

The Report of the Executive

The Executive met on Tuesday, 26 July 2016 commencing at 11.00 am. County Councillor Carl Les in the Chair. County Councillors Arthur Barker, David Chance, Gareth Dadd, Chris Metcalfe and Janet Sanderson.

The Executive met on Tuesday, 16 August 2016 commencing at 11.00 am. County Councillor Carl Les in the Chair. County Councillors Arthur Barker, David Chance, Gareth Dadd, Don Mackenzie, Chris Metcalfe, Janet Sanderson and Clare Wood.

Also in attendance: County Councillors Andrew Backhouse, Jim Clark, Janet Jefferson, Shelagh Marshall OBE, Patrick Mulligan and David Simister.

The Executive met on Tuesday, 28 September 2016 commencing at 11.00 am. County Councillor Carl Les in the Chair. County Councillors Arthur Barker, David Chance, Gareth Dadd, Don Mackenzie, Chris Metcalfe, Janet Sanderson and Clare Wood.

Also in attendance: Ian Hopley - Hambleton District Council, County Councillor Mike Jordan. Representative of Radio York also in attendance.

The Executive met on Tuesday, 18 October 2016 commencing at 11.00 am. County Councillor Carl Les in the Chair. County Councillors Arthur Barker, Gareth Dadd, Don Mackenzie, Janet Sanderson and Clare Wood.

Also in attendance: County Councillors John Clark and Peter Sowray; Amy Davis, Elaine Williams; press representative; David Davis.

1. Revenue Budget 2016/17: During the Performance Monitoring Meeting held on 16 August 2016, the Executive considered the projected revenue outturn for the 2016/17 financial year. **The full report is available at Annex 1 pages 20 to 33.** There is an overall projected net saving of £5.048m against operational budgets for 2016/17 (**paragraphs 5.2.1 to 5.2.3, Annex 1 pages 20 to 22**).

There are a number of 'one-off' variances which together total a saving of £5.048m including:

- £497k early achievement of Budget/ MTFS and 2020 North Yorkshire savings off set by £211k savings which will be re-profiled into future years;
- £1,186k over-achievement of savings (not yet in the 2020 North Yorkshire programme) which may contribute to the MTFS budget shortfall;
- and, £3,364k from other one-off windfalls and savings across all directorates and corporate budgets, net of overspends and investment in services.

A further £212k of business rates pooling surplus is earmarked for spending on BES development initiatives in future years (**paragraph 5.2.1 Annex 1 pages 20 to 21**).

A breakdown of each directorate's forecast variance is provided in Annex 1 Appendices B to F with the financial position of SmartSolutions set out in Appendix G.

Savings targets reflected in Directorate's 2015/16 budgets total £11.3m (**paragraph 5.3.1 Annex 1 page 22**).

The unallocated GWB is £27.3m as at 31 March 2016 in line with the policy target set out in the MTFs and Budget Report presented to County Council in February 2016. The projected unallocated Strategic Capacity reserve as at 31 March 2017 is £48.0m (**paragraphs 5.4.1 to 5.4.6 Annex 1 pages 23 to 25**).

County Council approval is required that £212k be earmarked for the BES development initiatives.

The Executive RECOMMENDS:

That the County Council approve that £212k be earmarked for the BES development initiatives detailed in **paragraph 5.2.1 Annex 1 pages 20 to 21**.

2. Prudential Indicators: During the Performance Monitoring Meeting held on 16 August 2016, the Executive considered Annual Treasury Management and Prudential Indicators. **The full report is available at Annex 2 pages 34 to 62.**

External debt stood at £316.6m at 30 June 2016. The average interest rate of this debt was 4.40% (**paragraph 7.8, Annex 2 page 35**). The forecast capital borrowing requirement for 2016/17 is £23.1m (**paragraph 7.10, Annex 2 page 36**) although it is currently planned to fund this internally by running down cash investments.

Investments outstanding at 30 June 2016 were £295.1m (£274.0m at 30 June 2015) of which £38.9m belonged to other organisations who are part of NYCC's investment pool arrangements, with a daily average balance of £309.4m over Q1 of 2016/17 (**paragraphs 7.27 and 7.29, Annex 2 page 38**).

For cash invested the average interest rate achieved in Q1 was 0.66% which exceeded the 7 day benchmark rate of 0.36% and bank rate of 0.5%. It was however below the budgeted rate of 1.25% due to depressed deposit rates available in the current economic climate (**paragraphs 7.28 and 7.34 Annex 2 pages 39 to 40**).

As a result of requirements of the statutory backed Prudential Code there is a need to revise the Treasury Management and Capital related Prudential Indicators. During 2016/17 the Council operated within the approved Prudential Indicators and limits were not exceeded (**section 8, Annex 2 pages 49 to 62**).

The Executive RECOMMENDS:

That County Council approve the revised Prudential Indicators for the period 2016/17 to 2018/19 as set out in **Appendix A, Annex 2 pages 51 to 62**.

3. Constitution Amendments 2016: At the meeting held on 18 October 2016 the Executive considered a number of routine changes and a more substantial change regarding decision-making in respect of commons registration functions - the full report is available at **Annex 3 pages 63 to 81**.

Proposed amendments to the Planning and Regulatory Functions Committee and Sub-Committee Terms of Reference and the Officers' Delegation Scheme are proposed in relation to decision-making in respect of the Council's functions in its role as the Commons Registration Authority under Part 1 of the Commons Act 2006. Such functions are non-executive functions.

It is recommended that, for reasons of clarity, there is a need to amend the Constitution to reference all functions of the authority under Part 1 of the Commons Act 2006, as currently only four functions are specified: two in the Planning and Regulatory Functions Committee and Sub-Committee Terms of Reference and two in the specific delegations to the Corporate Director Business and Environmental Services at paragraphs 4.4 (d) and (q) of the Officers' Delegation Scheme.

Members will see from the proposed amendments that it is recommended that all commons registration functions under Part 1 of the 2006 Act be delegated to the Corporate Director Business and Environmental Services with power for him to refer such matters to the Planning and Regulatory Functions Sub-Committee for determination where, after consultation with any standing Chair of the Sub-Committee or, if none or unavailable, the Chair of the Planning and Regulatory Functions Committee, the Corporate Director deems this to be appropriate (for example in more contentious cases). This would minimise minor cases coming before the Sub-Committee but would enable the Sub-Committee to consider the more contentious matters or matters best considered at a Member level across the whole range of commons registration functions where the Director and Chair of the Planning and Regulatory Functions Sub-Committee/Committee deem this to be appropriate. The Chairs of the Planning and Regulatory Functions Committee and Planning and Regulatory Functions Sub-Committee and the Members of the Constitution Working Group have been consulted on the proposed amendments, along with key officers.

Since reporting to the Executive on 18 October 2016, two more minor changes have been identified relating to the way quorum and substitution requirements appear in the Constitution. These amendments will be made under the Monitoring Officer's delegated powers in order to reflect current practice. These additional changes are highlighted in **Annex 3 pages 63 to 81**.

The Executive RECOMMENDS:

That, the proposed amendments to the Constitution as set out in the Amendments Chart at **Appendix 1, Annex 3 pages 67 to 73** be approved.

That, Council approve that all commons registration functions under Part 1 of the Commons Act 2006 and associated legislation be delegated to the Corporate Director Business and Environmental Services with power for him to refer such matters to the Planning and Regulatory Functions Sub-Committee for determination where, after consultation with any standing Chair of the Sub-Committee or, if none or unavailable, the

Chair of the Planning and Regulatory Functions Committee, the Corporate Director Business and Environmental Services deems this to be appropriate.

That, the proposed amendments to the Planning and Regulatory Functions Committee and Sub-Committee Terms of Reference as set out at **Appendix 2 Annex 3 pages 74 to 75** be approved.

That, the proposed amendments to the Officers' Scheme of Delegation as set out at **Appendix 3 Annex 3 pages 76 to 81** be approved.

4. Appointment of External Auditors: At the meeting held on 18 October 2016 the Executive considered a proposal that the County Council opt in to a "sector led body" for the appointment of external Auditors when the current transitional arrangements expire. For the sake of clarity, the body is called Public Sector Audit Appointments Ltd (PSAA Ltd).

From 1 April 2018 the Council will be able to move to a local appointment of its external Auditor. In the interim, there are a number of options open to the Council and these were considered by the Audit Committee on 14 July 2016. The Audit Committee approved the recommendation as set out in **Appendix 1, pages 82 to 87**. It is considered prudent to ensure that the matter is considered by County Council in line with the Audit Committee's recommendation.

The Executive RECOMMENDS:

That the County Council opt into a sector led body for the appointment of external Auditors when the current transitional arrangements expire, subject to satisfactory proposals by the Local Government Association as determined by the Corporate Director, Strategic Resources in consultation with the Assistant Chief Executive, Legal and Democratic Services and the Chair of the Audit Committee.

5. Appointments to Committees and Outside Bodies: Further to the meeting of the Executive held on 18 October 2016, the appointments below are commended to County Council for approval.

The Executive RECOMMENDS:

a. HealthandWellbeingBoard

- The appointment of Gill Collinson in place of Debbie Newton as substitute for Janet Probert - representing NHS Hambleton, Richmondshire and Whitby CCG.
- The appointment Ros Tolcher, Chief Executive of Harrogate and District Foundation Trust, as the provider representative and that Patrick Crowley, Chief Executive of York Teaching Hospital NHS Foundation Trust, be appointed as the designated substitute for Ros Tolcher.

- b. That County Councillor John Fort BEM is nominated to fill the vacancy on the Yorkshire Dales National Park Authority following the resignation of County Councillor Shelagh Marshall OBE.
- c. That any proposals for the re-allocation of seats, if necessary to achieve political proportionality, or for changes to memberships or substitute memberships of committees, or other bodies to which the Council makes appointments put forward by the relevant political group, prior to or at the meeting of the Council, be agreed.

CARL LES
Chairman

County Hall,
NORTHALLERTON
1 November 2016

NORTH YORKSHIRE COUNTY

COUNCIL EXECUTIVE

16 August 2016

EXTRACT FROM QUARTERLY PERFORMANCE AND BUDGET MONITORING REPORT

Joint Report of the Chief Executive and Corporate Director – Strategic Resources

5.0 REVENUE BUDGET 2016/17

5.1 BACKGROUND AND SUMMARY

5.1.1 This section of the report presents details of the projected revenue outturn for the 2016/17 financial year. The latest in-year 2016/17 budget is £363,852k with the net movement since the budget approved by Executive and County Council in February 2016 shown in **Appendix A**.

5.1.2 At the end of Q1, there is a projected saving of £5,048k (1.4%) against operational budgets. Further detail is provided in **section 5.2**.

5.2 OPERATIONAL BUDGETS

5.2.1 The table below identifies the operational budgets for each of the Directorates in 2016/17. The projected revenue outturn indicates a number of variances which together total a saving of £5,048k. Issues of note include:

- £497k early achievement of Budget/ MTFS and 2020 North Yorkshire savings (**see paragraph 5.3.2**) off set by £211k savings which will be re-profiled into future years;
- £1,186k over-achievement of savings (not yet in the 2020 North Yorkshire programme) which may contribute to the MTFS budget shortfall;
- £3,364k from other one-off windfalls and savings across all directorates and corporate budgets, net of overspends and investment in services.
- In addition, a further £212k of business rates pooling surplus is earmarked for spending on BES development initiatives in future years (a principle previously approved). Details of the variances are provided in **Appendices B to F**.

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	HAS	BES	CYPS	CS	Corp Misc Budgets	Total
	£000	£000	£000	£000	£000	£000
Total Budget 2016/17 Appendix	145,281 B	66,940 C	66,280 D	59,675 E	25,676 F	363,852
Savings and overspends						
Early Achievement of Budget/ MTFS and 2020 North Yorkshire Savings	-	-	-	-497	-	-497
Net impact of agreed re-profiling of savings	+211	-	-	-	-	+211
Overachievement of savings which may contribute to MTFS budget shortfall	-	-212	-	-	-974	-1,186
Other one-off windfalls and savings net of overspends	-186	+206	+1,555	-412	-4,527	-3,364
Corporate Contingency	+1,000	-	-	-	-1,000	-
Sub-Total	+1,025	-6	+1,555	-909	-6,501	-4,836
Business rates pooling surplus earmarked for BES development initiatives	-	-	-	-	-212	-212
Total Operational Budget Outturn Variation	+1,025	-6	+1,555	-909	-6,713	-5,048

5.2.2 The net saving against operational budgets includes the HAS demographic growth contingency held centrally in Corporate Miscellaneous budgets. The total contingency for 2016/17 is £3m, of which, £2m has been transferred to the HAS base budget. Therefore, £1m remains held centrally.

The full year projected outturn for Health and Adult Services, following the application of the £2m contingency, is an overspending of £1,025k. Therefore, the projected outturn (**Appendices B to F**) assumes that the remaining £1m corporate contingency is committed against these cost pressures.

5.2.3 There are a number of key issues which are emerging and are, therefore, highlighted below:

- There is a significant strain in a couple of demand-led service areas in CYPS related to Special Educational Needs and Disabilities (local commissioning budgets and transport);
- Spending pressures in HAS care and support budgets based on the latest assessment of demand and prices;
- Some underspendings in Corporate Miscellaneous and Central Services which were anticipated (e.g. higher than expected Rural Services Grant, inflation etc) and which will be rolled into the savings plan to address the £14m budget shortfall. These will result in a short-term increase in reserves but will assist with the recurring budget position.

5.2.4 A draft outturn statement for the County Council's SmartSolutions traded service is also attached at **Appendix G**. These services are mainly provided to schools in the county and the figures reported do not have any further impact on those in the above table because, where relevant, the charges are already incorporated in Directorate forecast budget outturn positions.

5.3 BUDGET/ MTFs SAVINGS TARGETS

5.3.1 The 2016/17 revenue budget reflects previously agreed and updated 2020 North Yorkshire savings targets and these are incorporated into Directorate 2016/17 budget control totals shown in the table in **paragraph 5.2.1**. These 2016/17 savings targets (which are in addition to savings targets reflected in previous year's budgets) total £11,319k, and consist of:

Item	£000
North Yorkshire 2020 Savings in 2016/17 agreed in the February 2016 budget and earlier years MTFs savings targets:	
BES	2,969
CYPS	4,018
HAS	2,567
CS	1,765
Total savings reflected in 2016/17 budget	11,319

5.3.2 There is a net £286k anticipated early achievement of 2020NY savings in 2016/17 (**paragraph 5.2.1**) following the application of £722k cash-funding.

Item	£000
Total Projects with Early Achievement	497
Total Projects with Delayed Achievement	(933)
= Net position on 2020 Programme as at Q1	(436)
Agreed one-off cash-funding of 2020 Projects with Delayed Achievement (i.e. no impact on net bottom line)*	722
= Net position of 2020 Programme on Q1 revenue outturn projection	286

* Cash-funded projects include:

- Integrated Family Support (£316k)
- Disabled Children's Service (£246k)
- Youth Justice Service (£160k)

A further £211k shortfall will now not be achieved in Health and Adult Services.

5.3.3 Further potential savings of £1,186k have been identified which are not part of current 2020NY programme targets but which may contribute to the MTFS budget shortfall and which will have a one-off impact during 2016/17.

5.3.4 Variances from the 2016/17 Budget are being tracked as part of the governance of the 2020 North Yorkshire Programme. The net position is always reported within the quarterly Revenue Budget monitoring report and details of the variances are shown in **Appendices B to F**.

5.4 GENERAL WORKING BALANCE

5.4.1 A key feature of the Revenue Budget for 2016/17 and Medium Term Financial Strategy, approved by the Executive on 16 February 2016 and County Council on 24 February 2016, is to maintain the General Working Balance (GWB) at a defined minimum acceptable level.

5.4.2 For 2016/17, the defined minimum level has been a policy target as follows:

- (i) Maintenance of a minimum of 2% of the net revenue budget for the GWB in order to provide for unforeseen emergencies etc. supplemented by;
- (ii) An additional (and reviewable) cash sum of £20m to be held back in the event of a slower delivery of savings targets;

and reflects:

- (i) The increased number of risk factors which the County Council is facing as set out in Section 9 of the 2016/17 Budget report and in particular;
- (ii) Savings targets not being delivered on time;

5.4.3 Taking into account the GWB policy on minimum balances – 2% of the net revenue budget plus £20m – GWB at year-end amounts to £27,270k. This is held at “policy” level and any unallocated balance in excess of this level is transferred to ‘Strategic Capacity – Unallocated’. The projected underspend against operational budgets (excluding business rates pooling surplus earmarked for BES development initiatives) in 2016/17 (£4,836k) as outlined in **paragraphs 5.3.1 to 5.3.3** will, if confirmed, be paid into the Strategic Capacity – Unallocated Reserve, and will be available to assist with MTFS/ Budget and investment decisions in 2017/18 and future years.

