further.

7. Balances & Reserves

7.1 The Council has a General Fund balance of £995k. The budget report for 2020/21 assessed that this was a prudent level in light of risks associated with the continuing financial uncertainties the Council is facing. The same conclusion is reported for the delivery of the 2021/22 budget.

7.2 As part of the 2021/22 revenue budget consideration was given to other reserves that the Council needs. The establishment of reserves enables the Council to smooth the year on year fluctuation in investment it needs for expenditure on projects (revenue and capital) and other commitments.

7.3 The MTFP assumes that contributions to specific reserves will continue if possible.

7.4 Details of the Council's forecasted reserves and balances are provided at as part of Annex 1. A review of these reserves will be undertaken as part of the 2021/22 budget setting process. Whilst the level of earmarked reserves appears to be relatively healthy to 2024/25 caution needs to be exercised. The majority of the balance – 54% consists of new homes bonus and business rates contingency monies. Both of which going forward could be required to support the budget.

7.5 The public sector accounting body, the Chartered Institute of Public Finance & Accountancy (CIPFA) publishes and annual resilience index to help councils to assess their financial position relative to others and to comparable councils. The results published in December 2019 showed that the council's overall position does not indicate a profile than would give rise to concern when compared to similar sized authorities. However, this was primarily because the council had, over time, reduced its reliance on government funding and increased its revenues from sales, fees and charges. However, during 2020/21, as Covid-19 emerged, the reliance on external revenues emerged as a much more significant risk. The intervention from government to compensate for Covid-19 related losses however, ensured that the position became more stable. It does however, highlight an additional degree of risk in a position that was previously deemed, at a national level, to be a much lower risk profile.

8. Risks

8.1 The major risks for the Council continue to be sustaining income levels in the current economic climate, managing the ongoing impact of Covid-19 and implementing the savings that are required to enable the Council to operate within available resources in the future. The potential for the reorganisation of councils in the region also promotes further uncertainty, though no assumptions are made in that respect in this version of the MTFP.

8.2 The income generated for the Council from the Business Rates Retention Scheme carries risk and this has been increased since the start of 2020/21. The government responses to the pandemic provided significant relief for 2020/21 and this may continue for part of 2021/22. This has shielded businesses and the potential funding from business rates from a fall in collection in 2020/21 to some extent – though a reduction is still apparent. The Council has previously taken part in regional retained business rate pools. However, the uncertainty over collection and collection rates, taken with the gearing effect of safety net thresholds (i.e. the pool level would apply, which would be higher than the council’s individual threshold), meant that there the collective view was that a regional pool would pose too greater risk for individual councils when compared to the potential gains.

8.3 To mitigate the impact of the uncertainty and volatility around the entire rates system, a Business Rates Contingency Reserve was established and will be able to help the council to smooth the impact of negative changes, until a more permanent rebalancing of income and expenditure can be implemented. The MTFP continues to assume contributions where appropriate and affordable.

8.4 The Council has an ambitious capital investment programme and ambition to deliver its corporate priorities. Some of the projects proposed require council resources, whether in staff time, financial contribution and in some cases, short-term cash flow support. The nature the more significant schemes and the proposed local funding of certain schemes is not risk free and will need to be carefully managed over the coming years to ensure that the capital programme remains fully and prudently financed and the financial risks of significant capital investment are understood and addressed.

8.5 The Council’s income and savings plan captures the projects approved to deliver additional savings and income to the Council. These projects are not without risk as delivery of them requires scheduling and can be subject to a number of factors before successful delivery. The MTFP also includes the impact of achieving the projects currently identified as amber within the income and savings plan. The amber assessment means that at this stage, delivery confidence is not confirmed but the savings should be achievable.

8.6 It will be necessary to continue to ensure on-going savings and additional income generation in order to maintain the downward trajectory on net expenditure.

8.7 The Council will continue to protect front line services wherever possible. However, in the context of on-going changes or cuts in Government funding, pressures on income from fees and charges, the ongoing impact of Covid-19 and Government intervention on Council Tax increases, the ability to continue to reduce costs, without impacting on the Council's ability to function effectively, will become increasingly difficult.

CRAVEN DISTRICT COUNCIL **ANNEX 1**

MEDIUM TERM FINANCIAL STRATEGY MODEL JANUARY 2020 @ £5 INCREASE IN COUNCIL TAX

	Current year 2021/22	2022/23	2023/24	2024/25
KEY ASSUMPTIONS				
Inflation General	2.00%	2.00%	2.00%	2.00%
Inflation Paybill	1.72%	2.50%	2.50%	2.50%
Interest Rates	1.70%	0.50%	0.50%	0.50%
Government Grant Increase RSG (Decrease)				
Business Rates Increase	0.00%	1.00%	1.00%	1.00%
Tax Base Increase	0.50%	0.50%	0.50%	0.50%
Council Tax Increase	£5	£5	£5	£5
COUNCIL TAX				
Tax Base (Number of Band D Equivalents)	22.363	22.475	22.587	22.700
Council Tax @ Band D (£)	182.21	187.21	192.21	197.21
Council Tax Income (£000's)	**4,075**	**4,208**	**4,342**	**4,477**
Precept (£000's)	**4,075**	**4,208**	**4,342**	**4,477**

REVENUE FINANCING	**£000's**	**£000's**	**£000's**	**£000's**
Council Tax	4,075	4,208	4,342	4,477
Business Rates	2,253	2,001	1,856	1,854
RSG	0	0	0	0
Rural Delivery Services Grant	294	0	0	0
New Homes Bonus	286	7	0	0
Special and Specific Grants	45	0	0	0
Lower Tier Services Grant	88			
Local Council Tax Support Grant	62			
Ctax Collection Fund Surplus/Deficit (+/-)	(20)	0	30	30
Rates Collection Fund Surplus/Deficit (+/-)	(25)	0	0	0
TOTAL EXTERNAL RESOURCES	**7,058**	**6,217**	**6,227**	**6,361**
REVENUE BUDGET	**£000's**	**£000's**	**£000's**	**£000's**
Services Revenue Budget	6,002	6,263	6,455	6,651
Adjustments to budget	188	226	231	312
Estimated Net Cost of Services	**6,190**	**6,490**	**6,686**	**6,962**
Interest Payable	256	256	256	256
Investment Interest	(115)	(105)	(105)	(105)
MRP	88	90	183	183
Borrowing Costs Net of Income	229	241	334	334
Capital Programme Revenue Support (RCCO)	426	445	420	450
Contingency	75	75	75	75
Parish Grant Payment re Localisation Ctax	0	0	0	0
Revenue Bids	77	26	27	28
Capital Financing	403	345	345	345
Net Revenue Budget	**7,400**	**7,622**	**7,887**	**8,194**

Contributions to Reserves:	**£000's**	**£000's**	**£000's**	**£000's**
New Homes Bonus	286	7	0	0
Insurance	10	0	0	0
IT	30	30	30	40
Vehicles	30	50	80	100
Buildings	52	52	122	100
Elections	0			
Contributions from Reserves:	**£000's**	**£000's**	**£000's**	**£000's**
Enabling Efficiencies	(10)	(10)	0	(10)
New Homes Bonus	(117)	(87)	(87)	(87)
IT	(30)	(30)	(30)	(30)
Vehicles	(320)	(405)	(390)	(410)
Buildings	(66)	0	0	0
Future Year Budget Support	0	0	0	0
Elections	0	0	0	0
Pensions Reserve				
Forecast Net Revenue Budget	**7,265**	**7,229**	**7,612**	**7,897**
Difference between resources and forecast budget surplus / (deficit)	**(209)**	**(1,014)**	**(1,384)**	**(1,537)**
Amber Savings Latest Projection	**209**	**277**	**115**	**115**
Current Net Surplus/(Deficit) within MTFP (+/-)	**0**	**(737)**	**(1,269)**	**(1,422)**

ANNEX 2

Craven District Council

Capital Strategy

2021 – 2025

Submitted to Policy Committee 2 February 2021

www.cravendc.gov.uk

1.0 INTRODUCTION

1.1 Capital expenditure is a significant part of the Council's annual expenditure. The programme for 2020/21 provided for capital expenditure of £9.531m**.** The capital programme for 2021/22 and the indicative programme up to 2024/2025 sets out further capital expenditure requirements of approximately £6.399m for new capital schemes over the next four years. The Council Plan for 2020 and beyond 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. Some may also generate revenue streams.

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 2021/22 to 2024/25 and it will be refreshed on an annual basis in line with the Medium Term Financial Plan (MTFP).

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 2019/20 version of the Council Plan confirmed the priorities as:

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

2.2 These are enhanced in the latest version of the Council Plan (Beyond 2020) to be approved in February 2020, which sets the following priorities:

- **Working towards a carbon neutral Craven -** facilitating economic growth in a low carbon Craven
- **Inclusive Society -** supporting the well-being of communities and individuals across Craven
- **Attracting and Retaining Younger People -** creating a district that attracts people of working age to live and work
- **Financial Sustainability –** maintaining a financially resilient 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 or revenue 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 link to the latest Council Plan and these priorities with descriptions of how they may be achieved are summarised below:

5.2 **Working Towards a Carbon Neutral Craven – facilitating economic growth in a low carbon Craven**

- Improve the quality and capacity of the transport infrastructure serving the District
- Promote use of Electric Vehicle Transport in Craven
- Help to ensure all businesses and residents in Craven have access to a high quality broadband and telecommunications connection
- Acknowledge, reward and promote best environmental practice across businesses and the voluntary sector
- Build housing to work towards a carbon neutral Craven
- Reduce waste to landfill and increase re-use and recycling
- Make Craven's public spaces cleaner, safer and greener

Inclusive Society Supporting the well-being of communities and individuals across Craven

- Enable provision of 230 homes per year, including 25 built with council assets
- Stimulate business growth – developing new employment land
- Provision of business support services and facilities
- Enhance the quality of the trading environment within the District's core retail centres
- Reduce health and wellbeing inequalities
- Enable community groups across the District to achieve their ambitions

5.3 Attracting and Retaining Younger People

- Improve access to and enjoyment of Craven's great heritage and culture
- 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
- Deliver the action plan agreed with partners for the retention and attraction of working age households
- Facilitate the delivery of a project to provide housing and workspace for Young Creatives
- Support the development of services and infrastructure in Dales settlements to maintain vibrant place that can attract more, younger people to the area.

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 financial and corporate governance arrangements are robust and support the delivery of the council's priorities
- Act commercially, maximizing income from services and investment to generate additional income.

- Maximise the Council's investment 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. Equally, it may dispose of assets in support of the achievement of its objectives and delivery of priorities. Disposals would equally be subject to the appropriate diligence and assessment before formal approval for disposal is sought. Asset disposal and capital receipts are explained in more detail below within Section 8.

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 budget.

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 2021 – 2025 CAPITAL PROGRAMME

7.1 A summary of the 2021 – 2025 capital investment programme is set out below.

Table 1: Rolling Capital Programme

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Vehicles, Plant & Equipment	443	405	390	900
Private Sector Housing	557	557	557	557
Council Properties	1,182	703	0	0
IT facilities	40	40	30	30
Leisure & Recreation	8	0	0	0
Total Capital Programme Costs	**2,230**	**1,705**	**977**	**1,487**

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 is affordable and sustainable within 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 and with reference to the Council's MTFP, as agreed by Members.

Government and Other Grants – 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. The Government currently also makes an annual contribution to capital expenditure on Disabled Facilities, with any shortfall having to be funded from the Council's own capital sources. When accepting capital grants, it is important that the council understands the revenue implications of doing so and complies with conditions around delivery, timing and any match-funding requirements.

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 (for the period of this strategy) 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.

<u>Funding Sources For The 2021/22 – 2024/25 Capital Programme</u>

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

Table 2: 2021/22 to 2024/25 Summary of Estimated Capital Resources

	2021/22 Estimate £'000	2022/23 Indicative £'000	2023/24 Indicative £'000	2024/25 Indicative £'000
Capital Programme Costs	2,230	1,705	977	1487
Funding Resources Capital Receipts / grants	1,802	557	557	557
Earmarked Reserves	428	445	420	930
Potential Borrowing subject to Capital Receipts	0	703	0	0

<u>Maximising Resources</u>

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
- Revenue (income) streams
- 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 resource levels over the term of the MTFP.

10.3 The revenue effects of capital programme schemes and the assumptions on which they are based have been reflected in the 2021/22 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.

12 ROLES AND RESPONSIBILITIES

12. The Chief Finance Officer (S151 Officer) is responsible for policy development and ensuring financial

1 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 regularly 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 should 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. It has been updated to reflect the latest Council Plan and will be reviewed annually following the review of the Council Plan. It will be updated annually along with the MTFP and refreshed every four years, or sooner if required. Any changes to the Strategy will be reported to Members.

اردو

If you would like this information in a way which is better for you, please telephone 01756 700600.

Craven District Council
1 Belle Vue Square
Broughton Road
Skipton
North Yorkshire
BD23 1FJ

Tel: 01756 700600

Email: contactus@cravendc.gov.uk

Website: www.cravendc.gov.uk

Table 1: The Funding sources identified in the setting of the 2021/22 budget;

	£'000
Revenue Support Grant	-
Rural Services Grant	294
Other grants	133
New Homes Bonus	286
Retained Business Rates	2,253
Business Rates Collection Fund (Deficit)	(25)
Council Tax Collection Fund (Deficit)	(20)
Council Tax	4,075
Contribution from General Fund Balance	-
Contributions (to)/from Earmarked Reserves	137
Total Funding	7,133

Table 2: Summary Budget 2021/22 and indicative budget to 2023/24

	2021/22 £'000	2022/23 £'000	2023/24 £'000
Net Cost of Services	5,921	5,774	5,796
Revenue Growth Bids	77	26	27
Capital Costs & Investment Income	632	585	679
Revenue Contribution to Capital Programme	428	350	350
Corporate Contingency	75	75	75
Net Revenue Expenditure	7,133	6,810	6,927
CTax & NDR Collection Fund (Surplus) / Deficit	45	-	(30)
Government Grants*	(427)	0)	-
New Homes Bonus	(286)	(7)	-
Non Domestic Rates & Grant	(2,253)	(2,001)	(1,856)
Funding required from Tax & Reserves	4,212	4,802	5,041
Contributions to/(from) Reserves Including Budget Support	(137)	(393)	(275)
Council Tax *(proposed £5.00 increase)*	(4,075)	(4,208)	(4,341)
Savings Required	-	201	424

Table 3: Contributions to/(from) Reserves 2021/22

Reserve	Contribution To £'000	Contribution From £'000	Net Movement £'000
New Homes Bonus	286	(117)	169
Business Rates Contingency	-	-	-
Insurance Fund	10	-	10
Buildings	52	(68)	(16)
IT Projects	30	(30)	-
Vehicles	30	(320)	(290)
Enabling Efficiencies	-	(10)	(10)
Elections	-	-	-
Future Year Budgets	-	-	-
Total	408	(545)	(137)

Table 4: Capital Programme Forecast 2021/22 – 2024/25

	2021/22 Estimate £'000	2022/23 Indicative £'000	2023/24 Indicative £'000	2024/25 Indicative £'000
Capital Programme Costs	2,230	1,705	977	1,487
<u>Funding Resources</u>				
Capital Receipts / grants	1,802	557	557	557
Earmarked Reserves	428	445	420	930
Potential Borrowing subject to Capital Receipts	-	703	-	-

