



COUNCIL - BUDGET

Council Summons and Agenda

You are hereby summoned to attend an **Extraordinary Meeting of Ryedale District Council** to be held in the **Council Chamber, Ryedale House, Malton** on **Monday 21 February 2011 at 6.30 pm** in the evening for the transaction of the following business, after Prayers:

Agenda

Emergency Evacuation Procedures

The Chairman to report on the emergency evacuation procedures.

1 Apologies for absence

2 Public Question Time

3 Urgent Business

To receive notice of any urgent business which the Chairman considers should be dealt with at the meeting as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972 (as amended).

4 Declarations of Interest

Members to indicate whether they will be declaring any interests under the Code of Conduct.

Members making a declaration of interest at a meeting of a Committee or Council are required to disclose the existence and nature of that interest. This requirement is not discharged by merely declaring a personal interest without further explanation.

In relation to prejudicial interests and setting the Council's annual budget, Members are advised that they have the benefit of an exemption regarding prejudicial interest under paragraph 10(2)(c)(vi) of the Members' Code of Conduct. This provides that a Member does not have a prejudicial interest in any business of the authority where that business relates to the functions of and I quote "setting the Council Tax or a precept under the Local Government Finance Act 1992".

Guidance from the Standards Board is that the exemption covers Members for most Council budget-setting meetings which do not actually involve a decision to consider whether to hand over money, usually in the form of grants, for organisations that form one or more of the Member's personal interests and for which specific budgetary provision has been made, or is being made.

Therefore, in relation to Members who are on outside bodies, Members are advised that just setting aside money in an annual budget for an organisation is a function that relates to setting Council Tax and so qualifies for the exemption.

No Member has a prejudicial interest in motions, which call on Members to adopt the budget with details, which are set out in an officer report. These general motions are clearly part of the Council Tax-setting process.

5 Announcements

To receive any announcements from the Chairman and/or the Head of Paid Service

6 Revenue and Capital Budgets and Setting of Council Tax 2011/2012 (Pages 1 - 9)

Annex A and Annex B are attached, Annex C is to follow

With reference to Minute No. 49 (Financial Strategy 2011/2012) of the Special Policy & Resources Committee (Budget) held on 3 February 2011 (copy attached), Councillor Wainwright, Chairman of the Policy & Resources Committee, will move:-

I Budget 2011/2012

That the revised revenue estimates for the year 2010/2011 and the revenue estimates for 2011/2012, as submitted in the Council's Financial Strategy and Revenue Budget 2011/2012 Book be approved (copy enclosed).

II Council Tax Base

That it be noted that, in accordance with Minute No. 363(d)/2005 of the Policy & Resources Committee held on 8 December 2005, which was subsequently approved by Council at its meeting on 12 January 2006, Ryedale District Council has (pursuant to Section 101 of the Local Government Act 1972) delegated responsibility to adopt the council tax base to the Chief Executive and Chief Finance Officer in consultation with

the Chairman of the Policy & Resources Committee. The Council calculated the amounts for the year 2011/12 in accordance with regulations made under Section 33 (5) of the Local Government Finance Act 1992 as set out in Annex A.

III **District/Parish Council Tax Rates**

That the following amounts be now calculated by the Council for the year 2011/12 in accordance with sections 32 to 36 of the Local Government Finance Act 1992 (The Act):

(a) **District/Parish Gross Expenditure**

£35,473,996 being the aggregate of the amounts, which the Council estimates for the items, set out in Sections 32(2) (a) to (e) of the Act.

(b) **Income**

£27,420,300 being the aggregate of the amount, which the Council estimates for the items set out in Sections 32(3)(a) to (c) of the Act.

(c) **District/Parish Net Expenditure**

£8,053,696 being the amount by which the aggregate of 2(a) above exceeds the aggregate of 2(b) above calculated by the Council in accordance with section 32(4) of the Act as its Budget requirement for the year.

(d) Government Grants and Collection Fund Surpluses £3,650,790 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates, revenue support grant, additional grant or relevant special grant, increased by the amount of the sums which the Council estimates will be transferred in the year from its Collection Fund to its General Fund in accordance with Regulation 4(7) of the Local Government Changes for England (Collection Fund Surpluses and Deficits) Regulations 1995, and reduced by the amount which the Council estimates will be transferred from its General Fund to its Collection Fund pursuant to the Collection Fund (Council Tax Benefit) (England) Direction under Section 98 (5) of the Local Government Act 1988.