5.4.4 The balance of the Strategic Capacity – Unallocated Reserve as at 31 March 2016 was £36.0m. Following a review of the 2015/16 outturn position and assessment of the impact on reserves, a further £855k was released from specific, operational reserves into the Strategic Capacity – Unallocated

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reserve. The following table provides a longer-term forecast for this reserve.

Year End	Start Year	Latest Forecast			
		Review of Reserves	MTFS	Other base budget contributions	End-Year
	£000	£000	£000	£000	£000
31 March 2016	36,015	855	(633)	11,767	48,004
31 March 2017	48,004	0	(7,264)	4,261	45,001
31 March 2018	45,001	0	(11,327)	821	34,495
31 March 2019	34,495	0	(13,961)	821	21,355
31 March 2020	21,355	0	(13,961)	821	8,215

5.4.5 The anticipated net contribution to the reserve in 2016/17 includes:

	£k	£k
Planned use of reserve to support the County Council's overall net budget		(633)
Review of Reserves		855
Other Base Budget Contributions:		
Planned contribution to reserve as part of the Waste Budget Strategy	6,931	
One-off savings arising from a fundamental budget review of the Waste Strategy prior to the opening of Allerton Waste Recovery Plant	2,260	
Higher than expected Rural Services Delivery Grant following late confirmation of figures	1,585	
Other net Directorate underspendings	991	11,767
= Projected net contribution as at Q1 2016/17		11,989

5.4.6 The table at 5.4.4 shows that in the longer term, the 'Strategic Capacity – Unallocated' reserve would be £21.4m by the end of the current MTFS period due to erosion from the budget shortfall identified in the February 2016 MTFS. The projections are illustrative and assume that the council will have a recurring £14.0m budget shortfall and that the available funds are not committed for other investments. However, measures are now in progress to address the shortfall – which in some cases include using funds for investment in infrastructure, invest to save for service transformation or, to generate a revenue saving.

5.5 Recommendation

That the Executive

- (i) notes the latest position for the County Council's 2016/17 Revenue Budget as summarised in **paragraph 5.1.2**
- (ii) recommend to the County Council that £212k be earmarked for BES development initiatives detailed in **paragraph 5.2.1**
- (iii) notes the position on the GWB following the application of the simplified approach (**paragraphs 5.4.1 to 5.4.3**)
- (iv) note the position on ' Strategic Capacity – Unallocated' reserve (**paragraphs 5.4.4 to 5.4.6**)

REVENUE BUDGET APPENDICES

- A 2016/17 Latest Revenue Budgets
- B Health and Adult Services
- C Business and Environmental Services
- D Children and Young Peoples' Service
- E Central Services
- F Corporate Miscellaneous
- G SmartSolutions

2016-17 IN-YEAR REVENUE BUDGETS AT 30 JUNE 2016

	Original Budgets agreed by Cty Cncl on 24/02/16 £000s	Approved carry forwards from 2015-16 £000s	Pending Issues Provision Allocation £000s	Additional Approved Investment Funding £000s	Other agreed transfers and adjustments £000s	Latest Revised Budgets £000s
Children & Young Peoples' Service	68,135				-1,855	66,280
Business & Environmental Services	71,267				-4,327	66,940
Health & Adult Services	141,705				3,576	145,282
Central Services Directorate	54,253				5,422	59,675
Corporate Miscellaneous	28,493				-2,817	25,676
Total Directorate Spending	363,852	0	0	0	0	363,852
Contribution From (-) General Working Balances	-3,282					-3,282
Net Revenue Budget	360,570	0	0	0	0	360,570
Revenue support grant	37,370					37,370
Business Rates DCLG Top Up	42,943					42,943
Business Rates from District Councils	18,331					18,331
Business Rates Collection Fund Deficit	-1,045					-1,045
Precept on District Councils - Current Year	256,500					256,500
Council Tax Collection Fund Surpluses	3,479					3,479
Transitional Grant	2,992					2,992
=Net Budget Requirement	360,570	0	0	0	0	360,570

APPENDIX A

HEALTH AND ADULT SERVICES

2016-17 REVENUE BUDGET MONITORING Q1 30 JUNE 2016

BUDGET HEAD	REVISED BUDGET 2016-17	FORECAST OUTTURN 2016-17	VARIANCE (-) = saving	COMMENTS	
	£000	£000	£000		
Care & Support					
- Area Budgets					
Care and Support - Ham/ Rich	26,881	27,301	420	Projected overspending arising from continued pressure on purchased care budgets (£3.7m), partially offset by staffing savings (£1.2m). Corporate one-off funding for domiciliary care reduces the projected overspend by £1.05m to £1.8m, of which £211k relates to agreed reprofiling of 2020 North Yorkshire savings.	
Care and Support - Selby	11,938	12,253	315		
Care and Support - Scar/ Ryedale	36,421	36,860	439		
Care and Support - Harr/ Craven	41,543	42,898	1,355		
Head of Provider Services	10,593	10,820	227		
Mental Health Services	8,285	8,285	0		
Assistant Director/Cross-area budgets	- 9,267	- 9,768	- 501		Projection includes assumed receipt of Continuing Health Care backdated income#
Corporate Funding for Domiciliary Care	-	- 1,050	- 1,050		
SUB-TOTAL *	126,393	127,599	1,206		
Public Health	-	-	-		
Quality & Engagement	1,900	1,894	- 6		
Commissioning	11,699	11,825	126	Cost transfer for block contracts converted to individual service contracts. Contract reviews to be undertaken.	
Integration	206	96	- 110	One-off funding for core post resulting in a one-off underspend.	
Resources Unit	4,202	4,095	- 107	Vacancy and insurance savings.	
Head of Human Resources	931	848	- 84		
Director & Cross-Directorate	- 50	- 50	-		
TOTAL	145,281	146,306	1,025		
Draw down of funding from corporately held contingency	0	- 1,000	- 1,000	£2m corporate contingency for Health and Adult Services has been transferred to the HAS base budget. This projection assumes that a further £1m of corporate contingency is required given projected overspending on Care and Support budgets.	
REVISED TOTAL	145,281	146,305	25		

BUSINESS & ENVIRONMENTAL SERVICES

2016-17 REVENUE BUDGET MONITORING Q1 30 JUNE 2016

BUDGET HEAD	REVISED BUDGET 2016-17	FORECAST OUTTURN 2016-17	VARIANCE (-) = saving	COMMENTS
	£000	£000	£000	
Highways & Transportation	22,989	22,777	- 212	A fundamental budget review of Highways and Transportation has identified £200k which can contribute, on a recurring basis, to the MTFS budget shortfall. This provides a one-off underspend in 2016/17. Other minor savings on Grass Cutting and Gully Emptying are projected overachievments against existing planned savings targets.
Integrated Passenger Transport	10,372	10,372	- 0	£300k has been removed from the budget as a potential recurring saving and is shown, for reporting purposes, in Corporate Miscellaneous (Appendix F)
Trading Standards & Planning Services	2,149	2,346	197	Projected overspending arising from Planning services.
Waste & Countryside Services	29,717	29,717	0	A fundamental budget review examining all financial and activity data for Waste has identified £154k overachievement of recurring savings and a further £2,106k non-recurring savings which are shown in Corporate Miscellaneous (Appendix F)
Economic Partnership Unit	218	218	- 0	
Resources, Performance & Improvement	970	961	- 10	
Corporate Director of BES	525	544	19	
TOTAL	66,940	66,934	- 6	

APPENDIX C

CHILDREN & YOUNG PEOPLE'S SERVICES

2016-17 REVENUE BUDGET MONITORING Q1 30 JUNE 2016

BUDGET HEAD	REVISED BUDGET 2016-17	FORECAST OUTTURN 2016-17	VARIANCE (-) = saving	COMMENTS
LA	£000	£000	£000	
Access & Inclusion				
Inclusion	857	857	-	
SEND - Special Education Needs & Disabilities				
Assessment & Review Officers	663	663	-	
Disabled Children's Services	4,813	5,173	360	Projected overspending arising from cost pressures in local commissioning budgets (£300k) and occupational therapy costs (£100k).
Home to School Transport	19,476	20,476	1,000	Projected outturn of £1.0m overspend following application of one-off funding arising from cost pressures in Special Educational Needs Transport. The forecast is provisional pending confirmation of the impact of changes in the network from September and other remedial management actions. In addition, there are five additional days within 2016/17 compared to 2015/16.
Children & Families	32,318	32,317	- 1	
CYPS Pooled Placement Budget	1,303	1,303	-	
Education & Skills Service	2,820	2,820	-	
Finance & Management Support	- 551	- 450	100	£100k overspending arising from late notification of lower than anticipated Extended Rights to Free Travel grant
Personnel	919	965	46	Projected overspend identified from initial trend analysis of continuing liability for pension enhancements.
Strategy & Commissioning	2,474	2,474	0	
Safeguarding Unit	1,188	1,238	50	
LA TOTAL	66,280	67,834	1,555	
DSG				
Access & Inclusion				
Inclusion	8,419	8,419	-	
Alternative Provision	5,350	5,350	-	
SEND - Special Education Needs & Disabilities				
Assessment & Review Officers	171	171	-	
High Needs Commissioning	27,133	27,133	-	
Children & Families	2,989	2,989	-	
CYPS Pooled Budget	1,635	1,635	-	
Education & Skills Service	928	928	-	
Finance & Management Support	- 48,950	- 48,950	0	
Information Technology	891	891	-	
Personnel	78	78	-	
Strategy & Commissioning	1,357	1,357	0	
DSG TOTAL	-	0	0	
TOTAL	66,280	67,835	1,555	

CENTRAL SERVICES

2016-17 REVENUE BUDGET MONITORING Q1 30 JUNE 2016

BUDGET HEAD	REVISED BUDGET 2016-17	FORECAST OUTTURN 2016-17	VARIANCE (-)= saving	COMMENTS
	£000	£000	£000	
Strategic Resources				
Financial Services	3,624	3,624	0	
Property Service	14,329	14,329	-	
Technology & Change	9,317	9,018	- 300	Provisional in-year saving of £300k which, if confirmed, includes £83k early achievement of 2020 North Yorkshire savings.
Business Support & HR				
Business Support Services	13,244	13,044	- 200	£250k early achievement of BSS savings partially offset by increased staffing in Financial Administration.
HR Services	3,536	3,536	0	
Chief Executives Office				
CEO Support Services, Grants & Subscriptio	n	440	- 0	
Communications Unit	643	643	-	
Policy & Partnerships	2,254	1,998	- 256	Provisional underspending linked to savings on Local Healthwatch and early savings contribution towards MTFS budget shortfall.
Legal & Democratic Services				
Democratic Services	341	341	- 0	
Legal Services	2,019	2,080	61	Projected overspending arising from higher than anticipated legal expenses.
Members Services	1,213	1,213	-	
Library, Customer & Community Services				
Archives & Records Management	360	359	- 0	
Coroners	728	728	- 0	
Customer Services	2,006	2,006	- 0	
Public Library Service	6,044	5,945	- 100	Early achievement of 2020 North Yorkshire savings (£50k) and other one-off savings arising from vacancies prior to a restructure to deliver planned savings target in 2017/18.
Registrars	- 422	- 536	- 114	Higher than expected income giving rise to early achievement of 2017/18 savings target.
TOTAL	59,675	58,766	- 909	

CORPORATE MISCELLANEOUS				
2016/17 REVENUE BUDGET MONITORING - Q1 30 JUNE 2016				
BUDGET HEAD	REVISED BUDGET 2016/17 £000	FORECAST OUTTURN £000	VARIANCE (-) = under spend £000	COMMENTS
ANNUAL BUDGETS & FUNDS (EXCLUDING PIP)				
Contingencies				
General Provision	2,688	250	-2,438	Underspending arising from overachievement of savings for Integrated Passenger Transport relating to reduced demand for Concessionary Fares (£300k), Public Health (£500k) and NYLAF (£20k). Following a review of inflation provision to allocate according to latest information on budget requirements, other potential recurring savings of £1,563k have been identified.
HAS Corporate Contingency	1,000	1,000	0	
Domiciliary Care	1,050	1,050	0	
2020 North Yorkshire	1,000	1,000	0	
	5,738	3,300	-2,438	
Capital Financing Costs	26,420	26,452	32	Market loans not called
Interest Earned	-2,734	-1,984	750	Investment returns have remained low in the first quarter of 2016/17. Interest rate forecasts following on from the outcome of the EU referendum now include an expectation of a cut in Bank Rate of 0.25% in the second quarter of 2016/17, which is expected to result in a lower overall rate being achieved on investments
Corporate Funds	400	400	0	
Other Corporate Budgets	4,436	4,436	0	
Corporate Funding				
Education Services Grant	-6,200	-6,200	0	
Dedicated Schools Grant	-1,149	-1,149	0	
New Homes Bonus Grant	-2,697	-2,697	0	
Rural Services Delivery Grant	-6,600	-8,185	-1,585	Higher than expected Rural Services Delivery Grant following confirmation of the final grant allocation. A lower figure had been included in the 2016-17 budget given significant and late changes in the Local Government Finance Settlement and a lack of clarity on whether the full amount was actually available or whether it was contained within other core funding allocations.
Business Rates Funding	-1,896	-2,108	-212	Latest forecast net gain to NYCC in 2016/17 from being part of a Business Rating pooling arrangement, offset by final allocations for 2015/16 notified by District Councils in relation to Business Rates payable to NYCC (Estimated collection fund account surpluses and deficits were lower than forecast).
Business Rates Deficit	-1,045	-1,045	0	
Council Tax Surplus	3,479	3,479	0	
Other Corporate Funding	-1,667	-1,667	0	
	-17,775	-19,572	-1,797	
TOTAL - Excluding PIP	16,485	13,032	-3,453	
Waste Budget Strategy Provision	9,191	6,931	-2,260	The Waste budget strategy assumed a contribution to reserve of £6,931k in 2016-17. Following a fundamental budget review of Waste, over-achievement of recurring savings totalling £154k and further non-recurring savings in 2016-17 totalling £2,206k have been released from the in-year budget.
OVERALL TOTAL	25,676	19,963	-5,713	

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SmartSolutions

Traded Services Profit and Loss Summary: 2016/17 Annual Forecast as at Q1

Service		Income £'000	Expenditure £'000	Profit/(Loss)£ '000
1	Arbor Service	112	112	-
2	Broadband	2,219	2,219	-
3	Building Cleaning Services	7,767	7,768	(1)
4	County Caterers Service	17,848	17,849	(1)
5	Connecting Youth Culture	396	346	50
6	Document Management Centre	61	61	-
7	Early Years Finance Service	14	13	1
8	Education and Skills	769	494	275
9	Education Safeguarding and Protection Service (DBS)	315	315	-
10	Education Psychology & STS	255	250	5
11	Employment Support Services	1,142	1,142	-
12	Energy Traded Service	216	214	2
13	Financial Management Services	3,985	3,810	175
14	Grounds Maintenance Service	734	718	16
15	Health and Safety Service/Commercial	375	354	21
16	Health and Wellbeing Service	227	175	52
17	HR Advisory Service	799	801	(2)
18	LA Clerking Service	432	423	9
19	Legal and Democratic Services	183	142	41
20	Maintenance and Servicing Scheme	3,955	3,955	-
21	Music Service	2,211	2,194	17
22	North Yorkshire Procurement Service	71	40	31
23	Outdoor Learning Service	2,642	2,586	56
24	School Admission and Exclusion Appeals Service	19	16	3
25	Schools ICT Service	3,910	3,811	99
Traded Services Total		50,657	49,808	849

Insurances Profit and Loss Summary: 2016/17 Annual Forecast as at Q1

Service		Income £'000	Expenditure £'000	Profit/(Loss)£ '000
1	Balance of Risks	397	338	59
2	Insurance Services	1,534	1,550	(16)
3	Staff Absence Scheme	4,024	3,844	180
Insurances Total		5,955	5,732	223
Traded Services and Insurance Total		56,612	55,540	1,072

SmartSolutions Team overheads

747 (747)

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EXTRACT FROM QUARTERLY PERFORMANCE AND BUDGET MONITORING REPORT

Joint Report of the Chief Executive and Corporate Director – Strategic Resources

7.0 TREASURY MANAGEMENT

Overview

- 7.1 This section of the report presents details of the County Council's Treasury Management Activity during Q1 2016/17, changes to the Approved Lending List and other current policy issues and considerations.
- 7.2 The CIPFA Code of Practice for Treasury Management recommends that Members should be informed of Treasury Management activities at least twice a year but preferably quarterly. This report ensures, therefore, that the County Council is embracing Best Practice in accordance with CIPFA's revised Code of Practice.
- 7.3 The current monitoring and reporting arrangements in relation to Treasury Management activities are as follows:
- (a) an annual report to Executive and County Council as part of the Budget/MTFS process that sets out the County Council's **Treasury Management and Investment Strategy and Policy** for the forthcoming financial year. For 2016/17 this report was submitted to Executive on 16 February 2016 followed by County Council on 24 February 2016;
 - (b) an annual report to Executive and County Council as part of the Budget/MTFS process that sets the various **Prudential Indicators** (submitted to Executive on 16 February 2016 and County Council on 24 February 2016), together with a mid-year update of these to the Executive as part of the Q1 Performance Monitoring report (see section 8 of this Q1 Performance Monitoring Report);
 - (c) **annual outturn reports** to the Executive for both Treasury Management and Prudential Indicators setting out full details of activities and performance during the preceding financial year. The outturn reports for 2015/16 were submitted to Executive on 14 June 2016;
 - (d) a quarterly report on Treasury Management to the Executive (this report) as part of the **Quarterly Performance Monitoring** report;
 - (e) **periodic meetings** between the Corporate Director – Strategic Resources, the Corporate Affairs Portfolio Holder and the Chairman of the Audit Committee to discuss issues arising from the day to day management of Treasury Management activities;
 - (f) reports on proposed changes to the County Council's Treasury Management activities are submitted to the **Audit Committee** for consideration and comment. A copy of this report is also provided to Audit Committee Members.