CRAVEN DISTRICT COUNCIL SUMMARY BUDGET 2021/22

2019/20 Actual £ Col 1	2020/21 Original Budget £ Col 2	2020/21 Q1 Forecast £ Col 3	2019/20 Variance £ Col 4	Cost Centre	2021/22 Original Budget £ Col 5	2022/23 Indicative Budget £ Col 6	2023/24 Indicative Budget £ Col 7
(2,605)	2,575	(4,319)	(6,894)	Hackney Carriages	(4,490)	(4,490)	(4,490)
(36,285)	(33,130)	(39,466)	-	Licencing	(32,095)	(32,095)	(32,095)
(38,890)	(30,555)	(43,785)	(6,894)	**Licensing Services**	**(36,585)**	**(36,585)**	(36,585)
32,630	45,489	43,533	(1,956)	**Street Signs & GIS**	44,187	44,187	44,187
-	4,000	4,000	-	Historic Buildings & Conservation	4,000	4,000	4,000
36,471	37,679	37,940	261	Building Control - Non Fee Earning	35,959	35,959	35,959
(46,940)	(23,174)	(19,896)	3,278	Building Control - Fee Earning	(29,372)	(29,372)	(29,372)
327,678	259,982	165,311	(94,671)	Local Plan	249,602	249,402	249,402
(81,845)	(96,609)	(57,822)	38,787	Local Land Charges	(96,956)	(96,956)	(133,456)
272,009	123,738	147,483	(9,115)	Development Control	199,001	199,001	199,001
507,373	**305,616**	**277,016**	**(61,460)**	**Planning and Building Control Services**	**362,234**	**362,034**	**325,534**
35,097	40,506	44,222	(24)	Arts Development	39,903	39,903	39,903
2	77,080	45,692	6,722	Great Places	**77,080**	-	-
6,904	21,800	36,800	15,000	Attraction of Trade & Tourists	21,800	21,800	21,800
86,565	79,840	79,949	-	Industrial Development & Promotion	59,140	-	-
27,862	29,569	30,552	983	Settle Tourist Information Centre	28,223	27,473	26,203
40,700	42,000	42,000	-	New Homes Bonus	53,000	12,000	12,000
157,479	171,499	182,084	10,585	Economic & Community Development Service Unit	168,412	168,422	168,422
354,610	**462,294**	**461,299**	**33,266**	**Economic & Community Development Services**	**447,558**	**269,598**	**268,328**
(25,624)	-	-	-	Museum-WW1 Home Front	**-**	**-**	-
74,059	49,902	93,891	2,709	Museum-Development Project - Delivery Phase	(279)	**-**	-
220,513	242,680	145,942	(104,838)	Museum & Town Hall	136,006	91,979	38,325
-	-	10,878	42,477	Rural Culture: Creating a Hub for Craven	2,733	-	-
268,948	**292,582**	**250,711**	**(102,129)**	**Skipton Town Hall & Museums**	**138,460**	**91,979**	**38,325**
228,226	265,281	222,793	(42,488)	Customer Services	263,276	265,835	268,062
153,108	199,287	213,352	14,065	Communications,Partnerships & Engagement	196,621	196,631	196,661
6,464	1,378	(860)	(2,238)	Sport Events	1,174	1,176	1,178
176,901	88,052	85,295	15,033	Elections	87,593	87,740	86,117
52,559	73,587	54,366	(15,766)	Electoral Registration	73,238	75,506	75,506
38,443	40,784	41,433	649	Craven Crime Reduction P'ship	40,045	41,345	41,345
(771,562)	(410,880)	(415,671)	(4,791)	Cost of Coll. & Rent Allowances	(410,880)	(410,880)	(410,880)
560,855	672,178	644,750	(33,028)	Revenues & Benefits Services	654,381	646,466	646,466
3,165	-	-	-	Community Services	-	-	-
83,227	100,348	89,375	(10,973)	Democratic Services	99,957	101,068	205,101
182,660	185,161	188,379	3,218	Democratic Representation	205,101	205,101	205,101
714,046	**1,215,176**	**1,123,214**	**(76,317)**	**Others**	**1,210,506**	**1,209,988**	**1,314,657**
137,558	56,836	777,856	721,019	Craven Leisure	29,365	(21,322)	(21,221)
(3,746)	1,301	75,092	-	Revive - Craven Leisure Café	646	2,456	2,456
(10,488)	365	559	194	Healthy Lifestyles - Craven Leisure	758	61	61
123,324	**58,502**	**853,507**	**721,213**	**Craven Leisure**	**30,770**	**(18,805)**	**(18,704)**
(523,359)	**(457,011)**	**(488,716)**	**(31,705)**	**Bereavement Services**	**(488,393)**	**(491,709)**	**(512,447)**
(1,136,610)	**(1,170,655)**	**(410,193)**	**760,462**	**Car Parks**	**(1,168,394)**	**(1,170,394)**	**(1,170,393)**

CRAVEN DISTRICT COUNCIL SUMMARY BUDGET 2021/22

APPENDIX B

2019/20 Actual £ Col 1	2020/21 Original Budget £ Col 2	2020/21 Q1 Forecast £ Col 3	2019/20 Variance £ Col 4	Cost Centre	2021/22 Original Budget £ Col 5	2022/23 Indicative Budget £ Col 6	2023/24 Indicative Budget £ Col 7
(32,129)	(19,092)	(65,092)	(46,000)	Private Garage Sites	(19,092)	(19,092)	(19,092)
60,136	76,976	76,976	-	Public Conveniences	82,009	77,009	77,009
40,073	115,560	114,560	(1,000)	Amenity Areas	113,060	113,060	113,060
(7,181)	(14,688)	(38,076)	60	Shared Ownership Scheme	(19,688)	(25,688)	(25,688)
60,899	**158,757**	**88,369**	**(46,940)**	**Assets & Commercial Services**	**156,289**	**145,289**	**145,289**
312,951	352,408	399,730	27,069	Environmental Health Services	400,978	401,478	402,128
(15,678)	-	-	-	Flooding 15/16	-	-	-
297,273	**352,408**	**399,730**	**27,069**	**Environmental Health Services**	**400,978**	**401,478**	**402,128**
37,406	30,188	32,319	2,123	Aireview House	**30,138**	30,138 MK	30,463
280,882	251,238	261,054	-	Homelessness	**244,182**	244,202 MK	244,202
-	(4,767)	-	69,668	Private Sector Adaptations	**(2,404)**	(5,832) MK	(7,474)
-	**-**	**-**	**-**	Housing Enabling Service	**70,319**	**70,319**	**70,319**
20,599	26,418	27,474	-	Housing Service Unit	**26,185**	26,185 MK	26,185
(0)	**(374)**	**757**	**1,131**	Homeless Prevention Support Service	**763**	(2,262)	(4,186)
338,887	**302,703**	**321,605**	**72,922**	**Housing Services**	**369,183**	**362,750**	**359,509**
837,329	711,239	783,271	(4,510)	Refuse Collection Domestic	693,871	693,871	693,871
(318,648)	(322,578)	(220,300)	-	Refuse Collection Commercial	(278,573)	(274,920)	(266,093)
406,677	391,200	426,306	34,606	Street Cleansing	388,325	387,862	387,362
328,695	506,837	382,244	(124,593)	Recycling	375,433	374,414	373,801
79,712	98,606	98,606	-	Cleaner Neighbourhoods	60,375	70,375	70,375
42,225	38,030	(3,823)	-	Mechanics Workshop	41,980	42,523	42,523
370,051	274,421	287,490	-	Waste Management Service Unit	287,468	287,468	287,468
(176,814)	(171,563)	(131,679)	39,884	Garden Waste Subscription Scheme	(130,657)	(130,256)	(123,136)
1,569,228	**1,526,192**	**1,622,116**	**(54,613)**	**Waste Management & Recycling**	**1,438,222**	**1,451,337**	**1,466,171**
203,509	236,530	245,913	9,383	Corporate Costs	240,038	318,115	321,265
478,837	494,085	474,599	(19,486)	CLT	492,993	492,993	492,993
439,539	495,824	455,178	(62,897)	Financial Services	505,823	461,986	464,248
163,117	201,668	140,565	(61,103)	Business Support	205,392	214,019	220,217
154,858	135,947	162,966	27,019	Human Resources & Training	156,221	157,622	157,622
112,352	130,481	118,181	(12,300)	Legal Services	129,374	128,374	127,374
	33,943			Health & Safety	34,115	34,823	34,823
456,357	503,908	469,243	(32,215)	ICT	512,355	515,418	515,621
13,894	12,296	12,561	265	Miscellaneous Property	21,846	12,296	12,296
27,060	18,628	19,128	500	Bus Station	22,628	18,628	18,628
54,918	43,244	46,244	3,000	Skipton Depot	62,134	43,244	43,244
75	70	120	50	Settle Depot	70	70	70
282,003	260,868	260,868	-	Belle View Square	270,868	257,868	257,868
(95,270)	(89,629)	(86,929)	2,700	Estates Services	(89,629)	(89,629)	(89,629)
1,929	-	-	-	Joint Venture - CBR Ltd	-	-	-
385,724	392,399	382,818	(9,581)	Assets & Commercial Service Unit	368,684	363,973	364,176
2,678,900	**2,870,262**	**2,701,454**	**(154,665)**	**Total Corporate and Other Services**	**2,932,911**	**2,929,799**	**2,940,815**
5,247,258	**5,931,760**	**7,199,859**	**1,078,253**	**TOTAL NET COST OF SERVICES**	**5,837,926**	**5,550,947**	**5,566,814**

CRAVEN DISTRICT COUNCIL SUMMARY BUDGET 2021/22

2019/20 Actual £	2020/21 Original Budget £	2020/21 Q1 Forecast £	2019/20 Variance £	Cost Centre	2021/22 Original Budget £		2022/23 Indicative Budget £	2023/24 Indicative Budget £
Col 1	Col 2	Col 3	Col 4		Col 5		Col 6	Col 7
				<u>Corporate Items and Financing</u>				
				Corporate Income and Expenditure				
	255,710		(255,710)	Interest Payable (Incl Premia/Discount)	255,710	Per	255,710	255,710
	(170,386)		170,386	Investment Income	(115,000)	Per	(105,000)	(105,000)
	300,000		(300,000)	MRP for Capital Financing	88,000	Per	88,882	183,000
				Capital Financing	403,000		345,000	345,000
	498,000		(498,000)	Revenue Contributions to Capital Outlay	428,000		350,000	350,000
				Paybill Inflation not yet recognised in Services	83,113		223,000	229,000
	75,000		(75,000)	Corporate Contingency	75,000		75,000	75,000
	152,000		(152,000)	Revenue Growth Bids to Allocate	77,000		26,000	27,000
5,247,258	**7,042,084**	**7,199,859**	**32,071**	**NET REVENUE EXPENDITURE**	**7,132,749**		**6,809,539**	**6,926,524**
				Contributions to/(from) Reserves/Other				
	(17,000)			Contribution (from) Enabling Efficiencies Fund Reserve	(10,000)		(10,000)	0
	-			Contribution (from) Planning Reserve	-		-	-
	(137,000)			Contribution (from) New Homes Bonus Reserves	(117,000)		(87,000)	(87,000)
	-			Contribution (from) Business Rates Contingency	-		-	-
	-			Contribution (from) Future Budgets Reserve	-		-	-
	(104,000)			Contribution (from) Buildings Reserve	(68,000)		-	-
	(42,000)			Contribution (from) IT Reserve	(30,000)		(30,000)	(30,000)
	(342,000)			Contribution (from) Vehicle Reserve	(320,000)		(405,000)	(390,000)
	(16,000)			Contribution (from) Elections Reserve	0		0	0
	(413,084)			Budget Support required subject to Amber savings identified	0			
	564,000			Contribution to New Homes Bonus Reserves	286,000		7,000	0
	10,000			Contribution to Insurance Fund	10,000		0	0
	52,000			Contribution to Buildings Reserve	52,000		52,000	122,000
	30,000			Contribution to IT Reserve	30,000		30,000	30,000
	30,000			Contribution to Vehicle Reserve	30,000		50,000	80,000
	-			Contribution to Enabling Efficiencies	-		-	-
	-			Contribution To Elections Reserve	-		-	-
	6,657,000	**7,199,859**	**(32,071)**	**AMOUNT TO BE MET FROM GOVERNMENT GRANT AND COUNCIL TAX (Budget Requirement)**	**6,995,749**		**6,416,539**	**6,651,524**
				Central Government Support				
	-			Revenue Support Grant	-		-	-
	(279,914)			Rural Services Delivery Grant	(294,000)		-	-
	-			Lower Tier Services Grant	(88,000)		-	-
	(46,160)			Housing Grants	(45,000)		-	-
	(25,000)			Transfer from CtaxCollection Fund	20,000		-	(30,000)
	(14,000)			Transfer from NDR Collection Fund	25,000		-	-
	(564,000)			New Homes Bonus	(286,000)		(7,000)	0
	(1,720,000)			National Non-Domestic Rates	(2,253,000)		(2,001,000)	(1,856,000)
	4,007,926	**7,199,859**	**(32,071)**	**AMOUNT TO BE MET FROM COUNCIL TAX**	**4,074,749**		**4,408,539**	**4,765,524**
				Financed By				
				Revenue Support Grant	0			
				Other Grants	(713,000)			
				Redistributed National Non-Domestic Rates & Grant	(2,228,000)			
				Transfer from CtaxCollection Fund	20,000			
				Council Tax	(4,074,749)			
				Deficit/(Surplus)	**(0)**			

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	41,920		5,000	11,090			-	58,010	(62,500)					(62,500)	(4,490)
Licencing	42,030		-	3,375				45,405	(77,500)					(77,500)	(32,095)
Licensing Services	**83,950**	**-**	**5,000**	**14,465**	**-**	**-**	**-**	**103,415**	**(140,000)**	**-**	**-**	**-**	**-**	**(140,000)**	**(36,585)**
Street Naming, Numbering & GIS	**66,037**	**8,000**	**150**	**-**				**74,187**	**(30,000)**	**-**				**(30,000)**	**44,187**
Historic Buildings & Conservation				4,000				4,000	-					-	4,000
Building Control - Non Fee Earning	33,484		2,400	75				35,959	-					-	35,959
Building Control - Fee Earning	124,534		7,000	4,094				135,628	(165,000)					(165,000)	(29,372)
Local Plan	221,332		-	28,270				249,602		-				-	249,602
Local Land Charges	19,544	-		36,500				56,044	(153,000)					(153,000)	(96,956)
Development Control	584,641	-	6,000	70,860				661,501	(462,500)					(462,500)	199,001
Head of Planning & Building Control	-		-	-				-	-	-				-	-
Planning and Building Control Services	**983,535**	**-**	**15,400**	**143,799**	**-**	**-**	**-**	**1,142,734**	**(780,500)**	**-**	**-**	**-**	**-**	**(780,500)**	**362,234**
Arts Development	30,463		740	8,700				39,903	-					-	39,903
Great Places (Resilient Communities)	167,070		2,500	232,510				402,080	(325,000)					(325,000)	77,080
Attraction of Trade & Tourists (Resilient Communities				21,800				21,800						-	21,800
Industrial Development & Promotion (Resilient Communities)				59,140				59,140						-	59,140
Settle Tourist Information Centre (Resilient Communities)	31,133	6,640	50	8,030				45,853	(17,630)					(17,630)	28,223
New Homes Bonus (Resilient Communities)				53,000				53,000	-					-	53,000
Economic & Community Development Unit (Resilient Comms)	159,032	10	1,000	8,570				168,612	(200)					(200)	168,412
Economic & Community Development Services	**387,698**	**6,650**	**4,290**	**391,750**	**-**	**-**	**-**	**790,388**	**(342,830)**	**-**	**-**	**-**	**-**	**(342,830)**	**447,558**
Museum-Indispensable	-		-	-				-	-				-	-	-
Museum-WW1			-	-				-	-					-	-
Museum-WW1 Home Front	-	-	-	-				-	-					-	-
Museum Development Project - Development Phase	-		-	-				-	-					-	-
Museum Development Project - Delivery Phase	8,023		-	6,140				14,163	(14,442)					(14,442)	(279)
Rural Culture	21,114		-	12,366				33,480	(30,747)					(30,747)	2,733
Museums & Town Hall	306,614	103,350	120	143,097				553,181	(417,175)					(417,175)	136,006
Skipton Town Hall & Museums	**335,751**	**103,350**	**120**	**161,603**	**-**	**-**	**-**	**600,824**	**(462,364)**	**-**	**-**	**-**	**-**	**(462,364)**	**138,460**
Enterprising Craven	**1,856,971**	**118,000**	**24,960**	**711,617**	**-**	**-**	**-**	**2,711,548**	**(1,755,694)**	**-**	**-**	**-**	**-**	**(1,755,694)**	**955,854**
Customer Services	265,785	1	-	5,990				271,776	(8,500)					(8,500)	263,276
Communications,Partnerships & Engagement	137,521	-	100	64,350				201,971	(5,350)	-				(5,350)	196,621
Sport Events	10,934		-	33,500				44,434	(43,260)					(43,260)	1,174
Elections	29,163	14,000	500	45,930				89,593	(2,000)					(2,000)	87,593
Electoral Registration	40,588		220	36,830				77,638	(4,400)	-				(4,400)	73,238
Craven Crime Reduction P'ship	37,760		1,500	2,285				41,545	(1,500)					(1,500)	40,045
Cost of Coll. & Rent Allowances	-	-	-	14,060		7,000,000		7,014,060	(7,070,000)	(237,940)	(117,000)			(7,424,940)	(410,880)
Revenues & Benefits Services	487,221		2,300	169,860		-		659,381	(5,000)	-	-			(5,000)	654,381
Community Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Democratic Services	96,793		-	3,164				99,957	-					-	99,957
Democratic Representation	196,885	16	-	8,200				205,101	-					-	205,101
Others	**1,302,650**	**14,017**	**4,620**	**384,169**	**-**	**7,000,000**	**-**	**8,705,456**	**(7,140,010)**	**(237,940)**	**(117,000)**	**-**	**-**	**(7,494,950)**	**1,210,506**
Craven Leisure	604,800	364,508	400	233,456	-		1,501	1,204,665	(1,175,300)					(1,175,300)	29,365
Revive - Craven Leisure Café	92,575	7,940	-	74,130			1,001	175,646	(175,000)					(175,000)	646
Healthy Lifestyles - Craven Leisure	23,146	3,050	700	19,500				46,396	(45,638)					(45,638)	758
Craven Swimming Pool & Fitness Centre	**720,522**	**375,498**	**1,100**	**327,086**	**-**	**-**	**2,502**	**1,426,708**	**(1,395,938)**	**-**	**-**	**-**	**-**	**(1,395,938)**	**30,770**
Bereavement Services	**174,183**	**156,450**	**1,824**	**68,350**	**21,100**	**-**	**2,500**	**424,407**	**(912,800)**					**(912,800)**	**(488,393)**
Car Parks	**41,353**	**313,219**	**2,900**	**113,770**	**24,164**		**1,200**	**496,606**	**(1,665,000)**					**(1,665,000)**	**(1,168,394)**