(e) **Basic amount of Tax (including Parish Precepts)**

£209.44 being the amount of 2(c) above less the amount at 2(d) above, all divided by the amount at Part I above calculated by the Council, in accordance with Section 33 (1) of the Act, as the basic amount of its Council Tax for the year.

(f) **Parish Precept and Special Expenses**

£687,766 being the aggregate amount of all special items referred to in Section 34(1) of the Act.

(g) **Basic Amount of Tax (excluding Parish Precepts)**

£176.72 being the amount at 2(e) above less the results given by dividing the amount at 2(f) above by the amount given at Part I above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

(h) **Basic Amount of Tax in Parishes/Towns**

The details for each Parish as shown in Annex B, column headed "Aggregate amount at Band D" being the amounts given by adding to the amount at 2(g) above, the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above, divided in each case by the amount at Part I above, calculated by the Council, in accordance with Section 34(3) of the Act as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(i) **District/Parish Council Tax Rates**

The details as shown in columns "A" to "H" of Annex B, being the amounts given by multiplying the amounts at 2(g) and 2(h) above by the number which, in the proportion set out in Section 5(1) of the Act is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

IV County Council, Police and Fire & Rescue Authority Tax Rates (Provisional)

That it be noted that for the year 2011/12 precepting Authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

BAND	NORTH YORKSHIRE COUNTY COUNCIL	NORTH YORKSHIRE POLICE AUTHORITY	NORTH YORKSHIRE FIRE & RESCUE AUTHORITY
A	Subject to confirmation on 16 February 2011.	136.37	41.40
B		159.09	48.30
C		181.82	55.20
D		204.55	62.10
E		250.01	75.90
F		295.46	89.70
G		340.92	103.50
H		409.10	124.20

V Total Council Tax Rates

That having calculated the aggregate in each case of the amounts at 2(i) and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the amounts set out in Annex C as the amounts of Council Tax for 2011/12 for each of the categories of dwellings shown.

7 Treasury Management Statement and Annual Investment Strategy Statement 2011/12 (Pages 10 - 30)

8 Motions on Notice Submitted Pursuant to Council Procedure Rule 11 (Part 4) of the Council Constitution

1. It will be moved by Councillor Clark and seconded by Councillor Woodward that this Council resolves:

“That Ryedale District Council opposes the ConDem Government’s proposals to sell off the English forests. The forests are a valuable asset that is for the use by and the benefit of the public. Any such sale would put at risk woodland in Ryedale. Ryedale District Council calls upon the Government to:

- (i) Halt the waste of money on the consultation
- (ii) Abandon the sale of any forestry land.

2. It will be moved by Councillor Clark and seconded by Councillor Woodward:

“That in view of the following:

- (i) The statement by the Governor of the Bank of England that ‘the standard of living is falling faster than at any time for 80 years’.

- (ii) The ConDem Government's commitment that although there would be a zero increase in Local Government pay, that those under £21,000 should receive an increase of £250/year.

This Council resolves that:

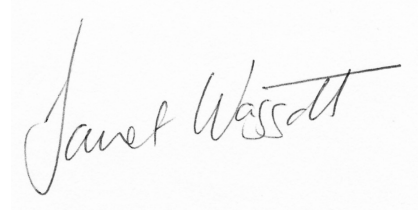
Ryedale District Council will pay each employee paid less than £21,000 FTE a one-off payment of £250.

This money will not be a pay increase for pension and other calculations. It will not be part of the base salary for future increases. The new Council will then be in a position to review the situation in future years as circumstances change.

The payment to be made in March 2012 and in proportion to any leavers.

If the national pay negotiations produce the £250 then the above will not apply.

9 Any other business that the Chairman decides is urgent.

A handwritten signature in black ink, reading "Janet Waggott". The signature is written in a cursive style with a long horizontal stroke at the end.

Miss J Waggott
Chief Executive

Policy and Resources Committee

Held at Ryedale House, Malton
on Thursday 3 February 2011

Present

Councillors Wainwright (in the Chair), Acomb, Arnold, Bailey, Keal, Knaggs and Woodward

Substitute: Councillor Mrs Cowling (for Councillor Legard)

By Invitation of the Chairman: Councillors Andrews, Mrs Arnold, Clark, Mrs Cowan, Cussons, Mrs De Wend Fenton, Mrs Frank, Hemesley, Mrs Shields and Ms Warriner.