Economic Update

- 7.4 The Council's treasury advisors Capita summarised the key points associated with economic activity **in Q1 2016/17 up to 30 June 2016:**
- The UK voted to leave the EU;
 - The economic recovery lost some momentum ahead of the vote;
 - Growth remained highly dependent on consumer spending;
 - The jobs recovery slowed, but wage growth picked up;

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- Inflation remained at very low levels;
- Sharp fall in sterling following the referendum result;
- Post-referendum uncertainty brought the prospect of a near-term rate cut onto the agenda;
- Both the ECB and the Federal Reserve kept policy unchanged.

The current economic and political turmoil is likely to impact on the economic outlook for the UK and interest rates are expected to be cut during the next quarter. Indeed, in a speech on 30 June, Governor Carney stated that “some monetary easing will likely be required over the summer”.

A more detailed economic commentary on developments during Q1 2016 is included in **Appendix D**

Ongoing Review of Annual Treasury Management and Investment Strategy 2016/17

- 7.5 The County Council’s Annual Strategy sets out the County Council’s approach to managing its Treasury Management activities (borrowing and investments) during 2016/17.
- 7.6 It is a key requirement of the CIPFA Code of Practice for Treasury Management that annual Treasury Management Strategies should be kept under constant review throughout the year and reported to Members as appropriate. There is the specific requirement of a mid-year review as a minimum being reported to Members.
- 7.7 The County Council’s 2016/17 Annual Treasury Management and Investment Strategy is therefore, kept under continuous review. Although there continues to be uncertainty and volatility in the financial and banking market, both globally and in the UK, **it is considered that the Strategy approved in February 2016 is still fit for purpose in the current economic climate.** No changes are therefore considered necessary to the Strategy at this stage.

Debt and borrowing

- 7.8 The County Council’s external debt outstanding at 30 June 2016 was as follows:-

Detail	PWLB		Money Market Loans		Total	
	£m	%	£m	%	£m	%
At 31 March 2016	296.6	4.43	20.0	3.95	316.6	4.40
Scheduled loan repayments	0		0		0	
Premature debt repayments	0		0		0	
New loans taken from the PWLB	0		0		0	
= Loans outstanding at 30 June 2016	296.6	4.43	20.0	3.95	316.6	4.40

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- 7.9 Any change (other than for scheduled repayments of principal) to the debt outstanding by the end of 2016/17 will be largely determined by whether the borrowing requirement for 2016/17 is ultimately financed by external borrowing or internal borrowing (by running down cash balances). Such internal borrowing is covered in more detail in **paragraphs 7.17 to 7.20** but based on current interest rate forecasts (and the consequent differential between the cost of borrowing and the level of investment return available in the markets), it is expected that the 2016/17 borrowing requirement will be financed internally throughout 2016/17. As a result, the external debt scenario for 31 March 2017 is potentially as follows:

Detail	£m
Debt outstanding at 30 June 2016 (paragraph 7.11)	316.6
Further scheduled PWLB loan repayments in 2016/17	-7.6
= Estimated debt outstanding at 31 March 2017 if 2016/17 borrowing needs are funded internally	309.0
2016/17 borrowing requirement (paragraph 7.13)	23.1
= Estimated debt outstanding at 31 March 2017 if 2016/17 borrowing needs are funded externally	332.1

- 7.10 Based on the Q1 Capital Plan update the total external borrowing requirement for 2016/17 (including roll over of internally financed borrowing from earlier years) is currently forecast at (excluding company loans to remain financed by internal borrowing), none of which has been borrowed externally to date. This sum is made up as follows:-

Detail	£m	£m
Internally Financed Capital Expenditure at 31 March 2016 (consists principally of residual borrowing requirements between 2010/11 and 2015/16) less Company Loans to be financed through internal borrowing until eventual repayment	30.5 -11.0	19.5
2016/17 borrowing requirement Q1 2016/17 Capital borrowing requirement Revenue provision for debt repayment Refinance 2016/17 PWLB loan repayments	 10.3 -14.3 7.6	
		3.6
= total 2016/17 borrowing requirement		23.1
Less borrowed to 30 June 2016		0
= Remaining 2016/17 borrowing requirement		23.1

- 7.11 It is expected that the 2016/17 borrowing requirement will be 'temporarily' depressed at 31 March 2017 as a result of using the Corporate Capital Pot to finance capital spending at the year end. To protect this Corporate Capital Funding

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Pot however (estimated at in 2016/17 at Q1), an equivalent sum would be added onto the 2017/18 borrowing requirement.

- 7.12 New external borrowing rates (fixed interest maturity rates from the PWLB reflecting the 0.2% 'certainty discounts') during Q1 2016/17 were as follows:-

Item	1 year %	5 years %	10 years %	25 years %	50 years %
Lowest Rate	0.89	1.21	1.85	2.63	2.33
Date	27/06/16	27/06/16	27/06/16	29/06/16	30/06/16
Highest Rate	1.20	1.80	2.51	3.28	3.08
Date	27/04/16	27/04/16	27/04/16	27/04/16	27/04/16
Average during quarter	1.11	1.59	2.25	3.05	2.83

- 7.13 Overall PWLB rates edged downwards during the quarter.

Premature Repayment of External Debt and Debt Rescheduling

- 7.14 The premature repayment of long term debt produces the following immediate benefits

- (a) revenue savings from the significant current differential between the interest payable on the long term debt repaid and the loss of interest being earned on short term investments
- (b) the running down of cash balances limits investment exposure risk
- (c) adjusting the County Council's debt maturity profile to get a more balanced spread of refinancing risk

- 7.15 This policy is however not risk free in terms of:

- (a) loss of the long term stability in interest payments that longer term fixed borrowing provides
- (b) potential "day to day" operational cash flow issues
- (c) ultimately the prematurely repaid loans have to be refinanced by taking new long term loans.

- 7.16 No debt repayment or rescheduling exercises have been effected to date in 2016/17 or are in the pipeline but the situation continues to be monitored to identify any opportunities that may arise. Such opportunities, however, have been limited in the current economic climate and structure of interest rates.

Internal Borrowing

- 7.17 Internal capital borrowing (use of cash balances) to part fund the County Council's Capital Financing Requirement was £30.5m at 31 March 2016.

- 7.18 The level of this internal capital borrowing depends on a range of factors including:

- (a) premature repayment of external debt
- (b) timing of debt rescheduling exercises
- (c) the timing of taking out annual borrowing requirements

- (d) policy considerations on the relative impact of financing capital expenditure from surplus cash balances compared with taking new external debt with the balance of external and internal borrowing being generally driven by market conditions.

- 7.19 Over the next two or three years investment rates are expected to continue to be below long term borrowing rates. A value for money assessment would therefore indicate that value could be best obtained by avoiding/delaying new borrowing and continuing to use internal cash balances to finance new capital expenditure or to replace maturing external debt. This would maximise short term revenue savings and produce other benefits but is not risk free.
- 7.20 This “Internal Capital Financing” option will therefore continue to be actively adopted on an ongoing basis in order to achieve short term revenue savings and mitigate the credit risk incurred by holding investments in the market.

Prudential Indicators

- 7.21 It is a statutory duty for the County Council to determine and keep under review its *Affordable Borrowing Limits*.
- 7.22 The Prudential Indicators for the three year period 2016/17 to 2018/19 were initially approved by Executive on 16 February 2016 and adopted by County Council on 24 February 2016. These Indicators have now been updated to reflect the 2015/16 outturn position and other factors arising in Q1 and are reported to Members in section 8 of this Q1 Performance Monitoring report.
- 7.23 During the financial year to date, the County Council has operated within the latest Treasury Prudential Indicators approved and in compliance with the County Council’s Treasury Management Practices.

Investment Activity

- 7.24 The County Council’s Annual Investment Strategy, which is incorporated in the TMSS, outlines the County Council’s investment priorities as follows:-
- (a) security of capital
 - (b) liquidity
- 7.25 The County Council also aims to achieve the optimum return on investments commensurate with the appropriate levels of security and liquidity. **In the current economic climate and the heightened credit concerns, it is considered appropriate to keep investments relatively short term to cover cash flow needs, but also to seek out any value available in significantly higher rates for periods up to 12 months with highly credit rated financial institutions, where this is possible within the constraints of the latest Approved Lending List.**
- 7.26 The only financial investments made by the County Council during Q1 2016/17 were the placing of surplus funds on the money markets for periods of up to one year. These placements were only made to institutions included in the Approved Lending List at the time of investment.

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7.27 The investment activity up to 30 June 2016 (Q1 2016/17) was as follows:-

Number of loans made	47
	£m
Investments at 1 April 2016	268.1
+ loaned up to Q1 2016/17	374.3
- repaid during Q1 2016/17	-347.3
= Balance invested at 30 June 2016	295.1
Average daily balance 2016/17 to 30 June 2016	309.4 (£287.7m in 2015/16)
Average Interest Rates	
- achieved up to Q1 2016/17	0.66% (0.64% in 2015/16)
- on £295.1m loaned out at 30 June 2016	0.65% (0.64% at 31 March 2016)

7.28 The average 0.66% return to Q1 2016/17 compares with average market benchmark returns as follows:

7 day	0.36%
1 month	0.38%
3 months	0.46%
6 months	0.60%
12 months	0.87%

Investment rates available in the market have been broadly stable in the quarter and have continued at historically low levels as a result of the ultra low bank rate and other Government measures such as the Quantative Easing programme and the Funding for Lending Scheme.

7.29 A statement listing the individual loans making up the balance placed as at 30 June 2016 is attached as **Appendix A** with this 'total investment pool' consisting of funds from:-

body	31 March 2016		30 June 2016	
	£m	%	£m	%
Other Bodies				
- NY Pension Fund	2.1	1	-13.9	-5
- NY Fire and Rescue Authority	6.8	3	8.9	3
- Yorkshire Dales NP	3.8	1	2.6	1
- North York Moors NP	2.1	1	2.0	1
- National Parks England	0.1	-	0.2	-
- Peak District National Park	6.2	2	7.1	2
- Selby District Council	25.9	10	32.0	11
= total other bodies	47.0	18	38.9	13
NYCC cash funds	221.1	82	256.2	87
Total investment	268.1	100	295.1	100

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7.30 Indicative market current investment interest rates with organisations remaining on the County Council's current Approved Lending List are as follows:-

Period	%
Bank Rate (no changes in quarter)	0.50
Investment Rates	
- overnight (on call)	0.35
- NYCC call accounts	0.50
- 1 month	0.40
- 6 months	0.60
- 1 year	0.80
- 3 year	1.10
- 5 year	1.40
Government's Debt Management Office Account overnight to 6 months	0.25

Approved Lending List

7.31 The Approved Lending List as at 30 June 2016 is attached as **Appendix B** with changes made during Q1 2016/17 being reported in **Appendix C**.

Overall Impact of Q1 Treasury Management Activity on Revenue Budget

7.32 Based on the Treasury Management activity at Q1 2016/17 and a forecast for the remainder of the year, the revenue impact is as follows:

Item	Latest Budget	Forecast Outturn	Variation
	£m	£m	£m
Capital Financing charges			
Interest Paid	13.8	13.8	0.0
Revenue Provision for debt repayment	14.3	14.3	0.0
Recharged to Directorates etc.	-1.7	-1.7	0.0
	26.4	26.4	0.0
Interest Earned			
Temporary Loans	-2.7	-2.0	0.7
Other sources	-0.4	-0.4	0.0
Paid out to other organisations	+0.4	+0.4	0.0
	-2.7	-2.0	0.7
Overall net cost	23.7	24.4	0.7

7.33 As a result, there is a net overspend being forecast in 2016/17 as a result of:

- (i) a lower interest rate being achieved on investments with % at Q1 compared with % provided in the budget

Interest rate forecasts

7.34 The current interest rate forecasts (last update 4 July 2016) of Capita Asset Services – Treasury Solutions are as follows

<i>Date</i>	<i>Bank rate</i>	<i>5 year PWLB*</i>	<i>10 year PWLB*</i>	<i>25 year PWLB*</i>	<i>50 year PWLB*</i>
	%	%	%	%	%
Current rates	0.50	1.20	1.73	2.48	2.20
Sept 2016	0.25	1.00	1.60	2.40	2.20
Mar 2017	0.25	1.10	1.60	2.40	2.20
Sept 2017	0.25	1.10	1.70	2.50	2.30
March 2018	0.25	1.10	1.70	2.50	2.30
Sept 2018	0.50	1.20	1.80	2.60	2.40
March 2019	0.50	1.30	1.80	2.70	2.50

* Net of certainty rate 0.2% discount

7.35 The outcome of the EU referendum necessitated a review of interest rate forecasts. The UK now faces a very different situation from what it was in prior to the referendum both politically and economically. As a result, Capita Asset Services undertook a quarterly review of its interest rate forecasts on 4 July 2016. A number of forecasters anticipate the referendum outcome will result in a slowing in growth in the second half of 2016. It is therefore expected that Bank Rate will be cut by 0.25%, at its quarterly Inflation Report meeting on 4 August. Bank Rate could even be cut to 0.10% or 0%.

7.36 The first increase in bank rate thereafter, is not expected until mid-2017 and for further increases then to be at a slower pace than previously anticipated. As the pace of recovery of growth is anticipated to be weak during a period of great uncertainty. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual after they do start. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when the growth in average disposable income is still weak and for some consumers, who have had no increases in pay, could be non-existent (other than through some falls in prices).

7.37 The MPC may also consider renewing a programme of quantitative easing; the prospect of further purchases of gilts in this way has already resulted in 10 year gilt yields falling below 1% for the first time ever. As a result forecasts for PWLB rates have been revised down to take account the movements in gilt yields since the referendum - which have fallen to all-time lows (with 2 year gilt yields even briefly turning negative).

7.38 Economic and interest rate forecasting continues to remain difficult with so many external influences weighing on the UK, as a result, Bank Rate and PWLB rate forecasts (and also MPC decisions) will be liable to further amendment depending on how future economic data transpires.

7.39 Other Treasury Management Development and Issues

To date, none of the three major rating agencies has made a clear indication of any near-term action with regards to financial institution credit ratings following the Brexit vote. However, given the uncertainty surrounding implications it is by no means a certainty that they will act in the near term. Perceived creditworthiness of organisations on the Approved Lending List will continued to be monitored closely throughout this period of uncertainty.

It should be noted, however, that while there are negative implications for the UK, its economy and financial institutions as a result of Brexit, financial markets and the operators therein are materially stronger, in terms of capital and liquidity than they were ahead of the financial crisis.