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
Private Garage Sites		5,508		5,400				10,908	(30,000)					(30,000)	(19,092)
Public Conveniences	33	54,856		27,120				82,009	-					-	82,009
Amenity Areas	-	25,160		3,000	94,500		400	123,060	(10,000)					(10,000)	113,060
Shared Ownership Scheme	1,000	8,312		6,000				15,312	(35,000)					(35,000)	(19,688)
Assets & Commercial Services	1,033	93,837	-	41,520	94,500	-	400	231,289	(75,000)	-	-	-	-	(75,000)	156,289
Environmental Health Services	325,970	6,520	19,030	196,550			2,370	550,440	(149,462)					(149,462)	400,978
Flooding 2015/16	-	-		-				-	-					-	-
Environmental Health Services	**325,970**	**6,520**	**19,030**	**196,550**	**-**	**-**	**2,370**	**550,440**	**(149,462)**	**-**	**-**	**-**	**-**	**(149,462)**	**400,978**
Private Sector Adaptations	94,965		1,500	496,161				592,626	(595,030)					(595,030)	(2,404)
Housing Enabling Service	21,919		500	47,900				70,319	-					-	70,319
Aireview House	27,523	19,265	100	27,250			-	74,138	(44,000)					(44,000)	30,138
Homelessness	170,542	500	1,000	87,200				259,242	(15,060)	-				(15,060)	244,182
Housing Service Unit	19,855		1,000	13,390				34,245	(8,060)					(8,060)	26,185
Homeless Prevention Service Unit	45,411		1,000	4,431				50,842	(50,079)					(50,079)	763
Housing Services	**380,215**	**19,765**	**5,100**	**676,332**	**-**	**-**	**-**	**1,081,412**	**(712,229)**	**-**	**-**	**-**	**-**	**(712,229)**	**369,183**
Refuse Collection Domestic	485,062		188,733	23,200			27,376	724,371	(30,500)				-	(30,500)	693,871
Refuse Collection Commercial	180,482		56,641	473,169			13,885	724,177	(1,002,750)				-	(1,002,750)	(278,573)
Street Cleansing	277,803	1,256	92,146	42,620			15,000	428,825	(2,000)				(38,500)	(40,500)	388,325
Recycling	314,226	65	61,667	277,475			13,000	666,433	(291,000)					(291,000)	375,433
Cleaner Neighbourhoods	58,475	-	1,350	1,050			12,500	73,375	(13,000)					(13,000)	60,375
Mechanics Workshop	110,798	27,601	2,493	10,760			-	151,652	(3,500)				(106,172)	(109,672)	41,980
Waste Management Service Unit	264,057		1,893	20,150			1,368	287,468	-					-	287,468
Garden Waste Subscription Scheme	147,135		26,641	139,024			15,414	328,214	(458,871)					(458,871)	(130,657)
Waste Management & Recycling	**1,838,038**	**28,922**	**431,564**	**987,448**	**-**	**-**	**98,543**	**3,384,515**	**(1,801,621)**	**-**	**-**	**-**	**(144,672)**	**(1,946,293)**	**1,438,222**
Resilient Communities	**4,783,963**	**1,008,228**	**466,138**	**2,795,225**	**139,764**	**7,000,000**	**107,515**	**16,300,833**	**(13,852,060)**	**(237,940)**	**(117,000)**	**-**	**(144,672)**	**(14,351,672)**	**1,949,161**
Corporate Management	(24,292)			268,330				244,038	(4,000)					(4,000)	240,038
CLT	487,028		1,675	8,510				497,213	(4,220)					(4,220)	492,993
Financial Services	394,593	-	250	110,980				505,823	-					-	505,823
Business Support	203,412	-	1,300	3,940				208,652	(3,260)					(3,260)	205,392
Human Resources & Training	134,076		40	22,155				156,271	(50)					(50)	156,221
Legal Services	120,164		250	26,960				147,374	(18,000)					(18,000)	129,374
Health & Safety	19,475		-	14,640				34,115	-					-	34,115
Information Services	333,306	909	140	179,000				513,355	(1,000)					(1,000)	512,355
Miscellaneous Property		18,746		3,100				21,846	-					-	21,846
Bus Station		33,088		-			5,040	38,128	(15,500)					(15,500)	22,628
Skipton Depot	1,625	47,799		12,710				62,134	-					-	62,134
Settle Depot		70		-				70	-					-	70
Belle Vue Square	-	245,938		54,430			5,000	305,368	(34,500)					(34,500)	270,868
Build to Rent	-			-				-	-					-	-
Estates Services	-	13,631		12,440				26,071	(115,700)					(115,700)	(89,629)
Skipton Developments (Resilient Communities)				-				-				-		-	-
Joint Venture - CBR Ltd				-				-				-		-	-
Assets & Commercial Service Unit	413,065	14	775	11,830			-	425,684	(22,000)				(35,000)	(57,000)	368,684
Financial Resilience	**2,082,452**	**360,194**	**4,430**	**729,025**	**-**	**-**	**10,040**	**3,186,141**	**(218,230)**	**-**	**-**	**-**	**(35,000)**	**(253,230)**	**2,932,911**
TOTAL NET COST OF SERVICES	**8,723,386**	**1,486,422**	**495,528**	**4,235,867**	**139,764**	**7,000,000**	**117,555**	**22,198,523**	**(15,825,984)**	**(237,940)**	**(117,000)**	**-**	**(179,672)**	**(16,360,596)**	**5,837,926**

Craven District Council
2020/21 Revenue Budget Bids

Bid No	Bid Ref	Section	Cost Centre	Description	Description of Bid	2021/22 Amount £	2022/23 Amount £	2023/24 Amount £	2024/25 Amount £	One off / Permanent / Fixed Term	Finance Comments
1	RB01 21/22	Environmental Services - Waste Management	R211	Waste Management - Admin support	A dedicated administration officer is required within waste management, to work across the whole service and assist with a timely response to customer enquiries and provide much needed resilience for back office functions.	24,818	26,001	27,240	28,479	P	Finance suggest exploration of a possile staff transfer/budget allocation from Buisness support - given the underspends in 20/21.
2	RB02 21/22	Environmental Services - Waste Management	R200	Waste Management - Add. Operatives	Over the last 18 months, service managers have concentrated on reducing sickness levels and recruiting to vacancies within the service. Sickness absence levels have improved and all current vacancies have now been identified and filled, with the following staff levels in place for domestic and commercial refuse: 8 Domestic & Recycling Rounds - 8 Drivers / 14 Cleansing Operatives 2 Trade Waste Rounds - 2 Drivers / 2 Cleansing Operatives 2 Garden Waste Rounds - 2 Drivers / 3 Cleansing Operatives Current Holiday Cover - 2 Drivers / 2 Cleansing Operatives. Total - 14 Drivers / 22 Cleansing Operatives Required Holiday Cover, based on a minimum 27 days leave per year - 2 Drivers / 4 Cleansing Operatives The service currently has an adequte level of drivers to cover annual leave. However, annual leave cover is currently inadequate for cleansing operatives. In order to ensure all sevices continue to operate without reliance on agency staff, 2 further cleansing operatives are required.	52,530				O	Finance suggest a review of the bid on the grounds that there is significant underspend on salaries in 20/21. iThe underspend is offset somewhat due to Agency cover - so possibly bid could be for 1 Operative and additional agency budget. This gives the option to not use the agency and generate a saving...
3	RB03 21/22	Cultural Services - Skipton Town Hall	R301	Skipton Town Hall	BID Under review as detail suggest not a Revenue Bid.						
Total Revenue Bids						**77,348**	**26,001**	**27,240**	**28,479**		

Craven District Council Income & Savings Plan

Income & Savings Action Plan 2020/21 - 2022/23 at Aug 2020

Reporting Spreadsheet

Key:

Green	Income / Savings achieved - low risk
Amber	Income / Savings in progress- further work required - medium risk

Line No	Serv Ref	Income Genereation/Cost Savings Ideas Description	RAG	Realism	Priority	2020/21	2021/22	2022/23	Member Decision Req	Additional Resources	SLT Lead Update /Comments	CLT Lead	SLT Lead
11		Back scan documents so can reduce building and retrieval costs	Amber	M	M	10,000	10,000	10,000	N	Y	Saving based on the Mkt rates and rents. Savings in 19/20 not likely as no tennent identified.	Paul Ellis	Darren Maycock
12	PrSe	Develop Land for Shared Ownership or Market Rent Housing	Amber	H	H	26,400	30,000	48,400	Y	N	Complete 1 in Giggleswick, 2 Sutton, 3 Glusburn. Expected 2019/20 4 Glusburn 3 Sutton Expected 2020/21 10 Skipton	Paul Ellis	Jenny Kerfoot
13	PrSe	Income from the space in BVS to be let out.	Amber	M	H	50,000	0	50,000	N	Y	Income only - no estimation of costs associated yet.	Paul Ellis	Darren Maycock
		Finance Services staffing structure	Amber	M	H	0	20,000	20,000	N	N	Rationalise the Finance/perfromance Strucure	Richard Weigh	Rob Atkins
		Business Support Structure	Amber	M	H	0	46,500	46,500	N	N	Rationalise the Structure and look at shared roles	Paul Shevlin	Sharon Hudson
14	EnSe	Commercial waste - attract 50 new accounts. Resigned all existing accounts. AND ensure new model is continuing to work for Craven	Amber	M	H	100,000	100,000	100,000	N	N		Paul Ellis	Tracy Mc Luckie
15	EnSe	Developers to pay for new bins on housing developments.	Amber	M	H	2,000	2,000	2,000	N	N	Local plan, once adopted can have a sublemenatry arranegment, that specifies developers pay for the bins.	Paul Ellis	Tracy Mc Luckie
		TOTAL AMBER SAVINGS				**188,400**	**208,500**	**276,900**					
16	IT	IT – Contract up for renewal. Transfer of Mitel to virgin media – savings.	Green	H	H	5,000	5,000	5,000	N	N	Contract now re-negotiated, part year savings in 19/20, full year effect from 20/21 onwards	Paul Ellis	Darren Maycock
17	IT	IT – Contract up for renewal. NYNET – savings.	Green	H	H	8,000	8,000	8,000	N	N	Contract negotiated to relasie savings from 20/21	Paul Ellis	Darren Maycock
18	ReBe	Revs and Bens Northgate System Annual Licence Renewal 3 year £15k annual reduction & no RPI increase	Green	H	H	15,000	15,000	15,000	N	N	Contract negotiated to relasie savings from 20/21	Paul Ellis	Darren Maycock
19	CuSe	Customer Services – Post has been deleted from structure and looking at if possible to reduce one more post. Currently target for calls is 90% but looking to reduce it to 85%. Hub – community safety officer currently in position full time but looking to see if this is required and whether this can be reduced.	Green	M	M	40,000	40,000	40,000	N	N	Complete in 19/20. 2 posts deleted from the structure for 20/21. CSO - was planning to review but the Comm. Safety Hub is progressing so loath to reduce the resource. Leave until we see how the HUB progesses - HUB based at CDC? Hub resources. Stat duty to provide HUB	Paul Shevlin	Sharon Hudson
20		Financial Management - Revise Minimum Revenue Provision Policy to later the % for older debt.	Green	H	H	108,000	0	0	Y	N	Complete in 19/20. The MRP Policy was revised to change the clauculation for the provison of older debt. This resulted in a significant redcution in the MRP originally calculated as part of the 20/21 budget.	Richard Weigh	James Hordern
		TOTAL GREEN SAVINGS				**176,000**	**68,000**	**68,000**					

MAJOR BUDGETS RISK ASSESSMENT 2021/22

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.

1.3 The budget has been set assuming a 'usual' year of operation and has not been adjusted to reflect risks to increased expenditure and reduced income as a result of the current COVID-19 Pandemic. The reason for this is because it is assumed that the support packages that MHCLG will have either provided some funding in the 20/21 year whcih can be carried forward and used to mitigate losses in 21/22. Or the support packages will be avaliable in 21/22 itself. it has already been confimred that the Sales, Fees and Charges Compensation, that MHCLG have run in 20/21, will exist in at least the first quarter of 21/22.

2 **Salaries and Wages**

2.1 Salaries and Wages and other employee costs form a major expenditure for the Council accounting for 39.30% of revenue expenditure with total budgets for 2021/22 being £8.723m.

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

2021/22 Budget	1 % Variance	5% Variance	10% Variance
8,723,386	8,810,620	9,159,555	9,595,725

Likelihood:	Medium	Impact:	High	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. 2021/22 is the second year in the cycle, so it is a possibility of the superannuation costs being greater than the 2019/20 budget.

3.2 The budgeted employer's contribution is based on a future service rate of 19.8%, however the actual payable contribution set in 2020/21 by the Pension Provider is a stepped contribution rate of 25.5%, 22.4%, 19.4% over the 3 years. Craven have decided to budget on a flat rate to smooth the transition from th 17.7% payable last year and the revised 25.5%. The back funding element has been removed as the deficit has been paid back. Any variation over and above this will impact as per the figures below.

3.3 Assessment

2021/22 Budget		1 % Variance	5% Variance	10% Variance
Current Cost	1,066,146	1,076,807	1,119,453	1,172,761
Back funding	-	-	-	-

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 £7m in 2021/22. 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£0.70m. The recovery level is at risk in difficult economic times creating a risk factor.

4.3 Assessment

2021/22 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 2021/22 is £3.094m. 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 11% liability to the Council of this additional amount. The rest is covered by the NYCC, Fire and Police Authority.

5.2 Assessment

2021/22	1 % Variance	5% Variance	10% Variance
3,094,387	3,125,331	3,249,106	3,403,826

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 installed 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

2021/22 Budget		1 % Variance	5% Variance	10% Variance
Electricity	132,270	133,593	138,884	145,497
Gas	141,501	142,916	148,576	155,651

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 £693k is included in the 2021/22 budgets for Council waste collection costs and waste disposal charges made by the County Council.

7.2 Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
693,044	699,974	727,696	762,348

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 2020/21 this was £129.34 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 2021/22. It is assumed this will be £132.05.

8 **Recycling**

8.1 A sum of £378k is included in the 2021/22 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

2021/22 Budget		1 % Variance	5% Variance	10% Variance
Disposal Costs	378,399	382,183	397,319	416,239

Likelihood:	Medium	Impact:	Low	Risk:	Medium

8.3 Assessment

2021/22 Budget		1 % Variance	5% Variance	10% Variance
Recycling Credits	388,338	384,455	368,921	349,504

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. 2021/22 is the sixth 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 2021/22 is remaining at £36.00 pa.

10.2 This garden waste collection scheme generated over £327k of income in 2020/21, this meant the services was able to breakeven. Because of this the subscription charge has remained the same for 2021/22. If costs can be controlled, it may mean that the service could add a contribution to the Council's overhead costs.

10.3 Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
327,000	323,730	310,650	294,300

Sensitivity:	Low	Impact:	Medium	Risk:	Low

11 Planning Application Fees

11.1 During 2017/18 there 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 2021/22 has been set at £450,000 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	412,424	2,424	1
2019/20	410,000	436,257	26,257	6
2020/21	450,000	450,000	-	-
2021/22	450,000	450,000	-	-

Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
450,000	445,500	427,500	405,000

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 2020/21. The fees in 2019/20 improved significantly, but given the current economic climate the budget is set to remain at £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	159,377	(15,623)	(9)
2019/20	165,000	184,629	19,629	12
2020/21	165,000	144,607	(20,393)	(12)
2021/22	165,000	165,000	-	-

Assessment

2021/22 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 2020/21.

13.2 The housing market is continuing to recover. The budget for 2021/22 has been at th esame level of 2020/21, to reflect the current situation.

13.3 Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
153,000	151,470	145,350	137,700

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

2021/22 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	143,314	(10,636)	(7)
2019/20	153,950	150,973	(2,977)	(2)
2020/21	145,000	145,000	-	-
2021/22	145,000	145,000	-	-

Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
145,000	143,550	137,750	130,500

Sensitivity:	Low	Impact:	Medium	Risk:	Low

16 Shared Ownership Scheme Income

16.1 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 next two years to 2021/22 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 2021/22 is set at £35,000. There is also an element of growth assumed in the income and savings plan, it is set to increase in the subsequent years as the Council develops it's portfolio, there has been small increments assumed in 22/23 and 23/24.