In Attendance

T Anderson, Mrs L Carter, P Cresswell, Mrs S Shuttleworth and Miss J Waggott

Minutes

46 **Apologies for absence**

Apologies for absence were received from Councillors Mrs Burr, Legard, Mrs Hodgson and Hope.

47 **Urgent Business**

The Chairman reported that there were no items of urgent business to be considered at the meeting.

48 **Declarations of Interest**

No declarations of interest were received.

49 **Financial Strategy 2011/2012**

The Corporate Director (s151) submitted a report, which set out the budget for 2011/12, a proposed Council Tax level, the Financial Strategy, details of balances and reserves and the indicators under the Prudential Code for capital finance as required by the Local Government Act 2003.

The report recommended that the Council approve:

- (i) the Council's Financial Strategy, attached at Annex A to the report, which includes:

- (a) the prudential indicators
- (b) the revised Capital Programme
- (c) Savings/additional income totalling £1,127k
- (d) Investment in Priorities of £80k
- (ii) a Revenue Budget for 2011/2012 of £7,365,930, which represents no increase in the Ryedale District Council Tax of £176.72 for a Band D property (note that total Council Tax, including the County Council, Fire and Police is covered within the separate Council Tax setting report to Full Council)
- (iii) approve the special expenses amounting to £48,230
- (iv) Members note the financial projections for 2012/2013 and authorise officers to continue to maximise efficiencies through service reviews, income generation and shared services.
- (v) That the additional government grant of £25K announced in the final settlement be allocated to the following:

Investment in Community Winter Weather Equipment	£20K
Parish Planning Support	£5K

Members were reminded that at its meeting held on 4 November 2010 Council had approved a budget strategy with the following parameters:

- Proposals be brought forward for a 2.5% increase in Council Tax
- Increases in fees and charges to be 3.5% to 4.5% on a cost centre heading basis excluding VAT and only those charges Officers recommend above or below this figure to be considered by the relevant policy committee
- Efficiencies to be maximised and identified together with any potential cuts required to services once the draft grant settlement is announced in November/December. These proposals to be considered by the Resources Working Party.

Details of the action taken and savings proposals had been presented to the Resources Working Party on 23 November 2010 and 11 January 2011, and all Members had been consulted at the Members' Budget Briefing on 19 January 2011.

Budget consultation with the public had taken place through the Budget Simulator and a summary of the results was included with the report.

The Financial Strategy set out in detail the Council's financial position in the medium term, including issues around the Local Government Finance Settlement and efficiencies, as well as the principles and procedures adopted by the Council to manage its finances to a high standard.

Monitoring of the 2010/2011 budget had taken place through Group Leaders, the Resources Working Party and the monitoring reports presented to the Policy & Resources Committee.

The report set out in detail the following:

- Budget and Council Tax for 2011/12
- Capital Programme
- Special Expenses
- National Non Domestic Rates (NNDR)
- Prudential Code
- Funds and Reserves
- The 2012/2013 Budget Strategy
- Local Government Act 2003 – Section 25 Report

The Corporate Director (s.151) drew Members' attention to the receipt of additional government grant of £25K in the final settlement that had been announced since despatch of the agenda. It was proposed that these monies be used for investment in Community Winter Weather Equipment and for Parish Planning support. Members' welcomed the proposal.

Resolved

That Council be recommended to approve:

- (i) the Council's Financial Strategy, attached at Annex A to the report, which includes:
 - (a) the prudential indicators
 - (b) the revised Capital Programme
 - (c) Savings/additional income totalling £1,127k
 - (d) Investment in Priorities of £80k
- (ii) a Revenue Budget for 2011/2012 of £7,365,930, which represents no increase in the Ryedale District Council Tax of £176.72 for a Band D property (note that total Council Tax, including the County Council, Fire and Police is covered within the separate Council Tax setting report to Full Council)
- (iii) the special expenses amounting to £48,230

- (iv) Members note the financial projections for 2012/2013 and authorise officers to continue to maximise efficiencies through service reviews, income generation and shared services.
- (v) That the additional government grant of £25K announced in the final settlement be allocated to the following:

Investment in Community Winter Weather Equipment	£20K
Parish Planning Support	£5K