RECOMMENDATIONS

7.40 That Executive

- (i) notes the position on the County Council's Treasury Management activities during the first quarter of 2016/17
- (ii) refers this report to the Audit Committee for their consideration as part of the overall monitoring arrangements for Treasury Management.

TREASURY MANAGEMENT APPENDICES

- Appendix A Analysis of investments placed as at 30 June 2016
- Appendix B Approved Lending List with counterparty limits as at 30 June 2016
- Appendix C Changes to the Approved Lending List during Q1 2016/17
- Appendix D Detailed Economic Commentary on Developments during Q1 2016/17

Analysis of loans outstanding as at 30 June 2016

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Actual Loan Outstanding						
Loan Repaid	Borrower	Date of Loan	Amount £m	Period of Loan	Interest Rate %	
Call Accounts	Barclays	Bank	32.07	Call	0.50	
	Svenska Handelsbanken	Bank	23.00	Call	0.50	
	Santander UK	Bank	10.05	Call	0.40	
	Santander UK 31 Day Notice	Bank	1.00	Notice	0.65	
	Santander UK 120 Day Notice	Bank	18.95	Notice	1.05	
	Santander UK 180 Day Notice	Bank	10.00	Notice	1.15	
	Bank of Scotland	Bank	15.00	Call	0.40	
Jul-16	Leeds	BS	04-Jan-2016	5.00	04-Jul-2016	0.59
	Bank of Scotland	Bank	26-Jan-2016	5.00	26-Jul-2016	0.75
	Bank of Scotland	Bank	27-Jan-2016	5.00	27-Jul-2016	0.75
	Bank of Scotland	Bank	05-Apr-2016	5.00	05-Jul-2016	0.57
	Bank of Scotland	Bank	15-Apr-2016	5.00	15-Jul-2016	0.65
	Goldman Sachs	Bank	19-Apr-2016	10.00	19-Jul-2016	0.56
	Bank of Scotland	Bank	20-Apr-2016	10.00	20-Jul-2016	0.65
Aug-16	Goldman Sachs	Bank	22-Apr-2016	10.00	22-Jul-2016	0.57
	Hambleton DC	LA	09-May-2016	15.00	26-Jul-2016	0.50
	Nationwide	BS	01-Feb-2016	12.50	01-Aug-2016	0.71
	Nationwide	BS	12-Feb-2016	13.50	12-Aug-2016	0.71
	Bank of Scotland	Bank	29-Feb-2016	5.00	31-Aug-2016	0.75
	Bank of Scotland	Bank	29-Feb-2016	5.00	31-Aug-2016	0.75
	Bank of Scotland	Bank	10-May-2016	5.00	10-Aug-2016	0.65
	Goldman Sachs	Bank	04-May-2016	10.00	04-Aug-2016	0.56
	Goldman Sachs	Bank	25-May-2016	10.00	25-Aug-2016	0.57
	Sep-16	Bank of Scotland	Bank	22-Mar-2016	5.00	22-Sep-2016
Nationwide		BS	31-Mar-2016	6.50	30-Sep-2016	0.71
Oct-16	Nationwide	BS	15-Apr-2016	7.50	17-Oct-2016	0.71
Nov-16	Lancashire County Council	LA	19-Nov-2015	5.00	17-Nov-2016	0.65
	Bank of Scotland	Bank	03-May-2016	5.00	03-Nov-2016	0.80
	Bank of Scotland	Bank	24-May-2016	5.00	24-Nov-2016	0.80
Dec-16	Bank of Scotland	Bank	31-May-2016	5.00	30-Nov-2016	0.80
	Bank of Scotland	Bank	03-Jun-2016	5.00	05-Dec-2016	0.80
Feb-17	Falkirk Council	LA	12-Feb-2016	5.00	10-Feb-2017	0.65
Jun-17	Lancashire County Council	LA	02-Jun-2016	5.00	01-Jun-2017	0.65
	Total Investments			295.07		
	Average Interest				0.65%	

Maturity Profile	
Period	%
< 1 Month	14
1 - 3 Months	61
3 - 6 Months	21
6 - 9 Months	2
9 - 12 Months	2
> 12 Months	0
	<u>100</u>

Actual Loans Outstanding Summarised by Organisation	
	£m
Bank of Scotland	85.0
Barclays	32.1
Nationwide BS	40.0
Svenska Handelsbanken	23.0
Goldman Sachs	40.0
Santander	40.0
Leeds BS	5.0
Local Authority	<u>30.0</u>
	<u>295.1</u>

Institution Type	
	%
Banks	75
Local Government	10
Building Societies	<u>15</u>
	<u>100</u>

Country	
	%
Domestic	92
Foreign	<u>8</u>
	<u>100</u>

Portfolio Breakdown	
	%
Fixed Term	63
Notice Accounts	18
Call Accounts	<u>19</u>
	<u>100</u>

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Appendix B

APPROVED LENDING LIST AS AT 30 JUNE 2016

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

	Country	Specified Investments (up to 1 year)		Non-Specified Investments (> 1 year £20m limit)	
		Total Exposure £m	Time Limit *	Total Exposure £m	Time Limit *
UK "Nationalised" banks / UK banks with UK Central Government involvement					
Royal Bank of Scotland	GBR	85.0	364 days	-	-
Natwest Bank	GBR				
Bank of Scotland	GBR	85.0	3 months	-	-
Lloyds	GBR				
UK "Clearing Banks", other UK based banks and Building Societies					
Santander UK plc (includes Cater Allen)	GBR	40.0	6 months	-	-
Barclays Bank	GBR	75.0	3 months	-	-
HSBC	GBR	30.0	364 days		
Clydesdale Bank (trading as Yorkshire Bank)	GBR	30.0 (Shared with NAB)	Temporarily suspended	-	-
Goldman Sachs International Bank	GBR	40.0	6 months		
Nationwide Building Society	GBR	40.0	6 months	-	-
Leeds Building Society	GBR	20.0	6 months	-	-
High quality Foreign Banks					
National Australia Bank	AUS	30.0 (Shared with Clydesdale)	364 days	-	-
Commonwealth Bank of Australia	AUS	20.0	364 days		
Canadian Imperial Bank of Commerce	CAN	20.0	364 days	-	-
Deutsche Bank	DEU	20.0	Temporarily suspended	-	-
Nordea Bank Finland	FIN	20.0	364 days	-	-
Credit Industriel et Commercial	FRA	20.0	6 months	-	-
BNP Paribas Fortis	FRA	20.0	6 months	-	-
Nordea Bank AB	SWE	20.0	364 days	-	-
Svenska Handelsbanken	SWE	40.0	364 days	-	-
Local Authorities					
County / Unitary / Metropolitan / District Councils		20.0	364 days	5.0	2 years
Police / Fire Authorities		20.0	364 days	5.0	2 years
National Park Authorities		20.0	364 days	5.0	2 years
Other Deposit Takers					
Money Market Funds		20.0	364 days	5.0	2 years

* Based on data 8th July

Changes to Approved Lending List 1 April to 08 July 2016

Amendments to Investment Limits / Terms

Organisation	Original Investment Limit / Term	Date Amended	Revised Investment Limit / Term	Reason for Amendment
Amendments made to Investment Limits				
None				
Amendments made to Investment Terms				
National Australia Bank	6 months	20/05/2016	364 days	Following recent reduction in investment limit/term, this has since been revised upward to reflect updated CDS prices back to original investment limit/term
Commonwealth Bank of Australia	6 months	20/05/2016	364 days	
Goldman Sachs	3 months	01/07/2016	6 months	
HSBC	6 months	20/05/2016	364 days	
Temporary Suspensions for Lending List				
Deutsche Bank	3 months	15/01/2016	nil	Result of their Credit Default Swap (CDS) Rating moving 'out of range'. The CDS rating has not yet moved back into range and continues to be monitored

The above shows changes to the Lending List as at 1 April compared to 08 July 2016. It should be noted, however, that changes can be made on a daily basis in reaction to market sentiment, with maximum investment durations being adjusted accordingly.

Maximum investment durations for other organisations have, therefore, been changed during this quarter, but have since returned to the level at 1 April 2016.

Detailed Economic Commentary on Developments during Q1 2016/17**1. Economic Background****UK GDP**

- 1.1 UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country. However, the 2015 growth rate finally came in at a disappointing 1.8% showing that growth had slowed down, though it still remained one of the leading rates among the G7 countries. Growth improved in Quarter 4 of 2015 from +0.4% to 0.7% but fell back again to +0.4% (2.0% year on year) in Quarter 1 of 2016.
- 1.2 During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme and uncertainty created by the EU referendum. However, since the peak in November 2015, sterling has fallen against the Euro by 14% which will help to make British goods and services much more competitive and will increase the value of overseas earnings by multinational companies based in the UK.
- 1.3 The Chancellor also announced that the target of achieving a budget surplus in 2020 will have to be eased in order to help the economy recover from the expected slowing of growth during the second half of 2016.

Inflation

- 1.4 The Bank of England May Inflation Report included a forecast for growth for 2016 of 2.0% and 2.3% for 2017 on the assumption that the referendum result was a vote to remain. The Governor of the Bank of England, Mark Carney, warned that a vote to leave the EU would be likely to cause a slowing in growth, particularly from a reduction in business investment. Mr Carney has indicated that the Monetary Policy Committee (MPC), would be likely to cut Bank Rate and would consider doing further quantitative easing purchasing of gilts, in order to support growth.
- 1.5 The May Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. However, the falls in the price of oil and food twelve months ago will be falling out of the calculation of CPI during 2016 and in addition, the recent 10% fall in the value of sterling is likely to result in a 3% increase in CPI over a time period of 3-4 years. There is therefore likely to be an acceleration in the pace of increase in inflation which will be an additional challenge for an MPC which wants to help promote growth in the economy by keeping Bank Rate low.

USA

- 1.6 The American economy had a mixed 2015 with growth in 2015 as a whole at 2.4%. Quarter 1 of 2016 came in at +1.1% but forward indicators are pointing towards a pickup in growth in the rest of 2016. The Fed embarked on its long anticipated first increase in rates at its December meeting. At that point, confidence was high that there would then be four more increases to come in 2016. However, more challenging international developments and then the EU referendum vote, has

caused a re-emergence of caution over the timing and pace of further increases. It is likely there will now be only one more increase in 2016.

Eurozone

- 1.7 In the Eurozone, the ECB commenced in March 2015 its €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected Eurozone countries at a rate of €60bn per month; this was intended to run initially to September 2016. In response to a continuation of weak growth, the ECB extended the QE programme March, cut interest rates and increased its monthly asset purchases. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence. GDP growth rose by 0.6% in Quarter 1 2016 (1.7% year on year) and is expected to continue growing but at only a modest pace.

Forward View

- 1.8 Economic forecasting remains difficult with so many external influences weighing on the UK. Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities.
- 1.9 The overall balance of risks to economic recovery in the UK remains to the downside.
- 1.13 Apart from the uncertainties already explained above, downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or Fed. rate increases, causing a further flight to safe havens (bonds).
 - Geopolitical risks in Europe, the Middle East and Asia, increasing safe haven flows.
 - UK economic growth and increases in inflation are weaker than we currently anticipate.
 - Weak growth or recession in the UK's main trading partners - the EU and US.
 - A resurgence of the Eurozone sovereign debt crisis.
 - Recapitalisation of European banks requiring more government financial support.
 - Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially the Eurozone and Japan.
- 1.14 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
 - UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

8.1 PRUDENTIAL INDICATORS

- 8.2 The Prudential Code requires appropriate arrangements to be in place for the monitoring, reporting and revision of Prudential Indicators previously set and these arrangements were agreed by the County Council in 2004.
- 8.3 Updated Prudential Indicators for 2016/17 to 2018/19 were approved by Executive on 16 February 2016 and subsequently by County Council on 24 February 2016 and were based on a 2015/16 Q3 Capital Plan as at 31 December 2015.
- 8.4 The Annual Treasury Management and Prudential Indicators report for 2015/16 was submitted to Executive on 14 June 2016. This reported the 2015/16 outturn position on Prudential Indicators compared with the last updated set of Indicators for the year, as approved by County Council on 24 February 2016. The 2015/16 outturn report did not however consider any consequential changes to the Indicators set for the three year period 2016/17 to 2018/19.
- 8.5 It is therefore necessary to consider and revise the Prudential Indicators for the three years up to 31 March 2019. As a result of Capital Plan updates and other changes, many of the Prudential Indicators need revising, particularly those for capital spending, the consequential capital financing requirement and authorised debt levels.
- 8.6 Rather than consider individual Prudential Indicators in isolation a full review of all Indicators has been undertaken as part of the ongoing financial monitoring process referred to in **paragraph 8.1**.
- 8.7 A Prudential Indicators update and monitoring report is therefore attached as **Appendix A**. This sets out each Prudential Indicator in terms of the:
- (a) Indicators approved in February 2016
 - (b) updated Indicators as at June 2016 (i.e. this report)
 - (c) comments on the reasons for significant variations being proposed
- 8.8 In general the updated Indicators reflect a number of common factors including:
- (a) 2015/16 outturn – capital spending, capital financing and borrowing as reported to Executive on 14 June 2016
 - (b) an updated Capital Plan (per **Section 6** of this report)
 - (c) latest information and approvals on schemes self funded from grants, contributions and from revenue
 - (d) updated forecasts of debt charge estimates and interest earned on surplus cash balances
 - (e) various other miscellaneous refinements

RECOMMENDATION

- 8.9 The Executive recommends to the County Council that it approves the revised Prudential Indicators for the period 2016/17 to 2018/19 as set out in **Appendix A**.

Appendix A - Prudential Indicators 2016/17 – 2018/19 update

PRUDENTIAL INDICATORS UPDATE – FOR 2016/17 TO 2018/19 (EXECUTIVE – 16 AUGUST 2016)