16.4 Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
35,000	34,650	33,250	31,500

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 Given the significant impact the COVID-19 pandemic has had on the fees & charges, it has been decided that there would be no increases to the charges for Car parking across the district.

17.3 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	1,533,964	30,964	2
2019/20	1,513,000	1,475,027	(37,973)	(3)
2020/21	1,510,000	1,510,000	-	-
2021/22	1,510,000	1,510,000	-	-

Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
1,510,000	1,494,900	1,434,500	1,359,000

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. In 2019/20 it was 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 2021/22 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 £915k per annum This is the same as the estimate for 2020/21. 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 Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
915,000	905,850	869,250	823,500

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	78,874	9,874	14
2019/20	74,000	76,259	2,259	3
2020/21	75,000	75,000	-	-
2021/22	75,000	75,000	-	-

Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
75,000	74,250	71,250	67,500

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. As a result of the Cremator replacement last year the COuncil no longer has to make a provision for the payment of mercury abatement costs which were 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	800,185	(8,667)	(1)
2019/20	844,914	909,203	64,289	8
2020/21	868,300	906,506	38,206	4
2021/22	912,800	912,800	-	-

Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
912,800	903,672	867,160	821,520

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. It has also been significantly impacted by the COVID-19 pandemic. 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	1,299,494	(696)	(0)
2019/20	1,324,630	1,356,792	32,162	2
2020/21	1,395,113	1,395,113	-	-
2021/22	1,395,938	1,395,938	-	-

Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
1,395,938	1,381,979	1,326,141	1,256,344

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 2021. 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 2021/22 forecasted income for investments totals £115k. This is made up of investment income (£106k) and the interest from the Loan made as part of the 2017/18 Capital Programme (£9k).

22.3 Assessment

2021/22 Budget		Average 0.3%	Average 0.5%	Average 0.7%
Investment Interest	105,760	36,893	61,488	86,084
Loan	9,240	9,240	9,240	9,240

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. There has been a significant improvement in the expected retained rates for 2021/22. However the impact of potential shortfalls is still being mitigated by the creation of an earmarked reserve however this may not be adequate to cover the Councils liability.

23.2 Assessment

2021/22 Budget	1 % Variance	5% Variance	10% Variance
2,253,000	2,230,470	2,140,350	2,027,700

Sensitivity:	High	Impact:	High	Risk:	High

24 Cultural Services at 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 and 2020/21 there have been further significant refurbishments, which has meant that the Town Hall is mostly out of commission for the 2020/21 Financial year. With the current developments due to complete in early spring , it is expected the income can still recover. 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.

24.2 The Private Hire income is set to achieve £86k in 2021/22, this is a significant improvement on the levels set in 2020/21 as the developments should be completed. It is also now expected that income from the performances and special events will achieve £58k and the rental income should acheive £60k.

24.3 Assessment

2021/22 Budget		1 % Variance	5% Variance	10% Variance
Performances and Special Events	93,240	92,308	88,578	83,916
Private Hire	86,290	85,427	81,976	77,661
Rental Income	60,375	59,771	57,356	54,338
Commercial units	81,910	81,091	77,815	73,719
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 2021/22

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.

1.2 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 2021. 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 2020. Income budget 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. Amber proposals are noted as part of the budget process are expected to be delivered but until confirmed are not assumed in the base budget. 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 so significant contributions will be required from external grants and/or the revenue account to appropriate reserves or consideration given to further borrowing in order to ensure the capital programme remains fully financed.

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 2021/22 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. The supplementary information sheet at the end of this appendix sets out the projected major Funds and Reserves balances for 2021/22 to 2023/24 based on the Medium Term Financial Plan forecasts. The Council's revenue budget for 20209/21 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 2019/20 accounts which still exist, issues that have arisen in 2020/21 – particularly the financial impact of the pandemic future reviews of council funding, 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.

<u>General Fund Unallocated Reserve</u>

2.7 The Council's unallocated General Fund Balance is currently at £995k. The 2021/22 budget does not require support from this balance. This represents 12.90% 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 £222k.
b) The Council has a number of significant income streams and adverse movement of 5% would cost £438k
c) The council budgets contain no allowance for emergencies such as flooding, the council is expected to 0.2% of its budget available (£13k) 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 £113k
e) Continued uncertainties for local government funding.
f) 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.

<u>Significant Earmarked Reserves</u>

2.8 <u>New Homes Bonus</u>
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 available to support the budget and this limits the funds available for new projects. There will be a draw pf £117k for the 2020/21 financial year, with a contribution of £286k, being the grant receivable from MHCLG. The current LG Settlement indicates that the NHB grant funding will reduce to all but nothing from 2022/23 so it is important to review all draws planned for this reserve.

2.9 <u>Planning</u>
The planning reserve is to be used for the costs of the creation of the Craven District Local Plan. The Craven Local Plan was adopted during 2019/20. 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.

2.10 <u>Enabling Efficiencies</u>

This reserve is used to fund revenue and capital projects that will generate efficiencies or additional income for the council. The 2021/22 budget contains net usage of £10k. 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 outweigh the resources within this fund. The 2021/22 budget contains a planned contribution of £30k. The capital programme requires £320k. The resources within this reserve are inadequate and this reserve in my opinion is a priority for additional contributions otherwise future replacements cannot be financed from this reserve.

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 2021 is adequate for the commitments of the 2021/22 revenue budget and capital programme. The 2020/21 budget contains a planned contribution of £30k and utilises £30k. 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 £50k 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 2020 is adequate for the commitments of the 2020/21 revenue budget and capital programme. The 2019/20 budget contains a planned contribution of £52k and utilises £66k. To ensure continued investment in the Council's property assets consideration should be given to increasing contributions to £100k per annum. A level of at least £550k 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 2021 is estimated at £1,150k. The 2021/22 budget has an adjusted deficit of £48k 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 2021/22 budget does not require a contribution from this reserve to support the budget. In the current climate with the unknown impact of appeals for and the impact of the proposed review of business rates and 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. There is no budgeted contribution planned for 2021/22.

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 continually reviewed. The balance of £600k is considered adequate at this stage for any utilisation that will be required in 2021/22 but the risk of partial exemption breach is ongoing for Craven DC because of the nature of the income generating services provided so the level of reserve must be viewed in that context.

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. It is not proposed that any of this reserve will be used to balance the 2021/22 budget. In year contributions to this reserve should continue from projects within the Council's Income and Savings Plan.

2.19 New Reserves Established

In response to the council's declaration of a climate emergency, a reserve was to be established to hold funds to help to develop projects that will contribute to the council's goal of carbon neutrality by 2030.

A specific reserve could be established to manage fluctuations in the council's annual pension contribution payments over the forthcoming triennial review period. The contributions are stepped, with a higher contribution in 2020/21, reducing over the following two years. Cash savings and reassigned reserves from the following years will be used to smooth the impact over the three years so that the budget can be set at an average level, rather than budgeting for a steep rise in 2021/22, which then reduces the following year.

2.20 **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 2021/22 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) acknowledgement of the uncertainty beyond 2022/23 in respect of key council funding streams
e) adequacy of estimates of inflation, interest rates
f) treatment of demand led pressures;
g) ongoing financial impacts of Covid-19
h) the need to respond to emergencies, and
i) 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 2021/22 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 2021/22 to 2023/24

	2020 - 21			2021 - 22			2022 - 23			2023 -2024				
Reserve	**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**	**Budgeted in Year Receipts £'000**	**Utilisation £'000**	**Estimated Balance Apr-24 £'000**	**Purpose of Reserve (all reserves are revenue and their purpose is reviewed as part of the budget process each year)**
New Homes Bonus Projects	2,506	564	(513)	2,557	286	(117)	2,726	7	(87)	2,646	0	(87)	2,559	3 Overarching project areas - Infrastructure, Empty Homes & Localism. Plus support for budget.
Planning	465	0	0	465	0	0	465	0	0	465	0	0	465	To contribute towards costs of LDF and contingency for planning enquiry costs / appeals
Enabling Efficiencies	270	0	(17)	253	0	(10)	243	0	(10)	233	0	0	233	For use for projects to create future savings and efficiencies
Vehicles	291	30	(67)	254	30	(320)	(36)	50	(405)	(391)	80	(390)	(701)	Set up to fund purchase of vehicles
ICT	418	30	(42)	406	30	(30)	406	30	(30)	406	30	(30)	406	Set up to fund investment in IT (enabling technology)
Buildings	449	52	(104)	397	52	(66)	383	52	0	435	122	0	557	Set up to fund maintenance, repairs and improvements to council properties
Insurance	90	10	0	100	10	0	110	0	0	110	0	0	110	Fund excess on insurance claims
Business Rates Contingency	1,150	0	0	1,150	0	0	1,150	0	0	1,150	0	0	1,150	To mitigate against deficits in the North Yorkshire Business Rates Pool
Elections Reserve	21	0	(16)	5	0	0	5	0	0	5	0	0	5	Proposed new reserve to smooth funding of elections.
Future Year Budget Support	240	0	0	240	0	0	240	0	0	240	0	0	240	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	154	0	(413)	(259)	0	0	(259)	0	0	(259)	0	0	(259)	Contingency funding and Slippage requests
Edith Stead, Bishopdale Court, Etc	666	0	0	666	0	0	666	0	0	666	0	0	666	VAT equalisation, LABGI & ERDF & Building Control funds
Total Earmarked Reserves	**6,720**	**686**	**(1,172)**	**6,234**	**408**	**(543)**	**6,099**	**139**	**(532)**	**5,706**	**232**	**(507)**	**5,431**	
General Fund	995	0	0	995	0	0	995	0	0	995	0	0	995	Unallocated GF reserve acts as contingency for unexpected expenditure
Total Revenue Reserves	**7,715**	**686**	**(1,172)**	**7,229**	**408**	**(543)**	**7,094**	**139**	**(532)**	**6,701**	**232**	**(507)**	**6,426**	

Craven District Council

Budget Consultation

2021/22

Analysis of responses

(page intentionally left blank to enable double-sided printing)

Contents

Introduction

This report describes the results of Craven District Council's budget consultation, held between October and December 2020 to support the setting of the 2021/22 budget.

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

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

Details were advertised in the local press, both in print and online. 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, however due to restrictions resulting from the Covid-19 pandemic, hard copies were not made available at the Council's main contact points or at local libraries this year.

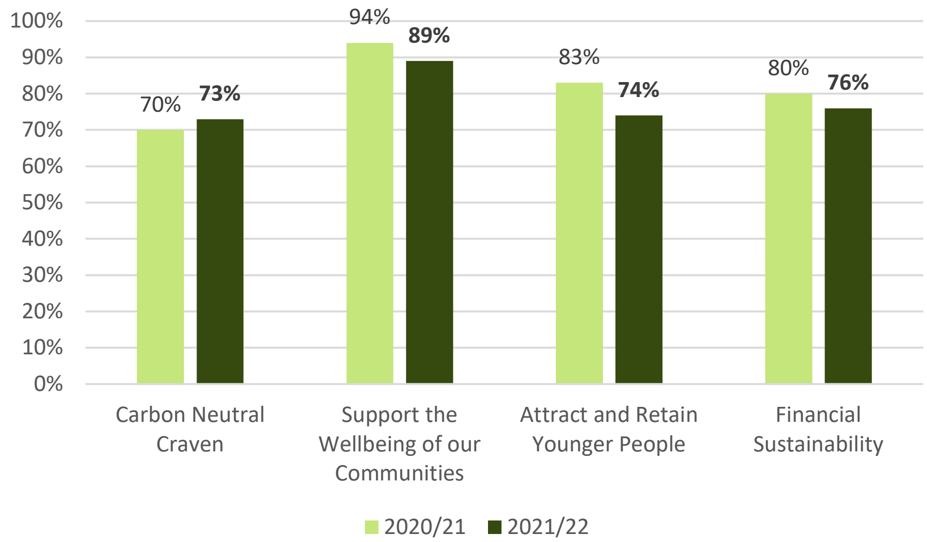
There were 206 responses to the survey (a slight decrease on the 223 responses received last year), though not all responders answered all questions. The survey sample is closely representative of the gender balance in the District, and of the views of those in urban/rural areas, as well as of the views of people aged over 65. The number of responses received from younger people aged under 25, and from ethnic minority groups, was particularly small (<5 responses), and it the views of residents in those groups may not be represented in these survey results.

Summary

- A majority of people responding to the survey said that the council's 3 priorities are still the right ones. Overall support for the 3 priorities is similar to last year.
- 58% of those responding said that they believe that the Council provides value for money. 38% disagreed.
- 61% of those responding said that they would be prepared to accept a 2% increase in Council Tax. 56% of those responding said they would accept a £5 per year increase in Council Tax. This is higher than the response for 2020/21.
- 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, 40% of responses said that spending should remain the same, 27% said that the council should increase or introduce fees and charges and 27% 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 without raising fees and charges: Arts Development (41%), Partnerships and Communications (44%), and the Craven Museum and Gallery (49%). There was no area in which a majority felt that spending should be reduced.
- A small proportion of those responding (around 24% on average) supported an increase in fees and charges for CDC's chargeable services.
- There were 214 additional comments and suggestions. 65 responders made positive comments about Council services, particularly about Waste Management (18 comments) and about the Council's general response to the Covid-19 pandemic (14 comments)

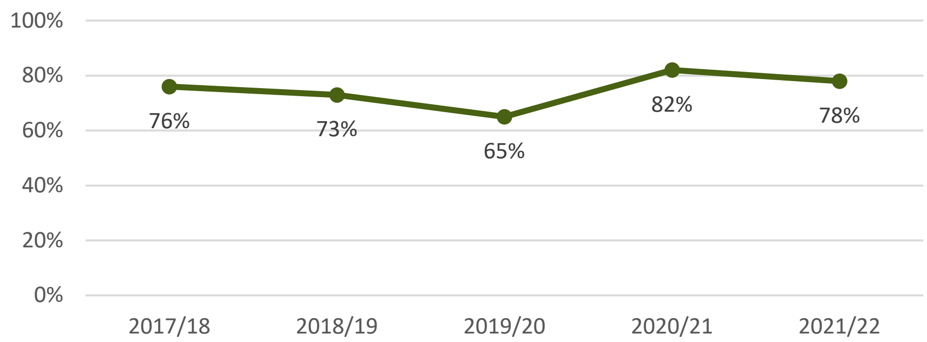
Q1

Do you think these priorities are the right ones for 2020/22?



A majority of responses to the survey say that the council's 4 priorities are the right priorities.

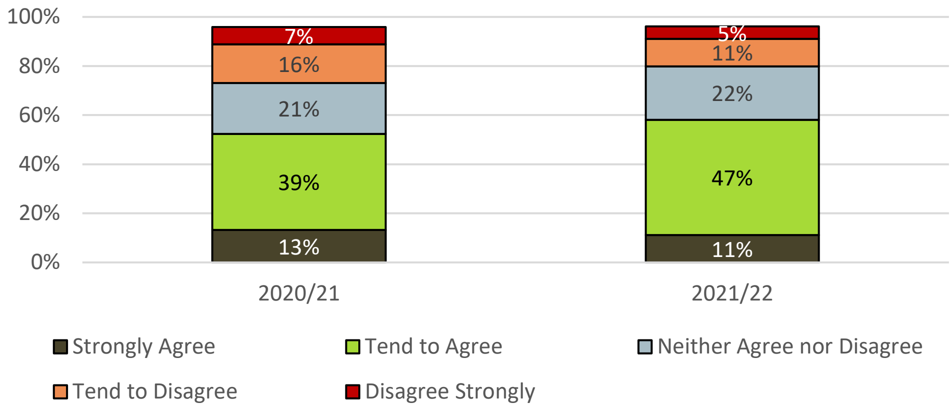
The proportion of responses agreeing that these are the right priorities has increased substantially since last year. On average, support for the 4 new priorities (78%) is slightly lower than last year, but is higher than any of the past 4 years and is 13 percentage points higher than the 2019/20 average (65%).



Q2

Bearing in mind Craven householders only pay £177.21 per year (about £3.40 per week) for services provided by the Council (based on average Band D Council Tax 2021/22).

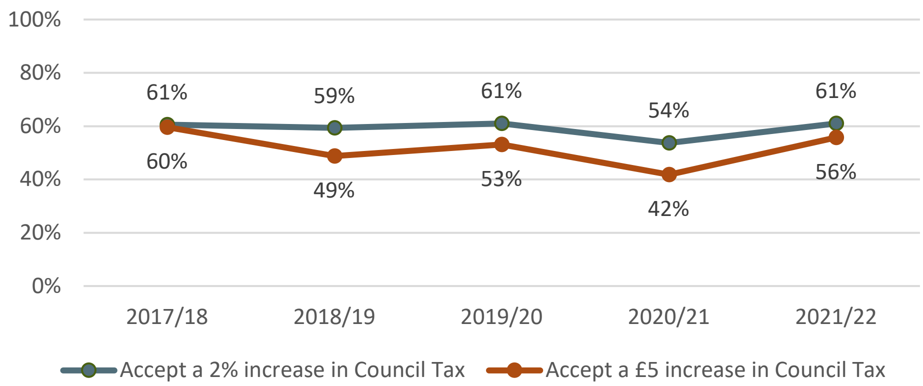
To what extent do you agree or disagree that Craven District Council provides value for money?