50 **Any other business that the Chairman decides is urgent.**

There being no other business the meeting closed at 7.10pm

**RYEDALE DISTRICT COUNCIL TAX BASE FOR THE YEAR 2011-2012
BAND D EQUIVALENT TOTALS FOR TOWN AND PARISH AREAS**

Parish / Town	Band D Equivalent
ACKLAM	71.15
AISLABY MIDDLETON & WRELTON	316.02
ALLERSTON & WILTON	195.95
AMOTHERBY	152.32
AMPLEFORTH	362.80
APPLETON-LE-MOORS	92.10
APPLETON-LE-STREET	55.11
BARTON-LE-STREET	82.90
BARTON-LE-WILLOWS	92.01
BARUGHS AMBO	89.34
BEADLAM	102.00
BIRDSALL	83.89
BRANSDALE	29.52
BRAWBY	62.70
BROUGHTON	83.42
BULMER	94.68
BURYTHORPE	118.96
BUTTERCRAMBE	43.37
BYLAND WITH WASS & OLDSTEAD	114.32
CAWTON COULTON & GRIMSTONE	98.22
CLAXTON & SAND HUTTON	205.99
COLD KIRBY	51.22
CONEYSTHORPE	41.51
CROPTON	108.95
EBBERSTON & YEDINGHAM	256.46
EDSTONE	59.36
FADMOOR	56.23
FARNDALE EAST	49.05
FARNDALE WEST	47.25
FLAXTON	151.72
FOSTON & THORNTON-LE-CLAY	129.41
FOXHOLES with BUTTERWICK	90.81
GANTON with POTTER BROMPTON	90.24
GATE HELMSLEY & UPPER HELMSLEY	142.80
GILLAMOOR	69.69
GILLING EAST	102.22
HABTON	134.18
HAROME	120.21
HARTOFT	33.11
HARTON	38.15
HAWNBY	89.50
HELMSLEY	739.19
HENDERSKELFE	25.44
HESLERTON	159.45
HOVINGHAM & SCACKLETON	227.38
HOWSHAM	62.14
HUTTON-LE-HOLE	95.68
HUTTONS AMBO	124.79
KIRBYGRINDALYTHE	116.11
KIRBY MISPERTON	134.97

KIRKBYMOORSIDE	1212.24
LANGTON	41.75
LASTINGHAM	64.93
LEAVENING	138.82
LEVISHAM	49.97
LILLINGS AMBO	76.32
LOCKTON	123.41
LUTTONS	159.43
MALTON	1862.35
MARISHES	56.08
MARTON	95.03
NAWTON	256.37
NEWTON-ON-RAWCLIFFE & STAPE	123.65
NORMANBY	69.70
NORTON	2459.57
NUNNINGTON	126.70
OLD BYLAND & SCAWTON	72.35
OSWALDKIRK	124.77
PICKERING	2691.96
POCKLEY	43.67
RIEVAULX	40.63
RILLINGTON	419.31
ROSEDALE EAST & WEST	166.94
SALTON	35.78
SCAGGLETHORPE	100.32
SCAMPSTON with E & W KNAPTON	128.27
SCRAYINGHAM with LEPPINGTON	77.79
SETTRINGTON	147.86
SHERBURN	288.74
SHERIFF HUTTON with CORNBOROUGH	455.67
SINNINGTON	144.69
SLINGSBY	259.31
SOUTHOLME & FRYTON	36.57
SPAUNTON	34.86
SPROXTON	56.96
STONEGRAVE	45.94
SWINTON	214.74
TERRINGTON	238.11
THIXENDALE	75.16
THORNTON-LE-DALE	810.51
THORPE BASSETT	48.12
WARTHILL	114.95
WEAVERTHORPE	121.67
WELBURN (KIRKBYMOORSIDE)	31.50
WELBURN (MALTON)	220.39
WESTOW	145.83
WHARRAM	42.75
WHITWELL-ON-THE-HILL & CRAMBE	99.14
WILLERBY & STAXTON	243.17
WINTRINGHAM	79.44
WOMBLETON	154.56
COUNCIL TAX BASE	21022.74
(aggregate of band "D" equivalents)	

Annex B

Ryedale District Council
Council Tax 2011-2012

(District , Parish and Special Expenses only)