CAPITAL EXPENDITURE & EXTERNAL DEBT INDICATORS	Comment																																																																				
<p>1 Estimated Ratio of capital financing costs to the net Revenue Budget</p> <p>(a) <i>Formally required Indicator</i></p> <p>This reflects capital financing costs (principal plus interest) on external debt plus PFI and finance leasing charges less interest earned on the temporary investment of cash balances.</p> <p>The estimated ratios of financing costs to the net Revenue Budget for the current and future years, and the actual figure for 2014/15 and 2015/16 are as follows:</p> <table border="1" data-bbox="210 692 1128 916"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Executive February 2016</th> <th colspan="2">Update June 2016</th> </tr> <tr> <th>Basis</th> <th>%</th> <th>Basis</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2014/15</td> <td colspan="2">actual</td> <td>actual</td> <td>7.5</td> </tr> <tr> <td>2015/16</td> <td colspan="2">probable</td> <td>actual</td> <td>7.6</td> </tr> <tr> <td>2016/17</td> <td>estimate</td> <td>7.1</td> <td>estimate</td> <td>7.3</td> </tr> <tr> <td>2017/18</td> <td>estimate</td> <td>6.7</td> <td>estimate</td> <td>7.0</td> </tr> <tr> <td>2018/19</td> <td>estimate</td> <td>6.1</td> <td>estimate</td> <td>6.5</td> </tr> </tbody> </table> <p>(b) <i>Local Indicator</i></p> <p>This local Indicator reflects a policy decision to cap Capital Financing costs at 10% of the net annual Revenue Budget. The Indicator is different to the formally required Indicator at (a) above in that it only reflects the cost components of interest on external debt plus lost interest on internally financed capital expenditure, together with a revenue provision for debt repayment. Unlike the formally required PI it does not reflect interest earned on surplus cash balances or PFI / finance leasing charges.</p> <table border="1" data-bbox="210 1219 1128 1442"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Executive February 2016</th> <th colspan="2">Update June 2016</th> </tr> <tr> <th>Basis</th> <th>%</th> <th>Basis</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2014/15</td> <td>actual</td> <td>7.9</td> <td>actual</td> <td>7.9</td> </tr> <tr> <td>2015/16</td> <td>probable</td> <td>7.8</td> <td>actual</td> <td>7.9</td> </tr> <tr> <td>2016/17</td> <td>estimate</td> <td>7.8</td> <td>estimate</td> <td>7.8</td> </tr> <tr> <td>2017/18</td> <td>estimate</td> <td>7.7</td> <td>estimate</td> <td>7.8</td> </tr> <tr> <td>2018/19</td> <td>estimate</td> <td>7.4</td> <td>estimate</td> <td>7.5</td> </tr> </tbody> </table>	Year	Executive February 2016		Update June 2016		Basis	%	Basis	%	2014/15	actual		actual	7.5	2015/16	probable		actual	7.6	2016/17	estimate	7.1	estimate	7.3	2017/18	estimate	6.7	estimate	7.0	2018/19	estimate	6.1	estimate	6.5	Year	Executive February 2016		Update June 2016		Basis	%	Basis	%	2014/15	actual	7.9	actual	7.9	2015/16	probable	7.8	actual	7.9	2016/17	estimate	7.8	estimate	7.8	2017/18	estimate	7.7	estimate	7.8	2018/19	estimate	7.4	estimate	7.5	<p>The estimates of financing costs include current Capital Plan commitments based on the latest 2016/17 Q1 Capital Plan.</p> <p>The updated estimates for 2016/17 to 2018/19 reflect the net effect of a range of factors, principally</p> <ul style="list-style-type: none"> (a) savings being achieved through the ongoing policy of financing capital borrowing requirements internally from cash balances (b) variations in the level of annual borrowing requirements resulting from a range of factors, but principally capital expenditure slippage between years (c) variations in borrowing costs (interest plus a revenue provision for debt repayment) reflecting latest interest rate forecasts to 2018/19 (d) variations in interest earned on cash balances resulting from continuing current historically low interest rates but offset by continuing higher levels of cash balances (formal Indicator only).
Year		Executive February 2016		Update June 2016																																																																	
	Basis	%	Basis	%																																																																	
2014/15	actual		actual	7.5																																																																	
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Prudential Indicator	Comment																				
<p>2 Estimates of the incremental impact of capital investment decisions on the Council Tax</p> <p>In considering its programme for future capital investment, the County Council is required within the Prudential Code to have regard to:</p> <ul style="list-style-type: none"> ➔ affordability (eg implications for Council Tax) ➔ prudence and sustainability (eg implications for external borrowing) ➔ value for money (eg option appraisal) ➔ stewardship of assets (eg asset management planning) ➔ service objectives (eg strategic planning for the authority) ➔ practicality (eg achievability of the Capital Plan) <p>A key measure of affordability is the incremental impact on Council Tax. The County Council can consider different options for its capital investment programme based on their differential impact on the Council Tax.</p> <p>The estimate of the incremental impact on Council Tax (at Band D) of past capital investment decisions which are reflected in the latest Capital Plan and also in the Revenue Budget for 2016/17 and Medium Term Financial Strategy compared with the 2015/16 Council Tax are:</p> <table border="1" data-bbox="212 997 1113 1153"> <thead> <tr> <th data-bbox="212 997 342 1058">Year</th> <th colspan="2" data-bbox="387 997 772 1058">Executive February 2016 Basis £ - p</th> <th colspan="2" data-bbox="801 997 1113 1058">Update June 2016 Basis £ - p</th> </tr> </thead> <tbody> <tr> <td data-bbox="212 1058 342 1090">2016/17</td> <td data-bbox="387 1058 600 1090">estimate</td> <td data-bbox="600 1058 772 1090">+0.80</td> <td data-bbox="801 1058 931 1090">estimate</td> <td data-bbox="931 1058 1113 1090">+0.80</td> </tr> <tr> <td data-bbox="212 1090 342 1121">2017/18</td> <td data-bbox="387 1090 600 1121">estimate</td> <td data-bbox="600 1090 772 1121">+1.67</td> <td data-bbox="801 1090 931 1121">estimate</td> <td data-bbox="931 1090 1113 1121">+1.67</td> </tr> <tr> <td data-bbox="212 1121 342 1153">2018/19</td> <td data-bbox="387 1121 600 1153">estimate</td> <td data-bbox="600 1121 772 1153">+2.11</td> <td data-bbox="801 1121 931 1153">estimate</td> <td data-bbox="931 1121 1113 1153">+2.11</td> </tr> </tbody> </table>	Year	Executive February 2016 Basis £ - p		Update June 2016 Basis £ - p		2016/17	estimate	+0.80	estimate	+0.80	2017/18	estimate	+1.67	estimate	+1.67	2018/19	estimate	+2.11	estimate	+2.11	<p>This Indicator shows the incremental impact on Band D Council Tax of the capital financing costs resulting from borrowing required to fund the Capital Plan. This borrowing includes the funding shortfall of capital bids approved by Executive in February 2004, as part of the 10 year Capital Forecast projection, together with a number of subsequent funding approvals. The 10 year Capital Forecast is in the process of being reviewed</p> <p>Debt charges from Invest to Save schemes and certain other capital provisions are, however, excluded as these are deemed to be self financed from within Directorate revenue budgets and thus do not impact on Council Tax levels</p> <p>As indicated above, debt charges resulting from borrowing approvals issued by the Government in the years prior to 2011/12 are also excluded from this calculation.</p> <p>No changes are proposed to these figures for the time being.</p> <p>The estimated figures for the three years 2017/18 to 2019/20 will need to be updated as part of the 2017/18 Budget process and review of the Medium Term Financial Strategy.</p>
Year	Executive February 2016 Basis £ - p		Update June 2016 Basis £ - p																		
2016/17	estimate	+0.80	estimate	+0.80																	
2017/18	estimate	+1.67	estimate	+1.67																	
2018/19	estimate	+2.11	estimate	+2.11																	

Prudential Indicator	Comment																														
<p>3 Capital Expenditure - Actual and Forecasts</p> <p>The actual capital expenditure that was incurred in 2014/15 and 2015/16 and the latest estimates of capital expenditure to be incurred for the current and future years are:</p> <table border="1" data-bbox="210 475 1128 694"> <thead> <tr> <th data-bbox="210 475 340 536">Year</th> <th colspan="2" data-bbox="387 475 772 536">Executive February 2016 Basis £m</th> <th colspan="2" data-bbox="826 475 1128 536">Update June 2016 Basis £m</th> </tr> </thead> <tbody> <tr> <td data-bbox="210 536 340 564">2014/15</td> <td data-bbox="387 536 607 564">actual</td> <td data-bbox="607 536 772 564">106.6</td> <td data-bbox="826 536 956 564">actual</td> <td data-bbox="956 536 1128 564">106.6</td> </tr> <tr> <td data-bbox="210 564 340 593">2015/16</td> <td data-bbox="387 564 607 593">probable</td> <td data-bbox="607 564 772 593">112.3</td> <td data-bbox="826 564 956 593">actual</td> <td data-bbox="956 564 1128 593">114.9</td> </tr> <tr> <td data-bbox="210 593 340 622">2016/17</td> <td data-bbox="387 593 607 622">estimate</td> <td data-bbox="607 593 772 622">93.6</td> <td data-bbox="826 593 956 622">estimate</td> <td data-bbox="956 593 1128 622">118.4</td> </tr> <tr> <td data-bbox="210 622 340 651">2017/18</td> <td data-bbox="387 622 607 651">estimate</td> <td data-bbox="607 622 772 651">87.7</td> <td data-bbox="826 622 956 651">estimate</td> <td data-bbox="956 622 1128 651">91.5</td> </tr> <tr> <td data-bbox="210 651 340 694">2018/19</td> <td data-bbox="387 651 607 694">estimate</td> <td data-bbox="607 651 772 694">79.3</td> <td data-bbox="826 651 956 694">estimate</td> <td data-bbox="956 651 1128 694">84.6</td> </tr> </tbody> </table> <p>The above figures reflect the updated Capital Plan (Q1 2016/17) together with:-</p> <ul style="list-style-type: none"> (i) expenditure on fixed assets funded directly from the Revenue Budget and not included in the Capital Plan. (ii) an estimated allowance for future expenditure re-phasing between years. 	Year	Executive February 2016 Basis £m		Update June 2016 Basis £m		2014/15	actual	106.6	actual	106.6	2015/16	probable	112.3	actual	114.9	2016/17	estimate	93.6	estimate	118.4	2017/18	estimate	87.7	estimate	91.5	2018/19	estimate	79.3	estimate	84.6	<p>The Indicators approved by Executive on February 2016 were based on a Capital Plan up to 31 December 2015. This Indicator now reflects the Capital Outturn in 2015/16 and the Capital Plan update for Q1 2016/17.</p> <p>The variations are principally a result of:-</p> <ul style="list-style-type: none"> (a) additional provisions and variations to existing provisions which are self-funded from Capital Grants and Contributions, revenue contribution and earmarked capital receipts (b) Capital expenditure re-phasing between years including slippage from 2015/16 outturn and Q1 2016/17 to later years (c) various other Capital approvals and refinements reflected in the latest Capital Plan update
Year	Executive February 2016 Basis £m		Update June 2016 Basis £m																												
2014/15	actual	106.6	actual	106.6																											
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2017/18	estimate	87.7	estimate	91.5																											
2018/19	estimate	79.3	estimate	84.6																											

Prudential Indicator

Comment

4 Capital Financing Requirement (CFR)

Actuals and estimates of the Capital Financing Requirement (CFR) at the defined year ends are as follows:

Date	Executive February 2016				Update June 2016			
	Basis	Borrowing	Other Long Term (PFI etc)	Total	Basis	Borrowing	Other Long Term (PFI etc)	Total
		£m	£m	£m		£m	£m	£m
31 Mar 15	actual	361.1	5.8	366.9	actual	361.1	5.8	366.9
31 Mar 16	probable	346.2	5.5	351.7	actual	347.1	5.5	352.6
31 Mar 17	estimate	336.7	5.3	342.0	estimate	340.9	5.3	346.2
31 Mar 18	estimate	326.8	5.1	331.9	estimate	336.6	5.1	341.7
31 Mar 19	estimate	316.9	4.7	321.6	estimate	334.8	4.7	339.5

The CFR measures the underlying need for the County Council to borrow for capital purposes. In accordance with best professional practice, the County Council does not earmark borrowing to specific items or types of expenditure. The County Council has an integrated treasury management approach and has adopted the CIPFA Code of Practice for Treasury Management. The County Council has, at any point in time, a number of cashflows, both positive and negative, and manages its treasury position in terms of its overall borrowings and investments in accordance with its approved Annual Treasury Management Strategy. In day to day cash management, no distinction is made between revenue and capital cash. External borrowing arises as a consequence of all the financial transactions of the County Council as a whole and not simply those arising from capital spending. In contrast, the CFR Indicator reflects the County Council's underlying need to borrow for capital purposes only.

The February 2016 figures were based on a Capital Plan approved as at 31 December 2015.

The updated figures reflect the following variations to the February 2016 figures

- (a) re-phasing between years of expenditure that is funded from borrowing including slippage between years identified at 2015/16 outturn and Q1 2016/17
- (b) capital receipts (including company loans) slippage between years that affect year on year borrowing requirements
- (c) variations in the level of the Corporate Capital Pot which is used in lieu of new borrowing until the Pot is required
- (d) additions and variations to schemes/provisions approved that are funded from Prudential Borrowing
- (e) variations in the annual Minimum Revenue Provision for debt Repayment which arise from the above
- (f) various other refinements

Prudential Indicator	Comment
<p>5 Gross Debt and the Capital Financing Requirement</p> <p>The Prudential Code emphasises that in order to ensure that over the medium term debt will only be for a capital purpose, the County Council should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the previous year (2015/16), plus the estimate of any additional capital financing requirement for the current (2016/17) and next two financial years (2017/18 and 2018/19). If, in any of these years, there is a reduction in the capital financing requirement, this reduction should be ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt.</p> <p>This Prudential Indicator is referred to as gross debt and the comparison with the capital financing requirement (Indicator 4) and is a key indicator of prudence.</p> <p>The Corporate Director – Strategic Resources reports that the County Council had no difficulty in meeting this requirement up to 2015/16 nor are any difficulties envisaged for the current or future years of the Medium Term Financial Strategy up to 2018/19. For subsequent years, however, there is potential that the County Council may not be able to comply with the new requirement as a result of the potential for the annual Minimum Revenue Provision (MRP) reducing the Capital Financing Requirement below gross debt. This potential situation will be monitored closely. This opinion takes into account spending commitments, existing and proposed Capital Plans and the proposals in the Revenue Budget 2016/17 and Medium Term Financial Strategy report.</p>	<p>This Prudential Indicator was changed in 2013/14 to reflect the comparison of gross debt (external debt plus other long term liabilities less debt administered on behalf of the Police Authority) with the Capital Financing Requirement (CFR). The comparator debt figure had previously been net debt which was gross debt less investments.</p> <p>The Prudential Code requires that where there is a significant difference between the gross debt and the gross borrowing requirement, as demonstrated by the CFR, then the risks and benefits associated with this strategy should be clearly stated in the annual Treasury Management Strategy. This is covered in paragraphs 8.5 to 8.13 of the Annual Treasury Management and Investment Strategy as submitted to Executive in February 2016.</p> <p>The County Council's gross debt figure is currently significantly below the CFR figures shown in Indicator 4 because of annual capital borrowing requirements being funded internally from cash balances (i.e. running down investments) rather than taking out new external debt.</p> <p>This situation, however, could be reversed in future as a result of two key factors:</p> <ul style="list-style-type: none"> (i) externalising some or all of the internally financed CFR together with (ii) the potential for the annual Minimum Revenue Provision (MRP) for debt repayment reducing the CFR below gross debt because the debt cannot readily be prematurely repaid without incurring significant penalties (premiums). <p>This potential situation will be monitored carefully by the Corporate Director – Strategic Resources.</p>