A majority of responders to this question (58%) say that Craven District Council provides good value for money.

- There was a small increase in the proportion of responses stating that they strongly agree or tend to agree that Craven District Council provides good value for money. In 2020/21, 52% of responses said that Craven District Council provides value for money.
- Overall, 80% of responses were either positive or neutral about CDC's value for money, a 7 percentage point improvement on 2020/21 (73%).

Q3 - Would you be willing to accept an increase in Council Tax?

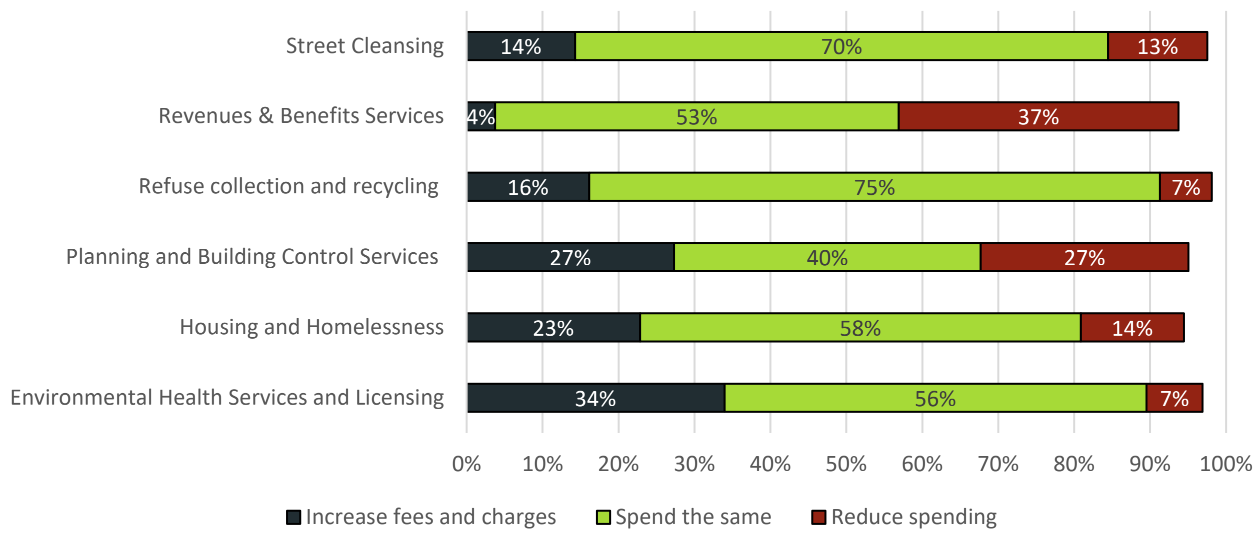


A majority of responders (61%) would be prepared to accept a 2% increase in council tax. This is the highest level of support for a 2% increase in Council Tax in the past 5 years. A majority of responders (56%) also said that they would be prepared to accept a £5 increase in council tax. This is a 14 percentage point improvement on 2020/21, and the highest level of support for a £5 increase in Council Tax since 2017/18.

Q4

Below is a list of statutory services. We have shown in simple terms the amount of the £177.21 (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.

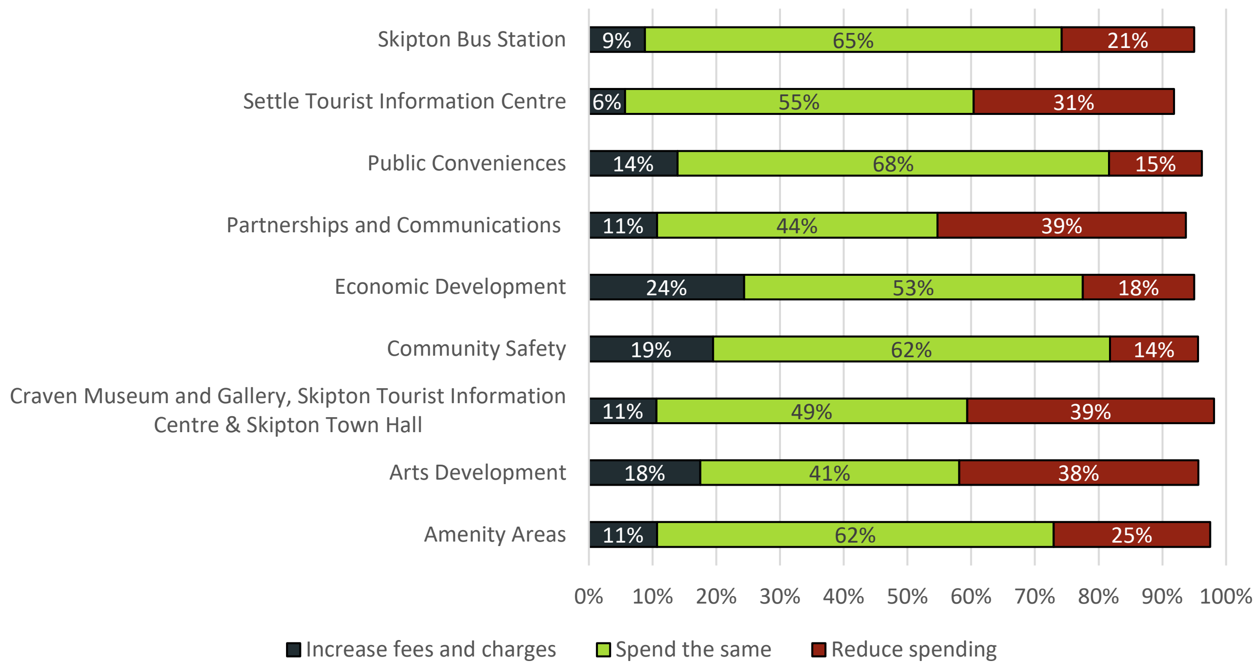


- More than half of responses suggested that spending should stay the same for every statutory areas with the exception of Planning and Building Control services (40%).
- ‘Spend about the same’ was the most common response for every area.
- Responses were most likely to say that spending on Refuse Collection and Recycling should stay the same (75%).
- The service areas with the highest levels of support for increasing or introducing fees and charges were Environmental Health Services & Licensing (34%), and Planning and Building Control Services (27%).

Q5

Below is a list of discretionary services. We have shown in simple terms the amount of the £177.21 (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.

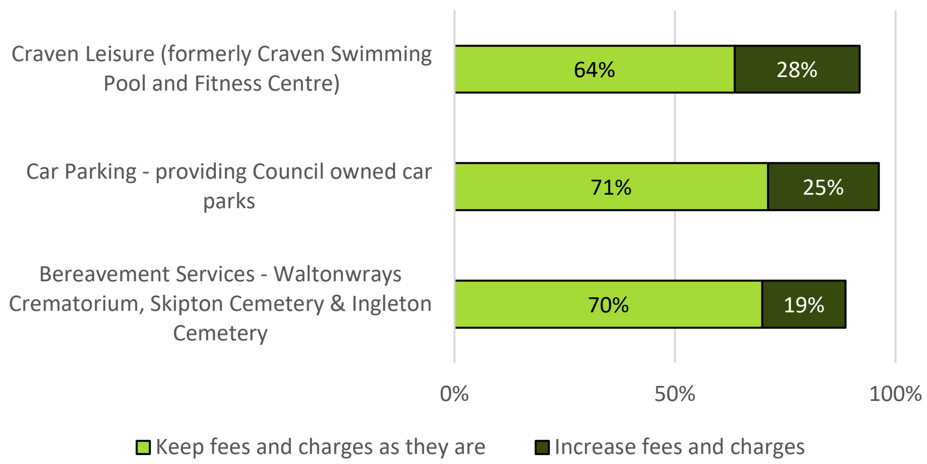


- ‘Spend about the same’ was the most common response for every discretionary area apart from Arts Development.
- Support for maintaining existing levels of service was particularly strong for Public Conveniences, Community Safety, Economic Development, Public Conveniences, Skipton Bus Station and Amenity Areas. Over 75% of responses supported either maintaining existing spending or introducing fees and charges for these services.

Q6

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.



A small proportion of responses (around 24%) supported the increase of fees and charges for these services. There was a slight preference for increasing fees and charges at Craven Leisure and for Car Parking, compared to Bereavement Services.

Q7-10

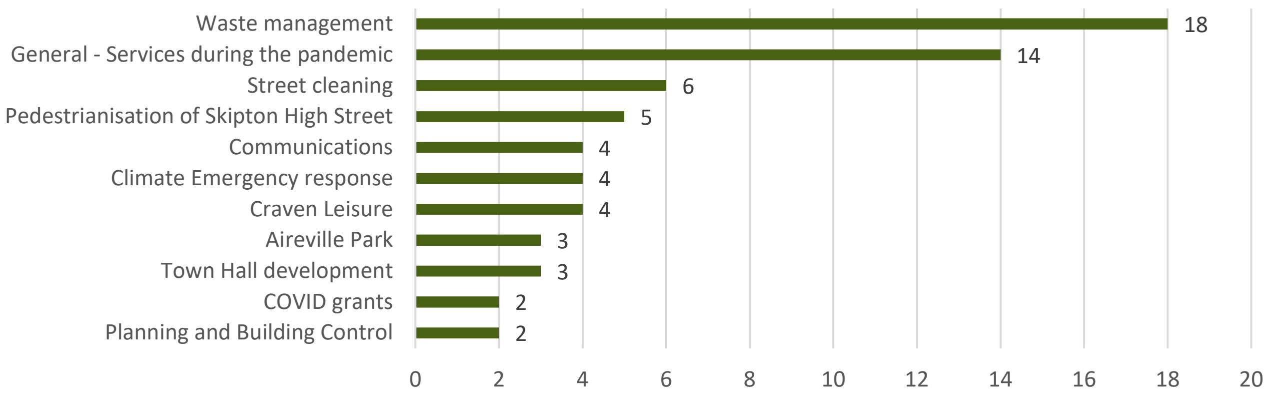
The 2021/22 survey included 4 qualitative questions. These questions were:

- 'Please tell us what you think the Council has done well over the past year'
- 'Please tell us what you think the Council has not done so well over the past year'
- 'If you have any suggestions as to how the Council should save money or generate more income, please tell us'
- 'If you have any other comments on the Council's budget please tell us'

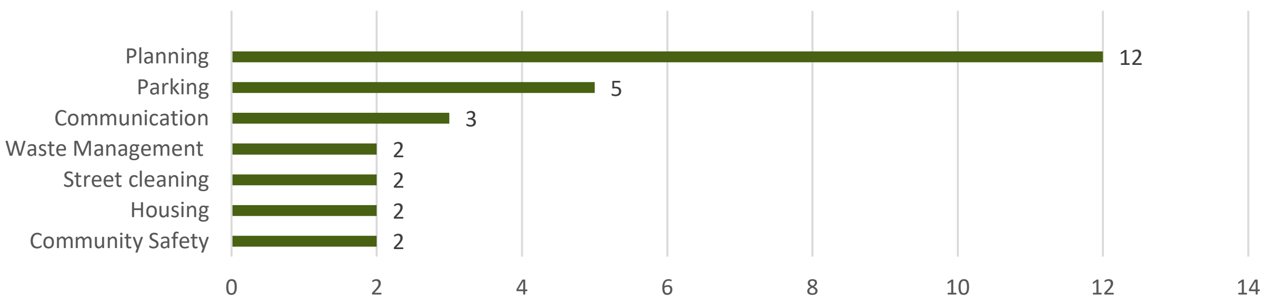
214 comments were made in response to these questions. This included:

- Positive comments about Council services from 65 responders
- Comments about what the Council could do better from 64 responders
- A total of 77 specific suggestions for further savings or improvements

Positive comments about Council services were most commonly about the Waste Management team (18 comments), and about the Council's response to the pandemic (14 comments):



Negative comments about Council services were most commonly about the Planning department (12 comments), and about the cost and the availability of Parking (5 comments):



AGENDA ITEM 6

Policy Committee – 2nd February 2021

CAPITAL PROGRAMME 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 To seek approval of the proposed capital programme for 2021/22 - 2024/25, subject to there being sufficient capital resources.

2. Recommendations – Members are recommended to:

That the following be recommended to Council: -

2.1 Members note £10,000 of continuing projects from the 2020/21 programme. No slippage has been confirmed at this stage.

2.2 Members approve new capital programme projects of £2,219,893.

2.3 Members approve a total capital programme for 2021/22 of £2,229,893.

2.4 That the final allocation of funding for the 2021/22 capital programme is confirmed once the outturn position of the 2020/21 revenue budget is finalised.

3. Report

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 following 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.
- Recent, significant projects that have been presented to Policy Committee will be recognised in the 20/21 programme and as such are not presented here as new projects for 21/22.

3.3 The proposed capital programme and its funding for 2021/22 of £2,220k is attached at Appendix A. This also details the continuing commitments of £10k, from the 2020/21 programme. The total proposed Capital programme for 2021/22 equals £2,230k.

3.4 A summary of the outline capital programme is shown at Appendix B for 2021/22 to 2024/25. The information for 2022/23 onwards is indicative only and will be subject to confirmation when project details are available.

3.5 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-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. Further detail of the capital resources forecasted use can be found in Appendix C – Table 1.

3.6 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. Borrowing is generally assigned to assets with the longest useful life.

3.7 It is expected, but not yet confirmed, that there will be revenue savings generated within the 2021/22 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 2020/21 revenue budget is assessed as part of the annual accounts process.

4. Financial and Value for Money Implications

4.1 The updated capital programme costs and its resources are summarised in Appendix C - Table 2.

4.2 The 2021/22 to 2024/25 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. A summary of the reserves being proposed for use in the 21/22 can be found in Appendix C – Table 3. This sets out the current balances in 20/21.

5. Legal implications

None as a direct result of this report. The Council has a balanced budget for 2021/22, and going forward it is a further requirement that the budget is balanced.

6. Contribution to Council Priorities

6.1 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.

6.2 **Impact on the declared Climate Emergency**
The projects within the capital programme are undoubtably going to impact on the Climate Emergency. In particular there are two projects which both have considered this carefully. The Installation of EV charging points in the outlying Car Parks will act as a facilitator to ensure electric vehicle use by residents is accessible in the less urbanised areas of Craven.

The Vehicle replacement programme also has reviewed the vehicles required and although electric powered vehicles are not yet feasible for waste collection, the ability to compact waste inside the body will reduce the requirement for the vehicle to return to Skipton for emptying – meaning more fuel efficient rounds can be planned.

7. Risk Management

7.1 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.

7.2 **Chief Finance Officer (s151 Officer) Statement**
The programme for 20221/22 demonstrates a fully financed position. The council will have to adapt as the funding position becomes clearer.

7.3 **Monitoring Officer Statement**
The Council has a statutory obligation to agree a balanced budget each year.

8. Equality Impact Assessment

The Council's Equality Impact Assessment Procedure **has been** followed.