PARISH / TOWN	RDC	Parish	Special	Aggregate	Council Tax at Band							
	Band D	Band D	Expenses	of Band D	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£	£	£	£	£
Acklam	176.72	30.22	0.00	206.94	137.96	160.95	183.95	206.94	252.93	298.91	344.90	413.88
Aislabey, Middleton & Wreton	176.72	7.28	10.78	194.78	129.85	151.49	173.14	194.78	238.07	281.35	324.63	389.56
Allerston & Wilton	176.72	7.66	10.78	195.16	130.11	151.79	173.48	195.16	238.53	281.89	325.27	390.32
Amotherby	176.72	17.73	0.00	194.45	129.63	151.24	172.85	194.45	237.66	280.87	324.08	388.90
Ampleforth	176.72	42.72	0.00	219.44	146.29	170.68	195.06	219.44	268.20	316.97	365.73	438.88
Appleton le Moors	176.72	37.24	0.00	213.96	142.64	166.41	190.19	213.96	261.51	309.05	356.60	427.92
Appleton le Street	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Barton le Street	176.72	8.44	0.00	185.16	123.44	144.01	164.59	185.16	226.31	267.45	308.60	370.32
Barton le Willows	176.72	9.78	0.00	186.50	124.33	145.06	165.78	186.50	227.94	269.39	310.83	373.00
Barughes Ambo	176.72	1.12	10.78	188.62	125.75	146.70	167.67	188.62	230.54	272.45	314.37	377.24
Beadlam	176.72	16.67	0.00	193.39	128.92	150.42	171.91	193.39	236.36	279.34	322.31	386.78
Birdsall	176.72	1.19	0.00	177.91	118.60	138.38	158.15	177.91	217.44	256.98	296.51	355.82
Bransdale	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Brawby	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Broughton	176.72	29.97	0.00	206.69	137.79	160.76	183.73	206.69	252.62	298.55	344.48	413.38
Bulmer	176.72	14.79	0.00	191.51	127.67	148.95	170.24	191.51	234.07	276.62	319.18	383.02
Burthorpe	176.72	15.97	0.00	192.69	128.46	149.87	171.29	192.69	235.51	278.33	321.15	385.38
Buttercrambe	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Byland with Wass & Oldstead	176.72	7.87	0.00	184.59	123.06	143.57	164.09	184.59	225.61	266.63	307.65	369.18
Cawton, Coulton & Grimstone	176.72	6.64	0.00	183.36	122.24	142.61	162.99	183.36	224.11	264.85	305.60	366.72
Claxton & Sand Hutton	176.72	20.39	0.00	197.11	131.40	153.31	175.21	197.11	240.91	284.71	328.51	394.22
Cold Kirby	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Coneysthorpe	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Cropton	176.72	7.60	10.78	195.10	130.07	151.74	173.43	195.10	238.46	281.81	325.17	390.20
Ebberston and Yedingham	176.72	12.48	10.78	199.98	133.32	155.54	177.76	199.98	244.42	288.86	333.30	399.96
Edstone	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Fadmoor	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Farndale East	176.72	7.14	0.00	183.86	122.57	143.00	163.44	183.86	224.72	265.57	306.43	367.72
Farndale West	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Flaxton	176.72	16.48	0.00	193.20	128.80	150.27	171.74	193.20	236.13	279.06	322.00	386.40
Foston & Thornton le Clay	176.72	7.73	0.00	184.45	122.96	143.46	163.96	184.45	225.44	266.43	307.41	368.90
Foxholes and Butterwick	176.72	29.73	0.00	206.45	137.63	160.57	183.52	206.45	252.33	298.20	344.08	412.90
Ganton and Potter Brompton	176.72	22.16	0.00	198.88	132.58	154.69	176.79	198.88	243.07	287.27	331.46	397.76
Gate Helmsley & Upper Helmsley	176.72	13.31	0.00	190.03	126.68	147.80	168.92	190.03	232.26	274.49	316.71	380.06
Gillamoor	176.72	7.17	0.00	183.89	122.59	143.03	163.46	183.89	224.75	265.62	306.48	367.78
Gilling East	176.72	12.21	0.00	188.93	125.95	146.95	167.94	188.93	230.91	272.90	314.88	377.86

Annex B

Ryedale District Council
Council Tax 2011-2012

(District , Parish and Special Expenses only)