Prudential Indicator	Comment																																																
<p>6 Authorised Limit for External Debt</p> <p>In respect of its external debt, it is recommended that the County Council approves the following Authorised Limits for its total external debt for the next three financial years.</p> <p>The Prudential Code requires external borrowing and other long term liabilities (PFI and Finance leases) to be identified separately.</p> <p>The authorised limit for 2016/17 (£373.7) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.</p> <table border="1" data-bbox="129 627 1317 906"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="3">Executive February 2016</th> <th colspan="3">Update June 2016</th> </tr> <tr> <th>External Borrowing</th> <th>Other long term liabilities</th> <th>Total Borrowing Limit</th> <th>External Borrowing</th> <th>Other long term liabilities</th> <th>Total Borrowing Limit</th> </tr> <tr> <td></td> <th>£m</th> <th>£m</th> <th>£m</th> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>369.2</td> <td>5.5</td> <td>374.7</td> <td>369.2</td> <td>5.5</td> <td>374.7</td> </tr> <tr> <td>2016/17</td> <td>368.2</td> <td>5.3</td> <td>373.5</td> <td>368.4</td> <td>5.3</td> <td>373.7</td> </tr> <tr> <td>2017/18</td> <td>382.5</td> <td>5.1</td> <td>387.6</td> <td>367.6</td> <td>5.1</td> <td>372.7</td> </tr> <tr> <td>2018/19</td> <td>344.5</td> <td>4.7</td> <td>349.2</td> <td>348.6</td> <td>4.7</td> <td>353.3</td> </tr> </tbody> </table>	Year	Executive February 2016			Update June 2016			External Borrowing	Other long term liabilities	Total Borrowing Limit	External Borrowing	Other long term liabilities	Total Borrowing Limit		£m	£m	£m	£m	£m	£m	2015/16	369.2	5.5	374.7	369.2	5.5	374.7	2016/17	368.2	5.3	373.5	368.4	5.3	373.7	2017/18	382.5	5.1	387.6	367.6	5.1	372.7	2018/19	344.5	4.7	349.2	348.6	4.7	353.3	<p>The Corporate Director – Strategic Resources confirms that these authorised limits are consistent with the County Council’s current commitments, updated Capital Plan and the financing of that Plan, the 2016/17 Revenue Budget and Medium Term Financial Strategy and with its approved Treasury Management Policy Statement.</p> <p>The Corporate Director – Strategic Resources also confirms that the limits are based on the estimate of most likely prudent, but not worst case, scenario with sufficient headroom over and above this to allow for operational issues (e.g. unusual cash movements). To derive these limits a risk analysis has been applied to the Capital Plan, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.</p> <p>The updated figures reflect a number of refinements which are also common to the Capital Financing Requirement (see Indicator 4) and Operational Boundary for external debt (see Indicator 7). Explanations for these changes are provided under Indicators 4 and 7 respectively.</p>
Year		Executive February 2016			Update June 2016																																												
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Prudential Indicator	Comment																																																
<p>7 Operational Boundary for External Debt</p> <p>It is recommended that the County Council approves the following Operational Boundary for external debt for the same period.</p> <p>The proposed operational boundary for external debt is based on the same estimates as the Authorised Limit (ie Indicator 6 above) but also reflects an estimate of the most likely prudent, but not worst case, scenario without the additional headroom included within the Authorised Limit to allow for eg unusual cash flows.</p> <table border="1" data-bbox="129 628 828 906"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="3">Executive February 2016</th> </tr> <tr> <th>External Borrowing</th> <th>Other long term liabilities</th> <th>Total Borrowing Limit</th> </tr> <tr> <td></td> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>349.2</td> <td>5.5</td> <td>354.7</td> </tr> <tr> <td>2016/17</td> <td>348.2</td> <td>5.3</td> <td>353.5</td> </tr> <tr> <td>2017/18</td> <td>362.5</td> <td>5.1</td> <td>367.6</td> </tr> <tr> <td>2018/19</td> <td>324.5</td> <td>4.7</td> <td>329.2</td> </tr> </tbody> </table> <table border="1" data-bbox="866 628 1355 906"> <thead> <tr> <th colspan="3">Update June 2016</th> </tr> <tr> <th>External Borrowing</th> <th>Other long term liabilities</th> <th>Total Borrowing Limit</th> </tr> <tr> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>349.2</td> <td>5.5</td> <td>354.7</td> </tr> <tr> <td>348.4</td> <td>5.3</td> <td>353.7</td> </tr> <tr> <td>347.6</td> <td>5.1</td> <td>352.7</td> </tr> <tr> <td>328.6</td> <td>4.7</td> <td>333.3</td> </tr> </tbody> </table>	Year	Executive February 2016			External Borrowing	Other long term liabilities	Total Borrowing Limit		£m	£m	£m	2015/16	349.2	5.5	354.7	2016/17	348.2	5.3	353.5	2017/18	362.5	5.1	367.6	2018/19	324.5	4.7	329.2	Update June 2016			External Borrowing	Other long term liabilities	Total Borrowing Limit	£m	£m	£m	349.2	5.5	354.7	348.4	5.3	353.7	347.6	5.1	352.7	328.6	4.7	333.3	<p>The Operational Boundary represents a key management tool for the in year monitoring of external debt by the Corporate Director – Strategic Resources.</p> <p>The updated figures reflect refinements which are common to the Capital Financing Requirement (see Indicator 4 above), together with</p> <ul style="list-style-type: none"> (a) relative levels of capital expenditure funded internally from cash balances rather than taking external debt (b) loan repayment cover arrangements and the timing of such arrangements <p>These two financing transactions affect external debt levels at any one point of time during the financial year but do not impact on the Capital Financing Requirement.</p>
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Prudential Indicator					Comment																																																																				
<p>8 Actual External Debt</p> <p>The County Council's external debt is set out below and consists of external borrowing from the PWLB and money markets plus other long term liabilities such as PFI and finance leases which are classified as external debt for this purpose.</p>					<p>The updated estimates for the 3 years to 31 March 2019 reflect refinements which are common to the Capital Financing Requirement (see Indicator 4 above) together with the relative levels of capital expenditure internally funded from cash balances rather than taking external debt.</p> <p>The estimate for 31 March 2016 includes the 2016/17 external borrowing requirement of £19.5m which is ultimately likely to be rolled over into 2017/18.</p>																																																																				
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<p>It should be noted that actual external debt is not directly comparable to the Authorised Limit (Indicator 6 above) and Operational Boundary (Indicator 7 above) since the actual external debt reflects a position at one point in time.</p>																																																																									
<p>9 Limit of Money Market Loans (Local Indicator)</p> <p>Borrowing from the money market for capital purposes (as opposed to borrowing from the PWLB) is to be limited to 30% of the County Council's total external debt outstanding at any one point in time.</p> <p>The actual position at 31 March 2016 was 6% (£20m out of a total of £320.8m) against an upper limit of 30%</p>					<p>This limit was introduced as a new Local Prudential Indicator in 2009/10, although the 30% limit has featured as part of the Borrowing Policy section of the County Council's Annual Treasury Management and Investment Strategy for many years.</p>																																																																				

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Prudential Indicator	Comment																														
<p>TREASURY MANAGEMENT INDICATORS</p>																															
<p>10 Adoption of CIPFA Code of Practice for Treasury Management</p>	<p>The County Council formally adopted the 2011 revised CIPFA Code of Practice for Treasury Management in the Public Service at its meeting on 15 February 2012.</p>																														
<p>11 Interest Rate Exposures</p> <p>In accordance with the Code of Practice the County Council sets upper and lower limits on its fixed and variable interest rate exposures as a percentage of outstanding principal sums for 2016/17, 2017/18 and 2018/19 as set out below -</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; width: 20%;">Lower %</th> <th style="text-align: center; width: 20%;">Upper %</th> </tr> </thead> <tbody> <tr> <td>Borrowing</td> <td></td> <td></td> </tr> <tr> <td>• Fixed</td> <td style="text-align: center;">60</td> <td style="text-align: center;">100</td> </tr> <tr> <td>• Variable</td> <td style="text-align: center;">0</td> <td style="text-align: center;">40</td> </tr> <tr> <td>Investments</td> <td></td> <td></td> </tr> <tr> <td>• Fixed</td> <td style="text-align: center;">0</td> <td style="text-align: center;">30</td> </tr> <tr> <td>• Variable</td> <td style="text-align: center;">70</td> <td style="text-align: center;">100</td> </tr> <tr> <td>Combined Net Borrowing and Investments</td> <td></td> <td></td> </tr> <tr> <td>• Fixed</td> <td style="text-align: center;">160</td> <td style="text-align: center;">210</td> </tr> <tr> <td>• Variable</td> <td style="text-align: center;">-60</td> <td style="text-align: center;">-110</td> </tr> </tbody> </table>		Lower %	Upper %	Borrowing			• Fixed	60	100	• Variable	0	40	Investments			• Fixed	0	30	• Variable	70	100	Combined Net Borrowing and Investments			• Fixed	160	210	• Variable	-60	-110	<p>No changes to these limits are proposed</p> <p>This means that the Corporate Director – Strategic Resources, will</p> <p>for borrowing manage fixed interest rate exposure within the range 60% to 100% of outstanding principal and variable interest rate exposure within the range 0% to 40% of outstanding principal</p> <p>for investments manage fixed interest rate exposure within the range 0% to 30% of outstanding principal and variable rate exposure within the range 70% to 100% of outstanding principal. The split of investments between fixed and variable rates is based on the market convention that investments up to 365 days are regarded as being at variable rates.</p> <p>The combined net borrowing and investment position represents the formal Prudential Indicator for Interest Rate Exposures. On its own however it does not show clearly how borrowing and investments will be managed, hence the two separate 'local indicators' showed above. The change reflects the impact on the indicator of a continuing high level of cash balances and consequential investments which are all on variable interest rates.</p>
	Lower %	Upper %																													
Borrowing																															
• Fixed	60	100																													
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Prudential Indicator	Comment																																													
<p>12 Maturity Structure of Borrowing</p> <p>The upper and lower limits for the maturity structure of County Council borrowings are as follows:-</p> <p>The amount of projected borrowing maturing in each period as a percentage of total projected borrowing that is fixed rate:</p> <table border="1" data-bbox="230 564 1225 991"> <thead> <tr> <th data-bbox="230 564 629 659">Period</th> <th data-bbox="629 564 754 659">Lower Limit %</th> <th data-bbox="754 564 873 659">Upper Limit %</th> <th colspan="2" data-bbox="873 564 1225 592">Memo item - actual at</th> </tr> <tr> <td></td> <td></td> <td></td> <th data-bbox="873 592 1050 659">1 April 15 %</th> <th data-bbox="1050 592 1225 659">1 April 16 %</th> </tr> </thead> <tbody> <tr> <td data-bbox="230 659 629 703">under 12 months</td> <td data-bbox="629 659 754 703">0</td> <td data-bbox="754 659 873 703">50</td> <td data-bbox="873 659 1050 703">12</td> <td data-bbox="1050 659 1225 703">2</td> </tr> <tr> <td data-bbox="230 703 629 748">12 months & within 24 months</td> <td data-bbox="629 703 754 748">0</td> <td data-bbox="754 703 873 748">15</td> <td data-bbox="873 703 1050 748">2</td> <td data-bbox="1050 703 1225 748">10</td> </tr> <tr> <td data-bbox="230 748 629 793">24 months & within 5 years</td> <td data-bbox="629 748 754 793">0</td> <td data-bbox="754 748 873 793">45</td> <td data-bbox="873 748 1050 793">9</td> <td data-bbox="1050 748 1225 793">19</td> </tr> <tr> <td data-bbox="230 793 629 837">5 years & within 10 years</td> <td data-bbox="629 793 754 837">0</td> <td data-bbox="754 793 873 837">75</td> <td data-bbox="873 793 1050 837">22</td> <td data-bbox="1050 793 1225 837">12</td> </tr> <tr> <td data-bbox="230 837 629 882">10 years and within 25 years</td> <td data-bbox="629 837 754 882">10</td> <td data-bbox="754 837 873 882">100</td> <td data-bbox="873 837 1050 882">10</td> <td data-bbox="1050 837 1225 882">8</td> </tr> <tr> <td data-bbox="230 882 629 927">25 years and within 50 years</td> <td data-bbox="629 882 754 927">10</td> <td data-bbox="754 882 873 927">100</td> <td data-bbox="873 882 1050 927">45</td> <td data-bbox="1050 882 1225 927">49</td> </tr> <tr> <td data-bbox="230 927 629 991"></td> <td data-bbox="629 927 754 991"></td> <td data-bbox="754 927 873 991"></td> <td data-bbox="873 927 1050 991">100</td> <td data-bbox="1050 927 1225 991">100</td> </tr> </tbody> </table>	Period	Lower Limit %	Upper Limit %	Memo item - actual at					1 April 15 %	1 April 16 %	under 12 months	0	50	12	2	12 months & within 24 months	0	15	2	10	24 months & within 5 years	0	45	9	19	5 years & within 10 years	0	75	22	12	10 years and within 25 years	10	100	10	8	25 years and within 50 years	10	100	45	49				100	100	<p>No changes to these limits approved by Executive on 16 February 2016 and County Council on 24 February 2016 are proposed.</p> <p>The lower limits of 10% for the periods 10 to 25 years and 25 to 50 years is designed to ensure that the County Council does not have the risk of having to repay all debt within a ten year period.</p>
Period	Lower Limit %	Upper Limit %	Memo item - actual at																																											
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Prudential Indicator	Comment
<p>13 Total Principal Sums Invested for periods longer than 364 days</p> <p>The 2016/17 aggregate limit of £20m for 'non specified' investments longer than 364 days is based on a maximum of 20% of estimated 'core cash funds' up to 2018/19 being made available for such investments.</p> <p>The purpose of this prudential limit for principal sums invested for longer than 364 days is for the County Council to contain its exposure to the possibility of loss that might arise as a result of it having to seek early repayment or redemption of principal sums invested.</p>	<p>No change to this limit is proposed.</p> <p>The County Council currently has no such investments that fall into this category.</p> <p>Prior to 1 April 2004, Regulations generally prevented local authorities from investing for longer than 364 days. As a result of the Prudential Regime however, these prescriptive regulations were abolished and replaced with Government Guidance from April 2004.</p> <p>This Guidance gives authorities more freedom in their choice of investments (including investing for periods longer than 364 days) and recognises that a potentially higher return can be achieved by taking a higher (ie longer term) risk.</p> <p>This flexibility requires authorities to produce an Annual Investment Strategy that classifies investments as either Specified (liquid, secure, high credit rating & less than 365 days) or Non Specified (other investments of a higher risk). Non Specified investments are perfectly allowable but the criteria and risks involved must be vigorously assessed, including professional advice, where appropriate. Therefore investments for 364 days+ are allowable as a Non Specified investment under the Government Guidance. The use of such investments is therefore now incorporated into the County Council's Annual Treasury Management and Investment Strategy.</p>

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

18 October 2016

CONSTITUTION AMENDMENTS 2016

Report of the Assistant Chief Executive (Legal and Democratic) Services

1.0 PURPOSE OF REPORT

- 1.1 To present to Members, for their consideration and recommendation to full Council, proposed changes to the County Council's Constitution.

2.0 BACKGROUND

- 2.1 The Constitution is amended periodically to keep it up to date and to record agreed working practices. Every four years, the Monitoring Officer undertakes a full review of the Constitution and is currently commencing a detailed review. This report details some initial proposed amendments to the Constitution for recommendation to full Council, which must approve changes to the Constitution. Many of the issues identified as changes in this report are routine updates. A further report will follow in due course.

3.0 AMENDMENTS TO THE CONSTITUTION

- 3.1 The proposed amendments to the Constitution arising out of the Monitoring Officer's review of it are set out in the Amendments Chart attached as **Appendix 1** to this report. The opportunity has been taken to update various aspects of the Constitution and also to undertake certain administrative functions such as improving formatting and amending typographical errors. Such proposed administrative amendments have not been shown in the Amendments Chart and will just be undertaken with the amendments ultimately approved by Council. The Chart also sets out reasons for the amendments recommended.

- 3.2 The more substantive areas of proposed change are highlighted below.

3.3 Decision-making re commons registration functions

- 3.3.1 Proposed amendments to the Planning and Regulatory Functions Committee and Sub-Committee Terms of Reference and the Officers' Delegation Scheme are proposed in relation to decision-making in respect of the Council's functions in its role as the Commons Registration Authority under Part 1 of the Commons Act 2006. Such functions are non-executive functions.

- 3.3.2 It is recommended that, for reasons of clarity, there is a need to amend the Constitution to reference all functions of the authority under Part 1 of the Commons Act 2006, as currently only four functions are specified: two in the Planning and Regulatory Functions Committee and Sub-Committee Terms of Reference and two in the specific delegations to the Corporate Director Business and Environmental Services at paragraphs 4.4 (d) and (q) of the Officers' Delegation Scheme.

- 3.3.3 The following specific delegations currently appear in the Corporate Director Business and Environmental Services' specific delegations at para 4.4 in the Officers' Delegation Scheme in the Constitution:

(d) *To exercise the power to remove land from the registers of Common Land and Town or Village Greens where a Release Order has been issued to the County Council by the Secretary of State for Environment, Food and Rural Affairs under Section 17 of the Commons Act 2006.*

(q) *Functions and powers related to enforcement against unlawful works on registered common land; to protect unclaimed registered common land or town and village greens, and to institute proceedings for offences in respect of unclaimed land. (Sections 41 and 45 Commons Act 2006)*

3.3.4 The following delegations currently appear in both the Planning and Regulatory Functions Committee and Sub-Committee Terms of Reference:

Regulatory Powers

26. [Not used]

27. *Power to register land as common land or a town or village green, except in the case of an exchange of lands affected by an Order made under Section 19(3) of, or paragraph (t), or Schedule 3 to the Acquisition of Land Act 1981. Section 15 of the Commons Act 2006.

28. *Power to register variations of rights of common. Section 7 of the Commons Act 2006

29. [Not used]

3.3.5 However this does not specifically reference the range of different types of application under Part 1 of the Commons Act 2006 and it is therefore recommended that, for reasons of clarity and accountability, the powers to determine the various types of applications under that legislation should be specified in the Constitution.

3.3.6 This has led to a review by officers of the current arrangements regarding decision-making in relation to common land which has culminated in the proposed amendments to the Terms of Reference of the Planning and Regulatory Functions Committee and Planning and Regulatory Functions Sub-Committee and the Officers' Delegation Scheme as set out in **Appendices 2 and 3** to this report respectively. Where a delegation has been removed, the words '[Not used]' have been inserted to retain current numbering to avoid any problems with cross references.

3.3.7 Part 1 of the Commons Act 2006 came into effect in full in North Yorkshire in December 2014 and as anticipated has generated a constant flow of applications to bring the Commons Register up to date. Section 15 of the Commons Act 2006 (which is contained within Part 1 of the Act and which provides for applications to register land as Town and Village Green) has however been in force since 2006. Such applications have historically often been quite contentious (one application to register land in North Yorkshire ultimately led to a case in the Supreme Court and there has been a stream of other cases across the country) however the relevant legislation has recently been tightened in an attempt to avoid such applications being used out of context as a last minute attempt to prevent already authorised development. Consequently the number of these applications is far fewer than previously and those that are received are largely non-contentious and could now sit comfortably in the same part of the Constitution as other decision-making powers under Part 1 of the 2006 Act.