9. Consultations with Others

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

10. Access to Information : Background Documents

None

11. Appendices

Appendix A – Capital Projects and Proposed Funding 2020/21.
Appendix B – Indicative Capital Programme 2020/21 to 2023/24
Appendix C – Forecast of Capital Resources, Programme Summary and Reserve balance forecast

12. Author of the Report

James Hordern – Finance Manager
Telephone: 01756 706316
E-mail: jhordern@cravendc.gov.uk

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

Preliminary list of Capital bids 2021/22 - onwards

Appendix A

Ref.	Service Unit	Description	2021/22 £	External Contributions 2021/22 £	CDC capital resources [including Split of resource if given] £	Revenue impact - detrimental (+) favourable (-) £	2022/23 £	2023/24 £	2024/25 £	Proposed Funding / Reserve
New Bids for 21/22										
CAP01 21/22	Assets & Commercial Services	Electric Vehicle Charging Points in Outlying Car Parks	123,028	(92,271)	30,757	(50)	-	-	-	Building
CAP02 21/22	ICT & Transformation Services	Replace Computer, Server and Appliance equipment.	30,000	-	30,000	-	30,000	30,000	30,000	ICT Reserve
CAP03 21/22	Assets & Commercial Services	Multi-Play Equipment replacement	7,500	-	7,500	-	-	-	-	Building
CAP04 21/22	Assets & Commercial Services	Skipton Crematorium extension	47,345	(20,000)	27,345	-	-	-	-	Building
CAPDFG 21/22	Environmental Services & Housing	Disabled Facilities Grants	557,000	(557,000)	-	-	557,000	557,000	557,000	Grant
CAP05 21/22	Assets & Commercial Services	Section 106 Shared Ownership Acquisitions	1,135,020	-	1,135,020	4,800	703,000	-	-	Funding proposed is S106 receipts and/or sales of S106 acquisitioned properties under Shared Ownership
CAP06 21/22	Waste Management	Vehicle Replacement Programme	320,000	-	320,000	-	405,000	390,000	900,000	Vehicle Reserve
Total 21/22 Bids			**2,219,893**	**(669,271)**	**1,550,622**	**4,750**	**1,695,000**	**977,000**	**1,487,000**	

Ref.	Service Unit	Description	2021/22 £	External Contributions 2021/22 £	CDC capital resources [including Split of resource if given] £	Revenue impact - detrimental (+) favourable (-) £	2022/23 £	2023/24 £	2024/25 £	
Continuing Commitments from 20/21 Bids										
CAP03 19/20	ICT & Transformation Services	Integrate Systems and review service areas.	10,000	-	10,000	(10,000)	10,000			Enabling Effiecencies Reserve
			-	-	-					
Total 20/21 Bids Continuing			**10,000**	**-**	**10,000**	**(10,000)**	**10,000**	**-**	**-**	
Total 20/21 & 21/22 Bids			**2,229,893**	**(669,271)**	**1,560,622**	**(5,250)**	**1,705,000**	**977,000**	**1,487,000**	

APPENDIX B

CAPITAL PROGRAMME 2021/22 to 2024/25

CORPORATE PRIORITY/SCHEME:	Proposed Programme 2021/22 £	Forecasted Programme 2022/23 £	Forecasted Programme 2023/24 £	Forecasted Programme 2024/25 £
Strategic Housing Services				
- Disabled Facilities Grants	557,000	557,000	557,000	557,000
Waste Management Services				
- Replacement Vehicles	320,000	405,000	390,000	900,000
- Skipton Cremmatorium Extension	47,345	-	-	-
Asset & Commercial Services				
- Shared Ownership Development and the Development of Council Land	1,135,020	703,000	-	-
- Electric Vehicle Charging Points in Outlying Car Parks	123,028	-	-	-
Leisure & Community Facilities				
-Multi-Play Equipment replacement	7,500	-	-	-
Information Services				
- Replacement programme	30,000	30,000	30,000	30,000
- Integrate Systems and review service areas.	10,000	10,000	-	-
TOTAL	**2,229,893**	**1,705,000**	**977,000**	**1,487,000**

Table 1: Forecast Capital Resources: 2020/21 and also indicative for 21/22 to 23/24

	2020/21 Estimated (At Q2)	2021/22 Indicative	2022/23 Indicative	2023/24 Indicative
Capital Receipts at Start of Year (CRR)	2,474	4,338	3,393	3,693
In Year resources - (Capital Grants/receipts received)	4,216	857	857	857
Use of in Year Capital grants	1,416	667	557	557
Use of Capital Receipts	936	1,135	-	-
Supplementary Estimates in 2016/17				
Total Use of Capital Resources	2,352	1,802	557	557
Contribution From NHB Reserve	340	-	-	-
Contribution From Enabling Efficiencies Reserve	10	10	10	-
Contribution From Vehicles Reserve	68	320	405	390
Contribution from IT Reserve	130	30	30	30
Contribution from Buildings Reserve	195	68	-	-
Underwrite the Capital Funding to cover the external funding applications	824	-	-	-
Potential utilisation of Borrowing or Cap. Rec for Shared Ownership and CDC Developments	2,787	-	703	0
Total Use of Reserves/Borrowing	4,354	428	1,148	420
Forecasted Capital expenditure in year	6,706	2,230	1,705	977
Capital Receipts at end of Year (CRR)	4,338	3,393	3,693	3,993

Table 2: Summary Capital Programme & Resources: 21/22 to 24/25

	2021/22 Estimate £'000	2022/23 Indicative £'000	2023/24 Indicative £'000	2024/25 Indicative £'000
Capital Programme Costs	2,230	1,705	977	1487
Funding Resources Capital Receipts / grants	1,802	557	557	557
Earmarked Reserves	428	445	420	930
Potential Borrowing subject to Capital Receipts	0	703	0	0

Table 3: The forecasted balance on the earmarked reserves being utilised as part of the proposed Capital Programme.

	Vehicles £'000	IT £'000	Buildings £'000	Enabling Efficiencies £'000
Estimated Balance Brought Forward 1 April 2020	291	418	449	270
Allocation To Revenue & Capital Projects 2020/21	-68	-42	-104	-10
Net Contributions Received / Planned 2020/21	30	30	52	0
Estimated Balance Carried Forward 31 March 2021	253	406	397	260

AGENDA ITEM 7

Policy Committee – 9 February 2021

Council Plan

Report of the Chief Finance Officer (S151 Officer)

Lead Member – Leader of the Council, Richard Foster

Ward(s) affected: All

1. Purpose of Report

1.1 To present the 2021 update to the 'Craven District Council Plan 2020 and Beyond' for approval

2. Recommendations – Members are recommended to:

2.1 Approve the Council Plan 2021 and Beyond and give delegated authority to the Chief Executive to:

a) make minor amendments including the presentation of the report, revision of delivery mechanisms and amendments to timescales for delivery as necessary, in consultation with the Leader of the Council

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. Report

3.1 The Council Plan sets out the Council's agenda for improving service delivery to Craven communities, and organisational change. Last year the Council agreed a significantly revised plan for 2020 and beyond including 4 new long-term strategic priorities.

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 Council is committed to reviewing and updating this plan annually. As the plan was substantially revised in 2020/21, and the annual Budget Consultation exercise continues to show very high levels of public support for the priorities identified, this 2021 review is a light-touch exercise to update and correct any specific changes to service plans that have been made over the past year.

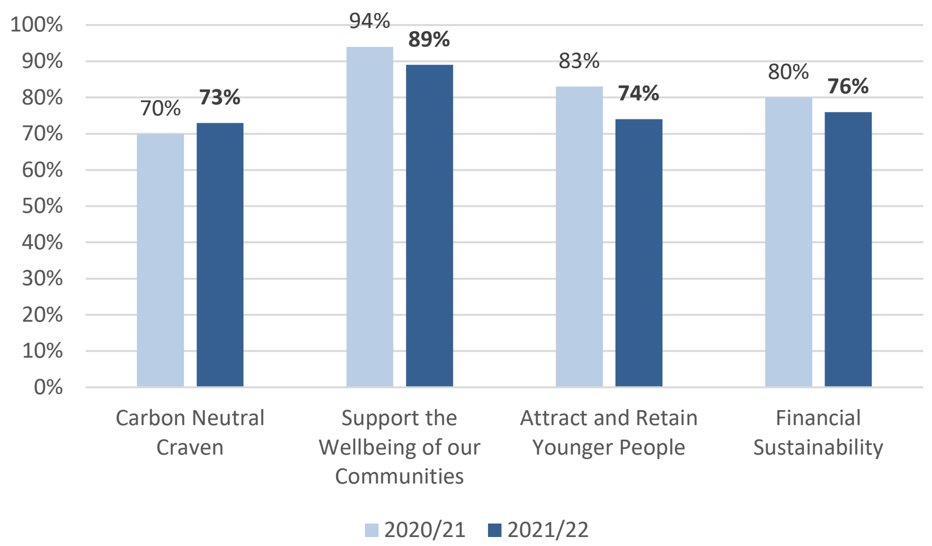


Chart 1 – public support for Council priorities 2020/22
(Source: 'Your Money, Your Say' Budget Consultation)

3.4 Members are recommended to approve the Council Plan 2020 and Beyond and give delegated authority to revise delivery mechanisms and amend timescales for delivery as necessary; and agree performance indicators and associated targets for 2020/21 that will be used to measure progress against the achievement of the priorities and objectives set out in the Plan.

4. Financial and Value for Money Implications

4.1 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) and supported by the proposed revenue and capital budgets for 2021/22.

5. Legal Implications

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

6. Contribution to Council Priorities

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

6.2 **Impact on the declared Climate Emergency –** The Council Plan describes a range of the most significant actions that the Council is taking to address the Climate Emergency, particularly as part of the Council Priority 'Carbon Neutral Craven'.

7. Risk Management

7.1 None arising directly from this report.

7.2 **Chief Finance Officer (s151 Officer) Statement** – It is important that the Council defines its priorities and that these are reflected within the Council's annual budget and medium term financial plans.

7.3 **Monitoring Officer Statement** – The Council Plan forms part of the Council's budget and policy framework and consequently must be approved at a meeting of Full Council.

8. Equality Impact Analysis

8.1 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.

9. Consultations with Others

9.1 Local residents/partners via Budget Consultation
Senior Leadership Team (SLT) and Lead Officers responsible for Council Plan actions

10. Background Documents - None

11. Appendices – Council Plan 2021 and beyond.

12. Author of the Report

Name Rob Atkins, Exchequer and Performance Manager
Telephone: 01756 706464
E-mail: RAtkins@cravendc.gov.uk

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

Craven District Council
Council Plan
2020 and beyond

Reviewed and updated for 2021

What your Council does for you

The Council provides a wide range of services and facilities throughout the Craven District. We provide all the below and more to our communities for just £3.40 a week per resident – based on the average Band D Council Tax.

Business and Tourism

- Supporting the growth of new and existing businesses across Craven
- Providing car parks across the district
- Working with partners to increase the contribution of tourism to the local economy
- Running Tourist Information Centres in Skipton and Settle
- Supporting the delivery of local festivals and events across Craven
- Hosting the Green Apple Awards for environmentally-friendly businesses
- Liquor, entertainment and hackney carriage (taxi) licensing
- Food safety inspections of local restaurants and takeaways
- Working with partners to improve access to higher speed broadband

Community

- Working with local communities and supporting local voluntary and community groups such as the Friends of Aireville Park to deliver local plans and initiatives
- Hosting the Community Champions Awards Scheme
- Providing grants to local organisations and communities, including Ward Member Grants
- Working in partnership to reduce crime and anti-social behaviour
- Supporting the development of dementia friendly communities across Craven
- Providing planning and building control services and administering local land charges
- Working with partners to address rural loneliness and isolation
- Managing bereavement services at Waltonwrays Cemetery & Crematorium in Skipton, and Ingleton Cemetery
- Maintaining public conveniences in Skipton and Settle

What your Council does for you

Culture and Recreation

- Maintaining Aireville Park in Skipton
- Supporting activity to develop the arts and sport across Craven
- Managing Craven Leisure facilities
- Running a programme of events across Craven during the Skipton Town Hall redevelopment

Democracy

- Maintaining the register of elections
- Administering elections for local Parish, District, County, UK Parliamentary, European Parliamentary, Police and Crime Commissioner elections and referendums
- Supporting Council Members and the Chairman of the Council to undertake their duties as democratically elected representatives
- Administering meetings of the Council's committees and Council

What your Council does for you

Environment

- Cleaning streets and public places to maintain high standards of street cleanliness
- Dealing with noise nuisance issues
- Monitoring and improving air pollution, contaminated land and flood prevention
- Collecting trade and household waste and recycling including bulky items and garden waste
- Monitoring the quality and safety of private water supplies

Housing

- Preventing homelessness and providing housing advice
- Providing advice on disabled adaptations and energy efficiency
- Working in partnership to increase the supply of affordable housing
- Improving private sector housing conditions for people in Craven through initiatives such as advice to homeowners, tenants and landlords, and licensing of homes in multiple occupation
- Providing a Housing and Council Tax benefit claims service

Our Vision & Values

Our Vision

For Craven to be a prosperous place with strong and vibrant communities, where all residents enjoy a good quality of life.

Priorities for 2020 Onwards

Carbon Neutral Craven
Facilitating economic growth in a low carbon Craven

Supporting the wellbeing of our communities
Developing vibrant, connected and healthy communities

Attracting and retaining younger people
Creating a district that attracts people of working age to live and work

Financial sustainability
Ensuring a self-sustainable Council

Our Priorities - Carbon Neutral Craven

Facilitating economic growth in a low carbon Craven

What we will do

Create a low carbon economy

How we will do this

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

Key delivery mechanisms include

- Continue the development and promotion of the Local Plan
- Production of a masterplan to inform improvements to infrastructure in and around Skipton Railway Station that creates a sustainable economic vibrancy and an attractive gateway to the town
- Lobbying for investment in the road, rail, bus and green infrastructure serving all the District
- Implement schemes to increase walking and cycling in our towns

Our Priorities - Carbon Neutral Craven

Facilitating economic growth in a low carbon Craven

What we will do

Create a low carbon economy

How we will do this

Enabling the use of electric vehicle transport in Craven

Key delivery mechanisms include

- Facilitate and support initiatives to extend the Electric Vehicle Charging Network, across the main settlements
- Review the Council’s commercial vehicle fleet and replace vehicles with an electric option where appropriate
- Explore options to use taxi licensing for the introduction of electric vehicles

Our Priorities - Carbon Neutral Craven

Facilitating economic growth in a low carbon Craven

What we will do

Create a low carbon economy

How we will do this

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

Key delivery mechanisms include

- Reviewing, updating and acting on our Climate Emergency Strategic Plan, to ensure a planned and managed transition to carbon neutrality
- Running and promoting the Craven Green Apple Award scheme
- Promoting Business Support Services, to support and advise through national and regional provision
- Investigating options for community energy generation

Our Priorities - Carbon Neutral Craven

Facilitating economic growth in a low carbon Craven

What we will do

Create a low carbon economy

How we will do this

Ensure all businesses and residents in Craven have access to a high quality broadband and telecommunications connection by 2022.

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

Our Priorities - Carbon Neutral Craven

Facilitating economic growth in a low carbon Craven

What we will do

Stimulate business growth

How we will do this

Enable the development of 16 hectares of new employment land by 2030

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 Langcliffe and Threshfield quarries.

Our Priorities - Carbon Neutral Craven

Facilitating economic growth in a low carbon Craven

What we will do

Stimulate business growth

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

Our Priorities - Carbon Neutral Craven

Facilitating economic growth in a low carbon Craven

What we will do

Low carbon housing

How we will do this

Provide affordable energy efficient homes

Key delivery mechanisms include

- Deliver the Empty Homes Strategy to bring empty homes back into use
- Design and develop a new carbon neutral housing model and roll out across the district
- Use the Council's own land to build low cost energy efficient, housing
- Use Council assets to build 25 homes per annum from 2020
- Promote and assist communities to take advantage of Community Led Housing

Our Priorities - Carbon Neutral Craven

Facilitating economic growth in a low carbon Craven

What we will do

Re-use and recycling of waste

How we will do this

Reduce waste to landfill and increase re-use and recycling

Key delivery mechanisms include

- Review the Waste Management Strategy and aim to achieve a 50% recycling rate
- Devise and deliver a Waste Education Programme to increase recycling of household and business waste
- End the use of single use plastics across all Council operations
- Explore options for the provision of anaerobic digestion facilities in Craven
- Reduce fly-tipping, littering and dog fouling through campaigns and enforcement

Our Priorities - Supporting the wellbeing of our communities

Developing vibrant, connected and healthy communities

What we will do

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 action plans for Bentham, Grassington, Cross Hills, Ingleton and Settle
- Working with partners to support delivery of the Skipton (BID) Business Improvement District

Our Priorities - Supporting the wellbeing of our communities

Developing vibrant, connected and healthy communities

What we will do

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

How we will do this

- Deliver the adopted Local Plan
- Review the adopted Local Plan, completed by 2025, to meet the needs of our current and future communities

Our Priorities - Supporting the wellbeing of our communities

Developing vibrant, connected and healthy communities

What we will do

Enable active communities and improve quality of life

How we will do this

Facilitate and deliver high quality public events that align with Council priorities

Key delivery mechanisms include

- Streaming live events into our rural communities
- Support and delivery of external festivals e.g. the puppet festival
- Use CDC assets to support larger events in the district e.g. Tour de Yorkshire, Skipton Triathlon, The Fold youth festival and the Yorkshire Dales Festival

Our Priorities - Supporting the wellbeing of our communities

Developing vibrant, connected and healthy communities

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 including the Craven Communities Together Programme
- Identifying and implementing a range of projects to reduce health inequalities, including supporting the development of Dementia Friendly Craven
- Working in partnership with North Yorkshire Police, continue to develop the community safety hub, with a focus on prevention and anti-social behaviour
- Working with partners to provide improved support and intervention services for rough sleepers and those at risk of sleeping rough
- Support a cross sector partnership to look at the feasibility of the provision of a health and wellbeing hub for north Craven
- Reduce health and well-being inequalities of our most vulnerable residents

Our Priorities - Supporting the wellbeing of our communities

Developing vibrant, connected and healthy communities

What we will do

Enable active communities and improve quality of life

How we will do this

Make Craven's public spaces cleaner, safer and greener

Key delivery mechanisms include

- Working with relevant agencies and the Community Safety Hub to tackle anti-social behaviour
- Work with partners to start the development of the Northern Forest and DNAire, creating better habitats
- Develop and implement a new Aireville Park Masterplan

Our Priorities - Supporting the wellbeing of our communities

Developing vibrant, connected and healthy communities

What we will do

Enable active communities and improve quality of life

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
- Enable community groups to achieve better quality facilities through planning gain and external funding opportunities

Our Priorities - Supporting the wellbeing of our communities

Developing vibrant, connected and healthy communities

What we will do

Enable active communities and improve quality of life

How we will do this

Improve access to and enjoyment of Craven's great heritage, culture and environment

Key delivery mechanisms include

- Development of Skipton Town Hall into a vibrant cultural community venue
- Enable and facilitate the development of new and existing hubs across Craven
- Establish in partnership with others a cultural apprenticeship scheme
- Deliver the Leeds & Liverpool Canal Interpretation Plan

Our Priorities - Attracting and Retaining Young People

Creating a district that attracts people of working age to live and work

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
- Deliver the action plan agreed with partners for the retention and attraction of working age households
- Facilitate the delivery of a project to provide housing and workspace for Young Creatives
- Support the development of services and infrastructure in Dales settlements to maintain vibrant places that can attract more young people to the area.