PARISH / TOWN	RDC	Parish	Special	Aggregate	Council Tax at Band							
	Band D	Band D	Expenses	of Band D	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£	£	£	£	£
Habton	176.72	3.35	0.00	180.07	120.04	140.06	160.07	180.07	220.08	260.10	300.11	360.14
Harome	176.72	33.28	0.00	210.00	140.00	163.33	186.67	210.00	256.67	303.33	350.00	420.00
Hartoft	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Harton	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Hawnby	176.72	6.70	0.00	183.42	122.28	142.66	163.05	183.42	224.18	264.94	305.70	366.84
Helmsley	176.72	67.24	0.00	243.96	162.64	189.75	216.86	243.96	298.17	352.38	406.60	487.92
Henderskelfe	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Heslerton	176.72	19.19	0.00	195.91	130.60	152.38	174.15	195.91	239.44	282.98	326.51	391.82
Hovingham & Scackleton	176.72	13.98	0.00	190.70	127.13	148.32	169.52	190.70	233.08	275.45	317.83	381.40
Howsham	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Hutton le Hole	176.72	47.03	0.00	223.75	149.16	174.03	198.89	223.75	273.47	323.19	372.91	447.50
Huttons Ambo	176.72	16.03	0.00	192.75	128.50	149.92	171.34	192.75	235.58	278.41	321.25	385.50
Kirbygrindalythe	176.72	8.61	0.00	185.33	123.55	144.15	164.74	185.33	226.51	267.70	308.88	370.66
Kirbymisperton	176.72	11.85	10.78	199.35	132.90	155.05	177.20	199.35	243.65	287.95	332.25	398.70
Kirkbymoorside	176.72	65.99	0.00	242.71	161.80	188.78	215.75	242.71	296.64	350.58	404.51	485.42
Langton	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Lastingham	176.72	6.84	0.00	183.56	122.37	142.77	163.17	183.56	224.35	265.14	305.93	367.12
Leacliffe	176.72	8.64	0.00	185.36	123.57	144.17	164.77	185.36	226.55	267.74	308.93	370.72
Levensham	176.72	0.00	10.78	187.50	125.00	145.83	166.67	187.50	229.17	270.83	312.50	375.00
Lillings Ambo	176.72	2.62	0.00	179.34	119.56	139.49	159.42	179.34	219.19	259.04	298.90	358.68
Lockton	176.72	14.99	10.78	202.49	134.99	157.49	179.99	202.49	247.49	292.48	337.48	404.98
Luttons	176.72	7.21	0.00	183.93	122.62	143.06	163.50	183.93	224.80	265.67	306.55	367.86
Malton	176.72	45.24	2.88	224.84	149.89	174.88	199.86	224.84	274.80	324.77	374.73	449.68
Marishes	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Marton	176.72	4.42	10.78	191.92	127.95	149.27	170.60	191.92	234.57	277.21	319.87	383.84
Nawton	176.72	19.50	0.00	196.22	130.81	152.62	174.42	196.22	239.82	283.43	327.03	392.44
Newton on Rawcliffe & Stape	176.72	16.98	10.78	204.48	136.32	159.04	181.76	204.48	249.92	295.36	340.80	408.96
Normanby	176.72	5.74	10.78	193.24	128.83	150.29	171.77	193.24	236.19	279.12	322.07	386.48
Norton	176.72	39.44	5.66	221.82	147.87	172.53	197.18	221.82	271.11	320.41	369.69	443.64
Nunnington	176.72	7.10	0.00	183.82	122.54	142.97	163.40	183.82	224.67	265.52	306.36	367.64
Old Byland & Scawton	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Oswaldkirk	176.72	8.99	0.00	185.71	123.80	144.44	165.08	185.71	226.98	268.25	309.51	371.42
Pickering	176.72	45.32	0.00	222.04	148.02	172.70	197.37	222.04	271.38	320.72	370.06	444.08
Pockley	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Rievaulx	176.72	7.38	0.00	184.10	122.73	143.19	163.65	184.10	225.01	265.92	306.83	368.20
Rillington	176.72	31.00	0.00	207.72	138.48	161.56	184.65	207.72	253.88	300.04	346.20	415.44

Annex B

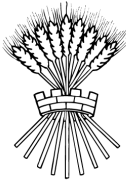
**Ryedale District Council
Council Tax 2011-2012**