3.3.8 Members will see from the proposed amendments that it is recommended that all commons registration functions under Part 1 of the 2006 Act be delegated to the

Corporate Director Business and Environmental Services with power for him to refer such matters to the Planning and Regulatory Functions Sub-Committee for determination where, after consultation with any standing Chair of the Sub-Committee or, if none or unavailable, the Chair of the Planning and Regulatory Functions Committee, the Corporate Director deems this to be appropriate (for example in more contentious cases). This would minimise minor cases coming before the Sub-Committee but would enable the Sub-Committee to consider the more contentious matters or matters best considered at a Member level across the whole range of commons registration functions where the Director and Chair of the Planning and Regulatory Functions Sub-Committee/Committee deem this to be appropriate.

- 3.3.9 The Chairs of the Planning and Regulatory Functions Committee and Planning and Regulatory Functions Sub-Committee and the Members of the Constitution Working Group are being consulted on the proposed amendments, along with key officers.

3.4 Appointments to Outside Bodies

- 3.4.1 There are many outside bodies listed within Part 3, Schedule 5 (Appointment to Outside Bodies) of the Constitution, to which County Councillors and their nominees are appointed. Certain amendments are proposed to Schedule 5 to ensure that the Constitution is up to date.

4.0 POLICY IMPLICATIONS

- 4.1 Any policy implications arising out of the proposed changes to the Constitution are addressed in the Amendments Chart in **Appendix 1**.

5.0 FINANCIAL IMPLICATIONS

- 5.1 There are no significant financial considerations arising from this report.

6.0 LEGAL IMPLICATIONS

- 6.1 The legal implications of the proposed amendments are set out earlier in the body of this report.

7.0 CONSULTATION UNDERTAKEN AND RESPONSES

- 7.1 Consultation on the proposed amendments to the Constitution set out in this report and in the Amendments Chart and appendices has taken place with relevant officers and is currently taking place with the Members' Constitution Working Group (via correspondence). The Chairs of the Planning and Regulatory Functions Committee and Sub-Committee have been consulted on the proposals to amend the Committee's and Sub-Committee's Terms of Reference and the Officers' Delegation scheme re commons registration functions as set out in paragraph 3.3 above.

- 7.2 This report will go on from the Executive on 18 October 2016 to County Council on 9 November 2016.

8.0 HUMAN RESOURCES IMPLICATIONS

- 8.1 There are no significant resource considerations arising from this report.

9.0 EQUALITIES IMPLICATIONS

- 9.1 The report is compliant with the Council's equalities' responsibilities.

10.0 **HEALTH AND SAFETY IMPLICATIONS**

10.1 The report is compliant with the Council's health and safety responsibilities.

11.0 **OPTIONS**

11.1 The options in relation to the amendments required and/or proposed to the Council's Constitution are set out in the body of this report and its appendices.

12.0 **REASONS FOR RECOMMENDATIONS**

12.1 For the reasons set out in the Amendments Chart and this report, it is recommended that, subject to any comments Members may have, the recommendations and changes to the Constitution set out below be proposed to the meeting of the County Council on 9 November 2016.

13.0 **RECOMMENDATIONS**

13.1 That, subject to any comments Members may have, the proposed amendments to the Constitution as set out in the Amendments Chart at **Appendix 1** and in this report be recommended to full Council for approval.

13.2 That, subject to any comments Members may have, it is recommended to full Council that all commons registration functions under Part 1 of the Commons Act 2006 and associated legislation be delegated to the Corporate Director Business and Environmental Services with power for him to refer such matters to the Planning and Regulatory Functions Sub-Committee for determination where, after consultation with any standing Chair of the Sub-Committee or, if none or unavailable, the Chair of the Planning and Regulatory Functions Committee, the Corporate Director Business and Environmental Services deems this to be appropriate.

13.3 That, subject to any comments Members may have, the proposed amendments to the Planning and Regulatory Functions Committee and Sub-Committee Terms of Reference as set out at **Appendix 2** to this report, be recommended to full Council for approval.

13.4 That, subject to any comments Members may have, the proposed amendments to the Officers' Scheme of Delegation as set out at **Appendix 3** to this report, be recommended to full Council for approval.

BARRY KHAN

Assistant Chief Executive (Legal and Democratic) Services and Monitoring Officer

COUNTY HALL
NORTHALLERTON

6 October 2016

Background Documents:

- The Council's Constitution
- The Commons Registration (General) Regulations 1966
- The Commons Act 2006
- The Commons Registration (England) Regulations 2014
- The Local Authorities (Functions and Responsibilities) (England) Regulations 2000

Proposed Amendments to Constitution – October/November 2016

Where amendments are suggested to part of a paragraph, only the relevant part is replicated in the amendment chart below.

<u>PART A: ITEMS FOR DECISION</u>			
Provision in Constitution	Current Wording	Proposed Amendment	Reason(s)
Part 2 - Articles of the Constitution Article 8 - Regulatory and Other Committees Article 8.03	8.03 Health and Wellbeing Board The Council has established a Health and Wellbeing Board which will, with effect from 1 April 2013, undertake functions and operate as required, in relation to health and wellbeing matters, by the Health and Social Care Act 2012 and related regulations.	8.03 Health and Wellbeing Board The Council has established a Health and Wellbeing Board which undertakes functions and operates as required, in relation to health and wellbeing matters, by the Health and Social Care Act 2012 and related regulations.	To remove out of date references and update the Constitution.
Part 3 – Responsibility for Functions 5. DELEGATION OF FUNCTIONS BY THE COUNCIL	5.8 Functions of health and wellbeing boards under the Health and Social Care Act 2012 and related regulations are undertaken by the Health and Wellbeing Board as set out in Schedule 1. The Board operates in shadow form until 1 April 2013 when it will be placed on a statutory footing.	5.8 Functions of health and wellbeing boards under the Health and Social Care Act 2012 and related regulations are undertaken by the Health and Wellbeing Board as set out in Schedule 1.	To remove out of date references and update the Constitution.
Part 3 – Responsibility for Functions Schedule 4 – Officers’ Delegation Scheme	1.2 The Monitoring Officer – The Assistant Chief Executive (Legal and Democratic Services) (s5 Local Government and Housing Act 1989) (a) Duty to prepare a report if it appears to her that any proposal, decision or omission has or would give rise to any contravention of law or has caused any maladministration or injustice.	1.2 The Monitoring Officer – The Assistant Chief Executive (Legal and Democratic Services) (s5 Local Government and Housing Act 1989) (a) Duty to prepare a report if it appears to him/her that any proposal, decision or omission has or would give rise to any contravention of law or has caused any maladministration or injustice.	A stylistic amendment to ‘futureproof’ the Constitution.

<p>Part 3 – Responsibility for Functions</p> <p>Schedule 5 - Appointments to Outside Bodies</p>		<p><i>Remove reference to the following:</i></p> <ul style="list-style-type: none"> • Harrogate District Community Transport • Local Government Yorkshire and Humber • Harrogate District Local Strategic Partnership North Yorkshire Coast Community Partnership • Selby District Local Strategic Partnership - Steering Group (LSP) <p><i>Amend the following references to reflect mergers:</i></p> <p>References to Hambleton and Richmondshire Citizens Advice Bureau and Selby and District Citizens Advice Bureau should become references to “Citizens Advice Hambleton, Richmond & Selby & District”.</p> <p>References to Craven Citizens Advice Bureau, Ripon and District Citizens Advice Bureau and Harrogate CAB should become references to “Craven and Harrogate Districts Citizens Advice Bureau”.</p> <p><i>Amend the following reference:</i></p> <p>Northallerton and District Voluntary Service Association</p> <p><i>to:</i></p> <p>Hambleton Community Action</p>	<p>The organisations no longer exist.</p> <p>To reflect a merger between the organisations</p> <p>To reflect a merger between the organisations</p> <p>To reflect a change of name.</p>
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<p>Part 3 – Responsibility for Functions</p> <p>Schedule 5 - Appointments to Outside Bodies</p>		<p><i>Include reference to appointments made as Director and Deputy Director of Rail North.</i></p>	<p>To keep the Constitution up to date.</p>
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<p>Part 1</p> <p>Responsibility for Functions</p> <p>Schedule 2 – The Executive</p> <p>Executive Members’ Delegation Scheme</p>	<p>...</p> <p>16. The Executive Member with responsibility for Stronger Communities (or in his/her temporary absence such other member of the Executive as may be available) has the power to determine County Councillor Locality Budget grant applications.</p>	<p><i>Amend paragraph 16 as follows:</i></p> <p>...</p> <p>16. The Executive Member with responsibility for Stronger Communities (or in his/her temporary absence the Leader) has the power to determine County Councillor Locality Budget grant applications.</p>	<p>The Executive previously endorsed this consequential change to the Constitution arising out of the report to the Executive re Locality Budgets for reporting back to full Council.</p> <p>The Constitution was amended under the Monitoring Officer’s powers in Article 15.02 (c)(iii) of the Constitution, to reflect changes to arrangements for the distribution of responsibilities and the delegation of powers in accordance with decisions taken by the person(s) or body with authority to take such action, however the entry requires amendment to correctly reflect the delegation made.</p>
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PART B: ITEMS FOR INFORMATION

<p>Part 4 Rules of Procedure</p> <p>Council Procedure Rules</p> <p>Council Procedure Rule 4 (e)</p> <p>APPOINTMENT OF SUBSTITUTE MEMBERS OF COMMITTEES AND SUB- COMMITTEES</p>	<p>(a) The Council, in addition to appointing Members (hereafter called “the normal Members”) to serve on a committee, may also appoint, on the nomination of each of the political groups represented on the Council, County Councillors to act as substitute Members in the circumstances set out below.</p> <p>(b) For each committee other than the Appeals Committee (Home to School Transport), the number of Members who may be nominated as substitute members shall not exceed four for the Conservative Group and Liberal Democrat Group and shall not exceed three for each of the other political groups. For the Appeals Committee (Home to School Transport), each Group which nominates members shall each be entitled to nominate up to six substitute members. (The number of substitute Members which each group is entitled to nominate shall be reviewed by the Council after the County Council elections and at any other time when, in the opinion of the Council, there has been a significant change in the political balance on the Council).</p> <p>(c) In addition to appointing Members as named substitute Members for each committee etc, each political group shall be entitled to nominate a “standing substitute list” comprising all or some of its Members, listed in the order in which they are to be invited to act as substitute for all committees, sub-committees etc on which they are neither a normal Member nor a named substitute.</p>	<p>(a) The Council, in addition to appointing Members (hereafter called “the normal Members”) to serve on a committee, may also appoint, on the nomination of each of the political groups represented on the Council, County Councillors to act as substitute Members in the circumstances set out below.</p> <p>(b) For each committee other than the Appeals Committee (Home to School Transport), the number of Members who may be nominated as substitute members shall not exceed four for the Conservative Group and Liberal Democrat Group and shall not exceed three for each of the other political groups. For the Appeals Committee (Home to School Transport), each Group which nominates members shall each be entitled to nominate up to six substitute members. (The number of substitute Members which each group is entitled to nominate shall be reviewed by the Council after the County Council elections and at any other time when, in the opinion of the Council, there has been a significant change in the political balance on the Council).</p> <p>(c) In addition to appointing Members as named substitute Members for each committee etc, each political group shall be entitled to nominate a “standing substitute list” comprising all or some of its Members, listed in the order in which they are to be invited to act as substitute for all committees, sub-committees etc on which they are neither a normal Member nor a named substitute.</p>	<p>It is proposed that the current Substitution Scheme published in the Constitution be amended to reflect current practice.</p> <p>The Constitution currently provides that if a Member of a committee cannot attend a meeting, he/she must approach the named Substitutes in the order in which they are listed in the named substitute list. It is proposed to amend the Constitution to reflect current practice ie that Members may approach any of the named substitutes of the same political group identified on the substitute list in the membership list for that committee, and, if there are none available, then the Member can approach the members on the standing substitute list for the political group in the order in which their names appear on that list.</p> <p>The Constitution will be amended by the Monitoring Officer under his delegated powers in Article 15.02 (c)(ii) of the Constitution, to ensure that the Constitution meets all legal requirements and is up to date.</p> <p>The appearance of this amendment in this Appendix will constitute the reporting back to full Council of the matter as required by Article 15.02 of the Constitution.</p>
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	<p>(d) A normal member of a committee shall, if he/she wishes a substitute Member to attend the meeting of that committee in his/her place, make the necessary arrangements with the first available Member named in the list of substitute Members of his/her political group and shall either give, or shall arrange for the nominated substitute Member, or any other member of his/her political group, to give the Assistant Chief Executive (Legal and Democratic Services) notice of the substitution before the commencement of the meeting, either in written or in oral form.</p> <p>(e) The substitute Member named in the substitution notice shall be the substitute Member whose name appears first in the list of substitute Members of the same political group as that of the normal Member, whose appointment as substitute members of the relevant committee has been approved by the Council. If, however, that substitute Member cannot attend the meeting in question or will be attending in substitution for another Member, then the second named substitute Member for that group may be named in the notice, and if he/she cannot attend or has already arranged to attend in substitution for another Member, the third substitute Member may be named etc. If no named substitute is able to attend the meeting, the members of the standing substitute list for that political group may be approached in the order in which their names appear on that list.</p> <p>.....</p>	<p>(d) A normal member of a committee shall, if he/she wishes a substitute Member to attend the meeting of that committee in his/her place, make the necessary arrangements with any available Member named in the list of substitute Members of his/her political group, subject to the substitute having received any necessary training, and shall either give, or shall arrange for the nominated substitute Member, or any other member of his/her political group, to give the Assistant Chief Executive (Legal and Democratic Services) notice of the substitution before the commencement of the meeting, either in written or in oral form.</p> <p>(e) The substitute Member named in the substitution notice shall be a substitute Member whose name appears in the list of substitute Members of the same political group as that of the normal Member, whose appointment as substitute members of the relevant committee has been approved by the Council. If no named substitute is able to attend the meeting, the members of the standing substitute list for that political group may be approached in the order in which their names appear on that list.</p> <p>.....</p>	
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<p>Part 4 Rules of Procedure</p> <p>Council Procedure Rules</p> <p>Council Procedure Rule 8</p> <p>QUORUM</p>	<p>8. QUORUM</p> <p>8.1 Council Meetings</p> <p>If during any meeting of the Council the Chairman declares that there is not a quorum present (one quarter of the whole number of Members) the meeting shall stand adjourned. (If at any time more than one third of the Members have a disclosable pecuniary interest, the quorum shall be one quarter of the Members remaining).</p> <p>8.2 Other Meetings</p> <p>The quorum of any other meeting will be one quarter of the total voting membership of the body or three voting members, whichever is the larger. During any meeting if the Chairman counts the number of Members present and declares there is not a quorum present, then the meeting will adjourn immediately. Remaining business will be considered at a time and date fixed by the Chairman. If he/she does not fix a date, the remaining business will be considered at the next ordinary meeting.</p>	<p><i>Insert a new Rule 8.3 as follows:</i></p> <p>8.3 Committee quorum list</p> <p>Current Committee quorum are set out below:</p> <p>Planning and Regulatory Functions Committee – Quorum (3) voting Members</p> <p>Planning and Regulatory Functions Sub-Committee - Quorum (3) voting Members</p> <p>Standards Committee - Quorum (3) voting Members</p> <p>Audit Committee - Quorum (3) voting Members</p> <p>Appeals Committee (Home to School Transport) - Quorum (3) voting Members</p> <p>Employment Appeals Committee - Quorum (3) voting Members</p> <p>Chief Officers Appointments and Disciplinary Committee - Quorum (3) voting Members</p> <p>Pension Fund Committee - Quorum (3) voting Members</p> <p>Craven Area Committee - Quorum (3) voting Members</p> <p>County Committee for Hambleton - Quorum (3) voting Members</p> <p>County Area Committee for the Harrogate District - Quorum (5) voting Members</p> <p>Richmondshire Area Committee - Quorum (3) voting Members</p> <p>Ryedale Area Committee - Quorum (3) voting Members</p> <p>Selby Area Committee - Quorum (3) voting Members</p>	<p>The Constitution will be amended by the Monitoring Officer under his delegated powers in Article 15.02 (c)(i) of the Constitution, to reference current committee quorum figures in a new Rule 8.3. This amendment is for reasons of clarity and ease of reference.</p>
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		<p>Yorkshire Coast and Moors County Area Committee - Quorum (4) voting Members</p> <p>Care and Independence Overview and Scrutiny Committee - Quorum (4) voting Members</p> <p>Corporate and Partnerships Overview and Scrutiny Committee - Quorum (4) voting Members</p> <p>Scrutiny of Health Committee – Quorum (4) voting Members</p> <p>Transport, Economy and Environment Overview and Scrutiny Committee - Quorum (4) voting Members</p> <p>Young People Overview and Scrutiny Committee - Quorum (4) voting Members</p>	
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CONSTITUTION AMENDMENTS 2016