Our Priorities - Financial Sustainability
Building a self-sustainable Council

What we will do
Create a council that is financially resilient without dependence on core government grant and able to deliver the services that reflect residents' priorities

How we will do this
Ensure financial and corporate governance arrangements are robust and support the delivery of the council's priorities

Key delivery mechanisms include
- Reviewing and implementing the Council's Medium Term Financial Strategy
- Undertaking a budget consultation with residents and stakeholders
- Setting a balanced budget annually that supports the delivery of council priorities
- Responding to consultations and changes that affect Local Government and/or the Council thus ensuring that our voice is heard
- Investigate the possibility of signing up to the Councils for Fair Tax Declaration

Our Priorities - Financial Sustainability
Building a self-sustainable Council

What we will do
Create a council that is financially resilient without dependence on core government grant and able to deliver the services that reflect residents' priorities

How we will do this
Act commercially, maximising income from services and investment to generate additional income.

Key delivery mechanisms include
- Ensure that the council's financial plans remain robust in order to maintain financial resilience
- Exploring and exploiting opportunities presented by grant funding and through devolution
- Ensuring that the medium and long term financial implications of all decisions are understood
- Ensuring that the balance between risk and reward is properly understood

Our Priorities - Financial Sustainability

Building a self-sustainable Council

What we will do

Create a council that is financially resilient without dependence on core government grant and able to deliver the services that reflect residents' priorities

How we will do this

Maximise the Council's investment for the long term sustainability of the Council and the District

Key delivery mechanisms include

- Invest in appropriate new assets to improve the financial sustainability and well-being of the district.
- Delivering a range of schemes through our Joint Venture Company that support regeneration, growth and income generation across the district.

Agenda item 8

Policy Committee – 2nd February 2021

2021/22 Treasury Management Strategy Statement, Minimum Revenue Provision Statement, and Annual Investment Strategy

Report of the Chief Finance Officer (s151 officer)

Lead Member – Financial Resilience: Councillor Mulligan

Ward(s) affected: All

1. <u>Purpose of Report</u>

1.1 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 2021/22 as required by the Department of Communities and Local Government and CIPFA.

2. <u>Recommendations</u>

2.1 It is recommended to Council that:

- The Operational Boundary for 2021/22 is set at £12.5m
- The Authorised Limits for 2021/22 is set at £15.00m
- 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 2021/22 onwards.
- The Treasury Management Strategy Statement 2021/22, incorporating the Minimum Revenue Position Policy Statement and the Annual Investment Strategy, is approved.
- The prudential indicators for 2021/22, which reflect that the capital expenditure plans are affordable, prudent and sustainable, be approved.

3. <u>Background Information</u>

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.

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."

This authority has not engaged in any commercial investments and has no non-treasury investments.

3.2 Reporting Requirements

3.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare 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.

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.

1. 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).

2. 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. If applicable. In addition, this Council will receive quarterly update reports.

3. 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 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.

3.5 Treasury Management Strategy for 2021/22

The strategy for 2021/22 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.

3.6 Treasury management consultants

The Council uses Link Group as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon our external service providers.

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 report its treasury management position during the year in compliance with the CIPFA code.

6.1 Contribution to Council Priorities

The Treasury Management function does not contribute directly to the Council's Corporate Priorities albeit the delivery of the Treasury Management Strategy supports the Council's budget strategy which in turn is a fundamental element of the Council's service and financial planning approach to achievement of the Council Plan.

6.2 Impact on the declared Climate Emergency

The comment in 6.1 applies in the same way.

7.1 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.

7.2 Chief Finance Officer (s151 Officer) Statement

This report demonstrates compliance with the relevant statutory requirements. It is important to understand the implications of long and short term debt and investment decisions on the council's overall financial position.

7.3 Monitoring Officer Statement

The Treasury Management function is an important part of the overall financial management of the Council and enables compliance with statutory requirements.

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

None

10. Access to Information: Background Documents

Working papers held in Financial Services.

11. Author of the Report

Elliot O'Shea – Finance Officer
Telephone: 01756 706422
E-mail: Eoshea@cravendc.gov.uk

12. Appendices

Appendix A – Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
Appendix B – Approved Countries for Investments
Appendix C – Treasury Management Scheme of Delegation
Appendix D – Economic Background

Treasury Management Strategy Statement

1. Introduction

The strategy statement comprises:

- Capital prudential indicators and MRP statement 2021-2024
- Borrowing policy and strategy
- Annual investment strategy
- Treasury Indicators

2. CAPITAL PRUDENTIAL INDICATORS 2021/22 – 2023/24

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.

2.1 Capital Expenditure

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.

Table 1 Capital expenditure

Capital Expenditure	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Total	**3,622**	**10,006**	**4,830**	**1,705**	**977**

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

Table 2 How capital expenditure is to be financed

Financing of Capital Expenditure	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Capital receipts/grants	2,763	3,745	1,802	557	557
Earmarked reserves	0	1,567	428	445	420
Revenue	368	0	0	0	0
Net financing need for the year	**491**	**4,694**	**2,600**	**703**	**0**

2.2 The Council's borrowing need (the Capital Financing Requirement)

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 asset's life.

The Council is asked to approve the CFR projection below:

Table 3 Capital Financing Requirement

	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Capital Financing Requirement					
Total CFR	**6,462**	**6,865**	**11,470**	**13,876**	**14,332**
Movement in CFR	**403**	**4,605**	**2,406**	**456**	**(295)**
Movement in CFR represented by					
Net financing need for the year (above)	491	4,694	2,600	703	0
Less MRP/VRP and other financing movements	(88)	(89)	(194)	(247)	(295)
Movement in CFR	**403**	**4,605**	**2,406**	**456**	**(295)**

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 resource

Year End Resources	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/23 Estimate £'000
General Fund balances and reserves	7,715	6,353	6,235	5,973	5,961
Capital receipts	2,472	3,745	1,802	577	577
Provisions	0	0	0	0	0
Other	420	906	906	906	906
Total core funds	**10,607**	**11,004**	**8,943**	**7,456**	**7,444**
Working capital*	9,144	7,458	9,458	11,458	11,000
Expected investments	**10,000**	**8,500**	**7,500**	**10,000**	**10,000**

*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, MRP will be provided over a 50-year period on an annuity basis. The annuity method considers the time value of money and tries to ensure each year's payment is consistent in real terms.

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 2020 and for the position as at 31st of December 2020 are shown below for investments and borrowing.

Table 5 Treasury portfolio

Treasury Portfolio				
	Actual	Actual	Current	Current
Treasury Investments	31.03.20	31.03.20	31.12.20	31.12.20
	£000	%	£000	%
Banks (incl current account)	4,145	29.30	3,833	15.13
Building societies – unrated	3,000	21.21	1,000	3.95
Building societies – rated	3,000	21.21	2,000	7.89
Local Authorities	2,000	14.14	6,000	23.68
Money market fund	0	0.00	9,000	35.53
Other	2,000	14.14	3,500	13.82

Total treasury investments	14,145	100	25,333	100
Treasury external borrowing				
PWLB	5,988	100	5,988	100
Total external borrowing	**5,988**	**100**	**5,988**	**100**
Net treasury investments/(borrowing)	**8,157**		**20,705**	

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

	2019/20 Actual £'000	**2020/21 Estimate £'000**	**2021/22 Estimate £'000**	**2022/23 Estimate £'000**	**2023/24 Estimate £'000**
External Debt					
Debt at 1 April	5,988	5,988	10,682	12,782	13,485
Expected change in Debt	0	4,694	2,100	703	(500)
Actual gross debt at 31 March	**5,988**	**10,682**	**12,782**	**13,485**	**12,985**
The Capital Financing Requirement	**6,865**	**11,470**	**13,876**	**14,332**	**14,037**
Under / (over) borrowing	**877**	**788**	**1,094**	**847**	**1,052**

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 2020/21 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 Operational boundary for external debt

	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Operational boundary £m	12.5	14.0	15.0	15.0

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

	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Authorised limit £m	15.00	15.00	16.00	16.00

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 Group Interest Rate View 9.11.20

These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 5th November, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down 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, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and borrowing rates

- Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.
- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows:
    - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
    - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
    - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- Borrowing for capital expenditure. As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows. However, greater value can be obtained in borrowing for shorter maturity periods so the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Longer-term borrowing could also be undertaken to look down lending at a low rate.
- While this authority will not be able to avoid borrowing to finance new capital expenditure and to replace maturing debt, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new 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 is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. As the CFR grows and brings an increased borrowing requirement, this position may change over time and will be kept under review.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 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 borrowing rates,* then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration 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

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100-bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

If rescheduling was done it will be reported to the council at the earliest meeting following its action.

4. <u>Annual Investment Strategy</u>

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 Practice 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 yield, (return). In accordance with the above guidance from 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.

This authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

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.

The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary.

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing.

The criteria for providing a pool of high-quality investment counterparties, (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

- Ultra-Short Dated Bond Funds

- Housing associations

- Supranational institutions

- Other organisations which pass creditworthiness tests

Use of additional information other than credit ratings
Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment

decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

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 applying to investments

	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-	£2m	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

Creditworthiness

Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30.6.20 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on actual levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.)

This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

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 these credit criteria as at the date of this report are shown in Appendix B. This list will be added to, or deducted from, should ratings change in accordance with this policy.

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). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- 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

Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

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 (the long-term forecast is for periods over 10 years in the future):

Average earnings in each year	
2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Long term later years	2.00%

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by what, if any, deal the UK agrees as part of Brexit.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

Negative investment rates
While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

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 following treasury indicator and limit:

Table 11 Maximum sums to invest for longer than 365 days

Maximum principal sums invested for longer than 365 days			
	2021/22	**2022/23**	**2023/24**
Principal sums invested for longer than 365 days	£5.0m	£5.0m	£5.0m

4.5 Investment performance / risk benchmarking
This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 3-month LIBID uncompounded. The Council is appreciative that the provision of LIBOR and associated LIBID rates is expected to cease at the end of 2021. It will work with its advisors in determining suitable replacement investment benchmark(s) ahead of this cessation and will report back to members accordingly.

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 2021/22-2023/24

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 indicators:

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

%	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Ratio	2.38	3.28	5.71	6.25	5.55

5.2 Maturity structure of borrowing

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	2021/22	2022/23	2023/24
	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 2021/22		
	Lower	**Upper**
Under 12 months	0%	8.35%
12 months to 2 years	0%	0%
2 years to 5 years	0%	8.35%
5 years to 10 years	0%	11.69%
10 years to 25 years	0%	0%
Over 25 years	0%	71.96%

Maturity structure of variable interest rate borrowing 2021/22		
	Lower	Upper
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years to 25 years	0%	0%
Over 25 years	0%	0%

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.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall number 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. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months, once the remaining period to maturity falls to under twelve months. 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.	£1m or 10%

	The Council may use such building societies which have a minimum asset size of £1bn.	
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

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

Based on the lowest available rating:

AAA

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

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Hong Kong
- France
- UK

AA-

- Belgium
- Qatar

Treasury Management Scheme of Delegation

(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
The Bank Of England responded to the Coronavirus was to cut the bank rate to 0.10% and following the second lockdown that ended on the 2nd of December it announced a further tranche of quantitative easing (QE) of £150bn, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".

Its forecasts appeared, at the time, to be rather optimistic in terms of three areas:

- The economy would recover to reach its pre-pandemic level in Q1 2022.
- The Bank also expects there to be excess demand in the economy by Q4 2022.
- CPI inflation is therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".

Significantly, there was no mention of negative interest rates in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.

The BoE stated, "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate.

The MPC stated that downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. That has proved accurate with the current lockdown causing significant pressure and damage to businesses. This will mean that there will be some level of further permanent loss of economic activity, although the extension of the furlough scheme to the end of 31st March should mitigate the degree of damage done.

As for upside risks, markets have been waiting expectantly for positive news about the various COVID19 vaccines.
Effective vaccines would radically improve the economic outlook once they have been widely administered. While this would reduce the need for more QE and/or negative interest rates, increases in Bank Rate would remain some years away. There is also a potential question as to whether the relatively optimistic outlook of the Monetary Policy Report was swayed by making positive assumptions around effective vaccines being available too soon. It should also be borne in mind that as effective vaccines will take time to administer, economic news could well get worse before it starts getting better.

Public borrowing is now forecast by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, this means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. However, recent trade policies and emerging re-balancing among some western economies suggest a move away from dependence on China and so there may be some reversal of globalisation in coming years.

This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

This may produce a backdrop in the coming years of weak global growth and so continuing weak inflation.

AGENDA ITEM 9

POLICY COMMITTEE

PAY POLICY STATEMENT 2021/22

Report of the HR Manager
Lead Member – Councillor Metcalfe

Report of the HR Manager

1. **Purpose of Report:-** The purpose of this report is to seek approval to implement the Council's 2021/22 Pay Policy Statement in accordance with section 38 of the Localism Act 2011.

2. **Recommendations:-** That approval is given to implement the Council's 2021/22 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 2021/22 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 2021/22 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 2021/22 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 – 2021/22 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
Email:- jhodgson@cravendc.gov.uk

CRAVEN
IN · THE · YORKSHIRE · DALES
DISTRICT

PAY POLICY STATEMENT

2021/2022

Craven District Council – Statement of Pay Policy for the period 1 April 2021 to 31 March 2022

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 £17,842 and can be expressed as an hourly rate of pay of £9.2485. 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 2020 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 £105,669 which is paid to The Chief Executive. The average median salary in this authority is £20,889. The ratio between the two salaries, the 'pay multiple' is 5:1. 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 2021– end March 2022), 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	£105,669	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 2021/22.

Director of Services	£83,423	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 2021/22
Chief Finance Officer (S151 Officer)	£61,731 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 2021/22

Solicitor to the Council & Monitoring Officer	£58,952 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 2021/22
Strategic Manager Planning & Regeneration	£58,952	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 2021/22	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 2021/22

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 10

Policy Committee – 2 February 2021

Local Government Association Peer Challenge – Planning Service

Report of the Director of Services

Lead Member – Cllr Simon Myers

Ward(s) affected: All

1. Purpose of Report

1.1 To receive an update on progress with the Council's response to the Planning Peer Challenge and approve the Improvement Action Plan

2. Recommendations – Members are recommended to:

2.1 Note the progress to date and approve the Improvement Action Plan set out at Appendix A.

3. Report

3.1 The Council's Planning service undertook a Peer Challenge from the Local Government Association (LGA) in September 2020. The service has faced significant challenges in recent times and with the Local Plan now in place and the delivery of the Plan a key strategic priority for it is important the Council ensures it has a fit for purpose Planning Service.

3.2 The LGA produced a feedback report and as anticipated the report found a number of problems with the current delivery of the Planning Service and set out a range of recommendations for improvement. The problems at Craven are not simply an issue about resources, but also about culture and efficiency. The peer team believe that the overall planning service could be more efficient if processes and delegated powers were streamlined, staff skills and knowledge used more effectively, and stakeholder engagement improved.

3.3 The Council acted in quickly in response by appointing a new Lead Member of Planning to provide the necessary long term corporate focus, oversee its development, act as a driver for change and improvement in the service and lead on implementing the recommendations in the LGA's report.

3.4 An Improvement Board chaired by the Lead Member for Planning, comprising the Chair of Planning, senior officers and representatives from the LGA has been established and has met to shape and agree the Improvement Plan. The LGA provided the challenge to ensure the Plan fully captures the key recommendations from the LGA Peer Challenge report.

3.5 The improvement plan is split into four main themes that will address all the key recommendations of the LGA. The themes are; Strengthening Leadership, Working with Partners, Member Development and Service Improvement.

3.6 The improvement plan is presented at appendix A. Once approved the improvement plan will be circulated to Parish Councils and published on the Council website for the users of the Planning Services.

3.7 Progress has already been made on some of the actions in the plan. A workshop on Carbon Neutral Development will be held in early February and the pre-application process from start through to finish will be processed mapped with Members and Officers in a workshop planned for March.

3.8 A structure for a working group of officers and members to consider high level developments has been formed with a first group examining Hellifield Flashes planning application and enforcement. This approach will be used on other high level developments, either proposed or existing.

3.9 Parish engagement and Agents Forums have been scoped and commence March on a quarterly basis. They will be used to understand parish council and applicants requirements more clearly, provide training where required, review existing policies and procedures and update on changing legislation.

3.10 To provide the resource required to ensure delivery of Improvement Plan the Democratic Services Manager has increased his hours and will lead on actions within the Member Development and Service Improvement themes. External temporary experienced planning management is also currently being sought.

4. Financial and Value for Money Implications

4.1 Additional costs of approximately £40,000 are required to provide the resource to deliver the improvement plan. £14k will fall within 2020/21 and will be funded by revenue budget underspends. 2021/22 will be funded from service budgets.

5 Legal Implications

5.1 There are no legal implications arising from this report.

6. Contribution to Council Priorities

6.1 A strong performing planning service is essential to supporting the economy through the prompt, efficient and quality of planning application administration.

7 Author of the Report

Paul Ellis, Director of Services, E-mail: pellis@cravendc.gov.uk

8 Appendices

Appendix A: Planning Peer Review Improvement Action Plan

Planning Peer Review – Member & Officer Improvement Action Plan

Theme 1: Strengthen Leadership *(Recommendations 1, 2 & 3)*					
New Planning Process	**Beneficiary**	**Aim**	**Measures**	**Lead**	**When**
Establish vision for Planning Service	All	Reposition and restate the management of planning in the context and at the heart of the Corporate Plan and Local Plan	Planning Service vision Planning Service work aligned to corporate plan and strategic priorities.	PE	End March 2021
Strategic Lead Member role for Planning	Members	To take overall leadership on planning and development to give clear political leadership	Update reports to Full Council Improvement Board established to oversee delivery of Improvement Plan	Cllr SM	End Nov 2020
Provide Clear Political Steer on High Level Developments	Members	Ensure high level developments aligned to Corporate Plan and strategic priorities	High level developments agenda items at Leader and Group Member meetings	Cllr SM	Agenda items from January 2021
Strategic Lead Officer to be catalyst for Change	All	To take overall leadership for the delivery of the Planning Peer Review Action Plan	Progress report on Improvement Plan	TBC	Improvement Plan complete March 2022
Theme 2: Working With Partners					

(Recommendations 6, 7 & 9)					
Parish and member notifications	Parishes and ward members	Improve input into the process through early flagging of locally important new and pre app schemes	Engagement Protocols Feedback from parish councils	NW	End March 2021
Agents forum	Officers, agents and developers	Communicate changes to the planning system and service and understand agents concerns to improve service provision	Quarterly Agents Forum	NW	Commence Forums February 2021
Reintroduce the Planning Matters updates	Parish councils and developers	Inform stakeholders about the development and implementation of the Local plan	Quarterly Updates	RP	Updated to commence January 2021
Parish Engagement	Parish	Increase knowledge of parishes, understand needs of parish council improve planning service	Half Yearly Training Sessions	DS	First training Session April 2021
Communication with Parish Council		Honour pre Covid 19 commitment to the Parish Councils for a meeting with the Chief Executive to enable them to air their views about planning	Key concerns voiced in meeting referenced in Improvement Plan	GC	End Feb 2021
Theme 3: Member Development					

(Recommendations 5, 6 & 8)					
Conduct training	Members	Training on how to contribute effectively in meetings Improve strength of the chair and councillors understanding of their role in the process and member behaviours and standards in committees.	Training held	GC	Training held by March 2021
Local Authority Visits	Members and officers	View other council's planning committees to learn lessons	On-Line committees reviewed and lessons learned identified	NW	First lessons learned identified March 2021
Structure of, date and timings of Planning Committee	Members	Structure committee agendas and briefings Review committee meeting timetable Shorten meetings and increase focus and quality of debate and decisions Allow more time to deal with last minute information	Work Programme for Planning Committee Reduction in average time taken per application at Planning Committee	GC	May 2021
Member workshops	Members and Officers	Strengthen liaison between officers and members Create space for officers and members to discuss DM and policy issues	Meetings programme	NW	First Member Workshop held January 2021

Member and Officer Training and Mentoring	Members and officers	Improve the effectiveness of planning committee as a decision making forum	Training Needs Analysis Member Development Programme Officer Continuous Professional Development Programme Average time taken for planning applications	GC	Training Needs Analysis completed by March 2021
Review of the 7-day call in process	Members and Officers	Improve the effectiveness of planning committee as a decision making forum	Analysis of proportion of applications going to committee benchmarked with similar authorities Revised approved call in process	DS	End June 2021
Theme 4: Service Improvement *(Recommendations 4, 6, 7, 9 & 10)*					
Produce Process Maps	Officers	To establish clear expectations and allow improved coordinated services	Process map provided to all Regular reviews of the process to achieve continuous improvement	DS	June 2021
Improve report quality	Officers	Management and monitoring of report standards to improve accuracy and completeness	Accuracy checks added to performance monitoring	GC	End March 2021
Regional Planning Meetings	Officers	Attend all regional planning meetings to learn and contribute to latest planning developments	Attendance at regional planning meetings	NW	From January 2021

Review Officer Scheme of Delegation	Members and officers	Focus on sensitive applications Consider Planning Committee having a greater role in determining some of the more significant enforcement cases	Revised Officer Scheme of Delegation	DS	End June 2021
Embrace and welcome collaborative learning and working	Officers	Maximise networking opportunities with other Councils planning teams. Observe and learn from other councils on line planning committee meetings Ensure complaints are used as a learning exercise Conduct a thorough review of processes and systems	Networks established Examples of learning	NW	End June 2021
Adopt a single team approach to planning	Officers	Planning policy and development management work together to improve the service. Shared priorities which address the corporate priorities of the council e.g. staff in planning policy utilised in Development Control Increase input of Policy Team in order to improve accuracy of reports and improve conclusions	Unified planning service Greater resilience in priority areas Learning and Development of Planning Officers	DS	End March 2021
Performance Review Meetings	Officers	Ensure regular performance information available and reported to each Planning Committee. Identify	Monthly performance review meetings comprising Head of	GC	First review meeting

		trends in performance and enable earlier identification of potential performance issues by planning to the next planning committee.	Planning, Strategic Manager & Director of Service Quarterly performance reporting to Planning Committee		February 2021
Clear transparent customer focus	Officers and Parishes	Improve Self Service Options e.g. Direct customers to Planning Portal 'Interactive House' Ensure planning portal always up to date Publish timescales for planning applications and performance monitoring information Acknowledgement of all applications within 10 working days	Feedback from Parish Councils FAQ's on Council Website	GC	End January 2021

NOT FOR PUBLICATION the appendix to this report is considered exempt from disclosure by virtue of Category 3 (financial or business affairs of any particular person including the Council) of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended)	AGENDA ITEM $11

Policy Committee – 2 February 2021

Update on the Council's Affordable Housing Programme

Report of the Director of Services

Lead Member: Councillor Richard Foster

Ward(s) affected: All

1. **Purpose of Report**

To provide an update on the Council's shared ownership programme of property acquisitions and small site development. To present its forward programme and highlight changes to future delivery. To update total affordable housing completions in the district for 2020/2021 and project forecast completions for 2021/22.

2. Recommendations – Members are recommended to:

Note the contents of the report.

3. The Report

Shared Ownership Programme – 2016/17 to date

3.1 In September 2016, the Council bought its first shared ownership property, at Lords Close, Giggleswick for £70,000. In October 2016, it sold a 50% share in that property at 50% of its market value. In so doing, it not only enabled a local first-time buyer to take her first step on the property ladder, it made a surplus of £20,000 on the transaction and generated rental income, currently at £2,728 per annum. The surplus was recycled into further shared ownership homes. The rental income is available to the Council to support wider service provision.

3.2 Since then, the Council has bought a further eleven homes, built by private developers on mixed tenure sites as a requirement of planning policy. It has also built ten on three of its small garage sites. The programme as a whole has helped many first-time buyers who would otherwise struggle to access the housing market and generated surpluses to be recycled into more affordable homes. It has also delivered rental income, thus far totalling £54,556 in 2020/2021 to be used to support wider service delivery.

NOT FOR PUBLICATION the appendix to this report is considered exempt from disclosure by virtue of Category 3 (financial or business affairs of any particular person including the Council) of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended)	AGENDA ITEM $11

3.3 Appendix A details the properties (both bought and built), total development costs, capital receipts from equity sales and annual rental income. This includes the costs of acquiring the most recent homes – two at Embsay in December 2020 – but not the capital receipts or rental income from their sale. At the time of writing, a 40% sale of one has been agreed, whilst the other is being marketed.

3.4 Affordable homes, whether for rent or sale, are bought or built using subsidy – either public subsidy in the form of grant or private developer subsidy where homes are built under planning policy requirements. These 's106' homes transfer to RPs at £1000 per sqm, irrespective of location, which typically equates to £70,000 for a two-bedroom house, irrespective of market value. The market value and the initial share sold by the RP to the first-time buyer will determine the amount of any surplus.

3.5 Developer subsidy which allows for the payment of transfer value means that 25% shares can be offered by the RP, as required by the current shared ownership lease. In turn, this means that these homes are affordable to those on lower quartile to average incomes. As Appendix A shows, the programme of s106 acquisitions since 2016 has generated a surplus of £271,552, with the average first sale share being 45%. This represents an increase of 40% on the Council's investment. It excludes the two dwellings at Embsay purchased recently which are currently on the market.

3.6 Homes built by RPs attract government grant. Thus far, the Council's shared ownership sites have been small, brownfield, difficult to access and as a result, costly to develop. Property values tend to be lower than those of s106 units. Subsidy per unit is also much lower, at an average of c£40,000 per unit.

3.7 New build nonetheless makes a valuable contribution to the Council's shared ownership portfolio. It makes good use of redundant sites, tidying up neglected areas and generating a capital receipt for their disposal. The programme is key to supporting the local economy, not least because build contracts are let to SME builders. Moreover, the Council's ambition and achievement in developing these small sites is recognised. Its track record has helped influence Homes England and One Public Estate grant support for larger projects.

3.8 Ultimately, surpluses generated by s106 activity help fund the Council's new build programme, reduce borrowing and supporting the overall affordable housing element of the capital programme.

3.9 There have been resource implications in managing the properties, mainly resolving utility invoices following handover and dealing with defects within the first 12 months, however the income generated far outweighs the officer time taken.

Shared Ownership – Capital Programme Pipeline 2021/2022 – 2023/2024

S106 Acquisitions

3.10 The Council is able to secure s106 homes due to its membership of the Development Partnership. The Partnership, comprising 16 housing associations and Craven and Harrogate councils, 'matches' s106 units to members; all of whom agree to work together and adhere to transfer values. This eliminates abortive work and costs, reduces risk and speeds up the process. It provides consistency of approach and value for money to the public purse.

3.11 The Partnership aims to achieve an even spread of opportunity across its membership. As a result, it has matched a further 20no. s106 homes to the Council across five sites at Malsis School, Glusburn, Felstead, Bentham, Hellifield Road, Gargrave and Skipton (Hawbank Field and Broughton Road). Three developments (eight homes) are currently on site.

3.12 The cost of these acquisitions is estimated at £1.8m over the next two years with the budget included in the capital programme. Funding is likely to be largely comprised of affordable housing commuted sums, with the balance coming from capital receipts or borrowing. At present the commuted sums balance is almost £1.8m (although this includes public open space commuted sums). Ultimately, the most financially beneficial combination of funding available at the point of acquisition will be utilised.

3.13 Subject to market values and initial equity shares sold, these 20 homes have the potential to yield surpluses in excess of c£750,000 over the next two years, with rental income of c£70,000

New Build

3.14 Also within the capital programme are two packages of five small sites, the first of which has recently been tendered. Approval to let the tender is sought from Policy Committee in a separate report on this Agenda.

3.15 Work on submitting planning applications for the second package of sites will begin once Phase 1 has started on site.

Shared Ownership - Beyond the Forward Programme

3.16 Shared ownership has been the affordable sale tenure of choice for several years now, inspiring lender confidence and increasing in popularity. Homes have been affordable to those on lower quartile incomes, cheaper than privately renting and delivered by RPS under the standard Homes England lease, readily mortgageable.

3.17 Shared ownership is now mainstream and the route by which many households buy their first home. The Council itself holds a rapidly growing list of almost 200 households interested in this tenure. Potential purchasers must meet eligibility and affordability checks, whilst mortgages are sourced through independent financial advisers. These are available at comparable rates and with comparable deposits to standard mortgages. Demand has remained buoyant throughout the pandemic.

The model is changing however and so too its place on s106 sites.

3.18 From April 2021, all shared ownership homes must offer 10% shares, down from 25% currently. Repairs and maintenance liability, which now rests with the share owner, will transfer to the RP. Homes England has recently consulted on the technical detail of the model, including ‘capping’ the liability to £500 per year.

3.19 Proposals do not appear to be popular with lenders. There is concern about how sustainable the model will be at this low level of ownership for those on the lowest of incomes and how ‘invested’ owners will be in their homes, especially when the deposit requirement is less than a rent bond and there is no repairs liability. It may be that mortgages are not readily available.

3.20 Whatever the outcome of the technical consultation, the new model transfers risk and cost to the freeholder. As things currently stand however, there will be no shared ownership homes delivered on s106 sites in Craven in future. This is because further changes to affordable sale housing are being made through planning reforms. Through proposed (and imminent) changes to National Planning Policy Guidance, First Homes will henceforth make up 25% of affordable homes on s106 sites; replacing the 25% homes for affordable sale which are currently delivered by shared ownership in Craven.

3.21 First Homes are discount sale homes, sold directly by a developer to a first-time buyer at a maximum of 70% of market value. A recent consultation paper proposed a cap of £250,000. It was also suggested that discounts could be increased to a maximum of 50%, subject to affordability evidence. The detail is awaited, but in the meantime, the future for shared ownership on s106 sites looks bleak, although it may be that any review of affordability in the district will support a limited number of shared ownership homes as part of the affordable tenure mix going forward. In the meantime, it is expected that transitional arrangements will support the provision of shared ownership units under the current lease where planning permission is in place and approvals have already been given.

Total Projected Affordable Housing Completions 2020/21 and 2021/22

3.22 This year has not been a good one for affordable housing delivery, with all schemes off site and impacted by Covid-19 at the start of financial year, leading to a minimum three-month delay in forecast completions. In particular, the pandemic has led directly to delays in Housing and Care 21 completing Extra Care facilities at Bentham and Skipton (72 and 58 affordable apartments respectively), both now forecast for completion in late Spring 2021.

3.23 There have been 17 affordable completions this year at Malsis School, Glusburn (4), Shires Lane, Embsay (2), Corner Bailey Field, Skipton (10) and an additional supported unit at Highfield Terrace, Skipton. It is possible that a further nine will complete at Gargrave.

3.24 There are however a further 92 affordable homes currently on site across the district, most of which are expected to complete in 2021/22. Including the Extra Care facilities, this brings the total to 222 for next year (248 across the two years).

4. <u>Implications</u>

Financial

4.1 The Council's income and savings plan includes an additional rental income from shared ownership acquisitions and developments of £40,000 by end 2020/21. Subject to the sale of acquisitions at Embsay, this is expected to be exceeded by approximately £22,000 per annum.

4.2 The Capital Programme 2019/20 – 2022/23 includes a capital budget of £2, 787,859 for the development of housing units on five Council owned sites.

The value of the proposed acquisition programme is £1,135m in 2021/22 and £703k in 2022/23. All properties to date have been acquired with developer contributions, with any shortfall met from sales receipts.

4.3 There are some revenue implications in managing these properties, as the Council must pay for the utilities and council tax whilst the properties are unoccupied.

Legal

4.4 The process of approvals for site-specific 106 dwellings is delegated to the Director of Services in consultation with the Leader and relevant Ward Member (s).

4.5 Section 106 monies must be expended strictly in accordance with the terms of the particular agreement

5. Contribution to Council Priorities

5.1 Acquisition of S106 affordable housing properties ensure affordable housing is available and makes an important contribution to the financial sustainability priority.

6. Risk Management

6.1 There is a small risk that once acquired by the Council, the properties are slow to sell because there is insufficient demand. If that is the case, the properties will simply be sold to a housing association for affordable rent at the original price paid.

NOT FOR PUBLICATION the appendix to this report is considered exempt from disclosure by virtue of Category 3 (financial or business affairs of any particular person including the Council) of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended)	AGENDA ITEM $11

The risk is minimal however. The Council holds a list of first time buyers interested in affordable sale housing. The homes will also be professionally marketed - through a local estate agent.

7. **Equality Impact Analysis**

7.1 An Equality Impact Assessment Initial Screening Form has been completed which has indicated an EIA is not relevant or proportionate.

8 **Consultations with Others**

None

9. **Background Documents**

None

10. **Appendices**

- Appendix A – All Council Shared Ownership Properties

11. **Author of the Report**

Jenny Kerfoot
Strategic Housing Manager
jkerfoot@cravendc.gov.uk
Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.