Proposed amendments to the Planning and Regulatory Functions Committee Terms of Reference

26. [To determine such applications and exercise such functions under Part 1 of the Commons Act 2006 and associated legislation \(and any successor legislation\) as may be referred by the Corporate Director Business and Environmental Services where he deems this to be appropriate after consultation with any standing Chair of the Planning and Regulatory Functions Sub-Committee or, if none or unavailable, the Chair of the Planning and Regulatory Functions Committee.](#) [Part 1 of the Commons Act 2006](#)

Deleted: [Not used]

27. To appoint a Sub-Committee of five members of the Committee to perform the functions set out at [paragraph 26](#) above. [Section 101 Local Government Act 1972.](#)

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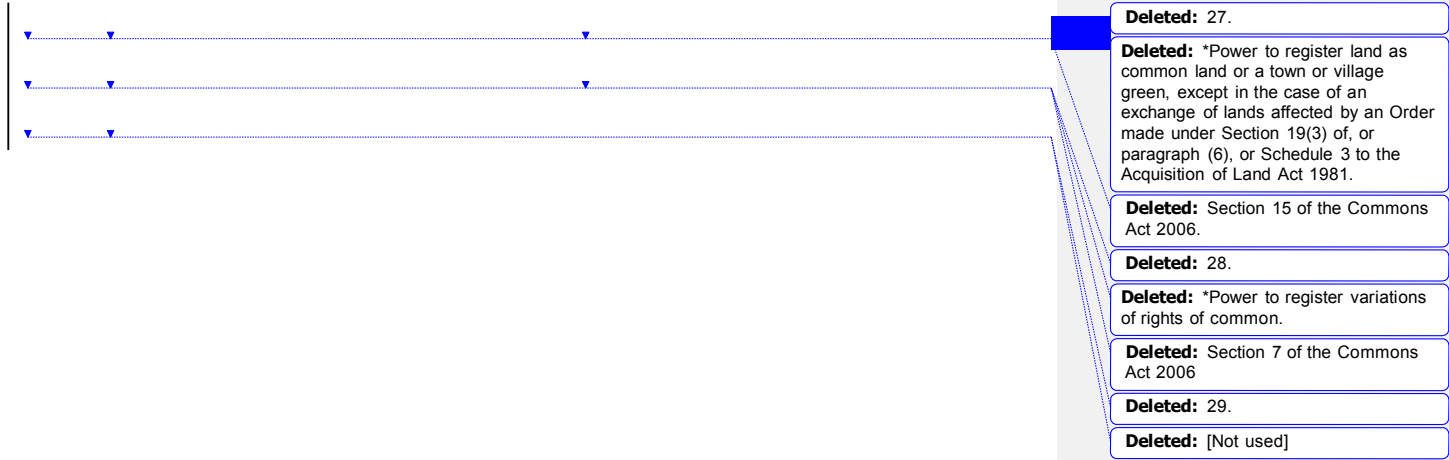
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Proposed amendments to the Planning and Regulatory Functions Sub-Committee Terms of Reference

Regulatory Powers

1. [To determine such applications and exercise such functions under Part 1 of the Commons Act 2006 and associated legislation \(and any successor legislation\) as may be referred by the Corporate Director Business and Environmental Services where he deems this to be appropriate after consultation with any standing Chair of the Planning and Regulatory Functions Sub-Committee or, if none or unavailable, the Chair of the Planning and Regulatory Functions Committee.](#) [Part 1 of the Commons Act 2006](#)



APPENDIX 3

CONSTITUTION AMENDMENTS 2016

Proposed amendments to paragraph 4.4 of the Officers' Delegation Scheme

4.4 To the Corporate Director – Business and Environmental Services

(a) To exercise the functions of the Council under legislation relating to control of pollution and management of air quality (regulatory and licensing functions only); Council

(b) To exercise the functions of the Council under Part III of the Wildlife and Countryside Act 1981 and sections 26, 116, 118 and 119 of the Highways Act 1980 and sections 257 and 258 of the Town and Country Planning Act 1980 in relation to rights of way. This delegation includes, but is not limited to, the following powers: Council

(i) power to keep the Definitive Map and Statement of the Public Rights of Way under review and to modify the map under section 53 of the Wildlife and Countryside Act 1981;

(ii) power to make and advertise Definitive Map Modification Orders, Public Path Orders and Creation Agreements for the recording, changing the recording, creation, stopping up, extinguishment or diversion of public rights of way, including those where an objection is received from any person or body entitled under the relevant statute to the proposed making of the Order, and the confirmation of creation, extinguishment and diversion Orders to which no objection has been received following public advertisement;

* Note responsibility for the confirmation of Orders where there are unresolved objections lies with the Secretary of State for Environment, Food and Rural Affairs - responsibility for the granting of Stopping up Orders lies with the Magistrates Court.

(iii) power to make representations to the Secretary of State, after consultation with the relevant Executive Member(s) and local Member(s), regarding Definitive Map Modification Orders and Public Path Orders to which a valid objection has been received following public advertisement of the Order.

(c) To amend the procedures for dealing with Definitive Map Modification Orders, power to be exercised in consultation with the appropriate Executive Member and the Assistant Chief Executive (Legal and Democratic Services); Council

(d) [\[Not used\]](#)

(e) To exercise all functions of the Council as Highway Authority including but not limited to traffic and vehicle regulation, public transport, car parking and road safety together with any related enforcement action, making and Council and Executive

Deleted: To exercise the power to remove land from the registers of Common Land and Town or Village Greens where a Release Order has been issued to the County Council by the Secretary of State for

Environment, Food and Rural Affairs under Section 17 of the Commons Act 2006.

Deleted: Council and Executive

entering into agreements pursuant to the Highways Act 1980.

(i) This includes authorising any of the following (including where objections have been received from a person entitled under the relevant statute):

- Traffic regulation orders under the Road Traffic Regulation Act 1984 including but not limited to pedestrian crossings, speed limits, waiting and loading restrictions, weight limits, prohibition of driving and one way traffic and the provision of parking places off and on the highway;

provided always that where such an objection is received, the Corporate Director - Business and Environmental Services shall take the decision in consultation with the relevant Executive Member(s) and after consultation with the local Member(s) and that the matter be referred to the Executive for determination where there is an outstanding objection which is supported by a local Member(s).

(ii) Where it is considered by the Corporate Director - Business and Environmental Services in consultation with the relevant Executive Member(s) that a proposed Traffic Regulation Order meets the criteria for having a wide area impact, the Corporate Director - Business and Environmental Services will consult the relevant Area Committee(s) upon the proposed Order.

(iii) This includes the power to exercise the Council's powers to consent to, refuse consent to, or require modifications to district/borough councils' proposals re off-street parking orders; and to exercise the County Council's powers under section 39(6) Road Traffic Regulation Act 1984 to vary or revoke off-street parking orders made by district/borough councils.

(f) To exercise all of the functions in relation to town and country planning (including minerals and waste planning) and development control including those Council functions listed in Part A of Schedule 1 to the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (including any necessary enforcement action where this is considered expedient) and also including the authority to approve or refuse planning applications where there are objections which are *not* on material planning grounds, PROVIDED ALWAYS that where the Corporate Director Business and Environmental Services is minded to refuse a planning application, he/she shall firstly consult the Chairman of the Planning and Regulatory Functions Committee before doing so. The Corporate Director Business and Environmental Services shall be authorised to determine whether an objection is on material planning grounds and shall report back to the Planning and Regulatory Functions Committee on any planning applications determined by him/her under these delegated powers.

Council
and
Executive

(g) To exercise the functions of the Council relating to the physical environment of the County, rights of way (in so far as not covered under (b) above) and open spaces.

Executive

(h) To exercise the functions of the Council relating to waste disposal and related issues.

Executive

- (i) Obtaining information under Section 330 of the Town and Country Planning Act 1990, Section 5A Acquisition of Land Act 1981 and Section 16 of the Local Government (Miscellaneous Provisions) Act 1976, and undertaking surveys pursuant to Section 15 Local Government (Miscellaneous Provisions) Act 1976, preliminary to the exercise of power to make compulsory purchase orders or other purposes.
- (j) To manage the leased car scheme.
- (k) To award work, under the terms and conditions of the existing Highways Maintenance Contract, up to the value of £100,000 in respect of the structural maintenance of Bridges and Structures and £150,000 in respect of the approved programme for Highways Maintenance and Integrated Transport.
- (l) To exercise the functions of the County Council relating to the economic environment of the County, including economic development measures, European funding and tourism.
- (m) To exercise the functions as weights and measures and food authority and for trading standards and consumer protection, animal health, sports grounds, nursing agencies, performing animals and explosives licensing, listed in Part B of Schedule 1 to the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 which are functions of County Councils and the powers under any 'relevant statutory provision' within the meaning of Part 1 of (health, safety and welfare in connection with work, and control of dangerous substances) of the Health and Safety at Work etc Act 1974 to the extent that those functions are discharged otherwise than in the authority's capacity as an employer in Part C of Schedule 1 to the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 which are functions of County Councils, together with Parts III and IV of the North Yorkshire County Council Act 1991 (including any necessary enforcement action and the power to authorise any Trading Standards Officer, Enforcement Officer, Animal Health Inspector or other officer of the Trading Standards and Regulatory Services Unit to prosecute and to appear on the Council's behalf before a Magistrates' Court).
- (n) To exercise all other functions for trading standards and consumer protection not included in (m) above.
- (o) To exercise the functions of the Council in relation to arts and museums where appropriate in conjunction with the Corporate Director – Health and Adult Services.
- (p) To exercise the Authority's functions in relation to the Planning (Hazardous Substances) Act 1990.
- (q) [To determine all applications and exercise all functions of the authority in its role as Commons Registration Authority under Part 1 of the Commons Act 2006 and associated legislation \(and any successor legislation\) including but not limited to:](#)
 - i. [Power to register creation of rights of common \(section 6 Commons Act 2006\).](#)

Executive and Council

Council

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relating to rights and land (section 23 and Schedule 3 Commons Act 2006)

xix. Functions and powers related to enforcement against unlawful works on registered common land; to protect unclaimed registered common land or town and village greens, and to institute proceedings for offences in respect of unclaimed land. (sections 41 and 45 Commons Act 2006)

PROVIDED ALWAYS that it shall be open to the Corporate Director Business and Environmental Services to refer such matters to the Planning and Regulatory Functions Sub-Committee for determination where he deems this to be appropriate after consultation with any standing Chair of the Planning and Regulatory Functions Sub-Committee or, if none or unavailable, the Chair of the Planning and Regulatory Functions Committee.

- (r) That the delegation of authority to allocate grant funding for community transport, to be assessed in accordance with agree criteria, to the Corporate Director – Business and Environmental Services, in conjunctions with Executive Members, for grants which are less than £100k.
- (s) To sign, on behalf of the authority, notices regarding periodic reviews of quarries after 15 years of the granting of planning permissions in accordance with Schedule 14 of the Environment Act 1995 (and supporting guidance).
- (t) To exercise all functions of the Council in relation to street café licences under sections 115E, 115F and 115G of the Highways Act 1980, including (but not limited to) the granting (or otherwise) of such licences and any conditions upon such licences, irrespective of whether any objections have been made.
- (u) To exercise all functions of the Council as Lead Local Flood Authority under the Flood and Water Management Act 2010 and the Land Drainage Act 1991, including (but not limited to) the granting (or otherwise) of land drainage consents for ordinary watercourses.

Council

Executive

NOTE: The following matters are excluded from this delegation:-

- (i) Giving permission or consent to development where there are unresolved objections on material planning grounds (the issue of whether the objection is on material planning grounds shall be determined by the Corporate Director, Business and Environmental Services), or where the development is or would be significantly inconsistent with any provision or proposal of the Development Plan;
- (ii) Authorising the making of new street byelaws and orders;
- (iii) Authorising any of the following, where objections have been received from a person entitled under the relevant statute:
 - ♦ Stopping up or diversion of highways (excluding public rights of way); and
 - ♦ Private street works.
- (iv) Any other matter which has specifically been delegated for decision by an

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Deleted: Functions and powers related to enforcement against unlawful works on registered common land; to protect unclaimed registered common land or town and village greens, and to institute proceedings for offences in respect of unclaimed land. (Sections 41 and 45 Commons Act 2006)

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Area Committee.

- (v) Approval of the consultation draft or final version of the Sub-Regional Investment Plan (SRIP);
- (vi) Response to consultations on relevant strategies from partners;
- (vii) Approval of capital programme projects;
- (viii) Policy and criteria for grant and loan schemes;
- (ix) Grants to outside bodies where no scheme is in place;
- (x) Major changes in the pattern of provision for Trading Standards and Regulatory Services; and
- (xi) The issue of a new safety certificate in respect of a sports ground in North Yorkshire, or the withdrawal of an existing certificate. The power to amend existing safety certificates is however delegated.

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

14 July 2016

CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS

Report of the Corporate Director - Strategic Resources

1.0 PURPOSE OF THE REPORT

- 1.1 This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
- 1.2 The Council will need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.
- 1.3 The options range from the local appointment of an audit panel, to a joint appointment and finally, an appointment via a Sector Led Body (SLB) established by the Local Government Association for this purpose.
- 1.4 Given the challenges of local appointment and the associated costs, the preferred option is the sector-led appointment, and whilst it means no local control over the appointment of auditor it does benefit from economies of scale.

2.0 BACKGROUND

- 2.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
- 2.2 The Council's current external auditor is KPMG LLP, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years we have benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Council's current external audit fees are £94k p.a. for NYCC and £25k p.a. for the Pension Fund.

- 2.3 When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
- 2.4 The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

3.0 Options for local appointment of External Auditors

- 3.1 There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

Option 1 To make a stand-alone appointment

- 3.2 In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

Advantages/benefit

- 3.3 Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

- 3.4 Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances
- 3.5 The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- 3.6 The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements

- 3.7 The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

- 3.8 The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- 3.9 There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

- 3.10 The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possible only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
- 3.11 The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Option 3 Opt-in to a sector led body

- 3.12 In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Advantages/benefits

- 3.13 The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities
- 3.14 By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation
- 3.15 Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.

- 3.16 The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities. The LGA are considering setting up such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

Disadvantages/risks

- 3.17 Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
- 3.18 In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.

4.0 The way forward

- 4.1 The Council have until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.
- 4.2 The LGA are working on developing a Sector Led Body. In a recent survey, 58% of respondents expressed an interest in this option. Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in to a SLB. In order to the strengthen the LGA's negotiating position and enable it to more accurately evaluate the offering the Council is asked to consider whether it is interested in the option of opting in to a SLB. A formal decision to opt-in will be required at a later stage.

5. Risk Management

- 5.1 There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.
- 5.2 Providing the LGA with a realistic assessment of our likely way forward will enable the LGA to invest in developing appropriate arrangements to support the Council.

6.0 Legal implications

- 6.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;

- 6.2 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 6.3 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

7.0 Financial Implications

- 7.1 Current external fees levels are likely to increase when the current contracts end in 2018.
- 7.2 Should the Council wish to consider appointing a panel, the cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above will need to be estimated and included in the Council's budget for 2017/18. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.
- 7.3 At this stage future audit fees cannot be confirmed but opting-in to a national SLB provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

8.0 Conclusion and Next Steps

- 8.1 The Council will need to take action to implement new arrangements for the appointment of external auditors from April 2018. In order that more detailed proposals can be developed the Committee is asked to give early consideration to the preferred approach.
- 8.2 Given the advantages and disadvantages of each option the preferred approach is to opt-in to the appointment via a sector led body. Subject to the views of the Audit Committee and confirmation of the proposals by the LGA, a report will be submitted to full Council to seek formal approval to this approach to enable the LGA to begin the formal process of tendering the audit contracts.
- 8.3 The LGA is strongly supportive of the SLB approach as it believes this offers best value to Councils by reducing set-up costs and having the potential to negotiate lowest fees

9.0 RECOMMENDATION

- 9.1 Subject to confirmation of the proposals by the Local Government Association, it is recommended that the Audit Committee recommend to full-Council that North Yorkshire County Council opt-in to 'a sector-led body' for the appointment of external auditors when the current transitional arrangements expire.

GARY FIELDING
Corporate Director, Strategic Resources

Author – Karen Iveson Assistant Director,
Strategic Resources

14 July 2016