(District , Parish and Special Expenses only)

PARISH / TOWN	RDC	Parish	Special	Aggregate	Council Tax at Band							
	Band D	Band D	Expenses	of Band D	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£	£	£	£	£
Rosedale East & West	176.72	24.38	10.78	211.88	141.25	164.79	188.34	211.88	258.97	306.05	353.13	423.76
Salton	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Scagglethorpe	176.72	14.25	0.00	190.97	127.31	148.53	169.76	190.97	233.41	275.84	318.28	381.94
Scampston & East and West Knaptons	176.72	13.64	0.00	190.36	126.90	148.06	169.21	190.36	232.66	274.96	317.26	380.72
Scrayingham and Leppington	176.72	15.79	0.00	192.51	128.34	149.73	171.13	192.51	235.29	278.07	320.85	385.02
Settrington	176.72	21.98	0.00	198.70	132.46	154.55	176.63	198.70	242.85	287.01	331.16	397.40
Sherburn	176.72	52.33	0.00	229.05	152.70	178.15	203.61	229.05	279.95	330.85	381.75	458.10
Sheriff Hutton with Cornborough	176.72	31.92	0.00	208.64	139.09	162.28	185.46	208.64	255.00	301.37	347.73	417.28
Sinnington	176.72	7.60	10.78	195.10	130.07	151.74	173.43	195.10	238.46	281.81	325.17	390.20
Slingsby	176.72	20.44	0.00	197.16	131.44	153.35	175.26	197.16	240.97	284.78	328.60	394.32
Southolme & Fryton	176.72	14.16	0.00	190.88	127.25	148.46	169.68	190.88	233.30	275.71	318.13	381.76
Spaunton	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Sproxton	176.72	7.16	0.00	183.88	122.58	143.02	163.45	183.88	224.74	265.60	306.46	367.76
Stonegrave	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Swinton	176.72	12.57	0.00	189.29	126.19	147.23	168.26	189.29	231.35	273.42	315.48	378.58
Terrington	176.72	12.33	0.00	189.05	126.03	147.04	168.05	189.05	231.06	273.07	315.08	378.10
Thimblethorpe	176.72	9.31	0.00	186.03	124.02	144.69	165.37	186.03	227.37	268.71	310.05	372.06
Thorncliffe	176.72	26.77	10.78	214.27	142.85	166.65	190.47	214.27	261.89	309.50	357.12	428.54
Thorp Bassett	176.72	4.16	0.00	180.88	120.58	140.69	160.79	180.88	221.07	261.27	301.46	361.76
Warhill	176.72	5.22	0.00	181.94	121.29	141.51	161.73	181.94	222.37	262.80	303.23	363.88
Weaverthorpe	176.72	32.88	0.00	209.60	139.73	163.02	186.32	209.60	256.18	302.75	349.33	419.20
Welburn (Kirkbymoorside)	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Welburn (Malton)	176.72	15.88	0.00	192.60	128.40	149.80	171.21	192.60	235.40	278.20	321.00	385.20
Westow	176.72	11.31	0.00	188.03	125.35	146.25	167.14	188.03	229.81	271.60	313.38	376.06
Wharram	176.72	0.00	0.00	176.72	117.81	137.45	157.09	176.72	215.99	255.26	294.53	353.44
Whitwell on the Hill & Crambe	176.72	4.03	0.00	180.75	120.50	140.58	160.67	180.75	220.92	261.08	301.25	361.50
Willerby and Staxton	176.72	28.79	0.00	205.51	137.00	159.84	182.68	205.51	251.18	296.85	342.51	411.02
Wintringham	176.72	18.88	0.00	195.60	130.40	152.13	173.87	195.60	239.07	282.53	326.00	391.20
Wombledon	176.72	23.65	0.00	200.37	133.58	155.84	178.11	200.37	244.90	289.42	333.95	400.74

Agenda Item 7

RYEDALE
DISTRICT
COUNCIL



REPORT TO:	FULL COUNCIL
DATE:	21 FEBRUARY 2011
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2011/12
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 To consider the Treasury Management and Annual Investment Strategies, the Minimum Revenue Provision Policy and set the Prudential Indicators for 2011/12.

2.0 RECOMMENDATIONS

2.1 It is recommended that:

- (i) Members receive this report;
- (ii) The Treasury Management and Investment Strategies be noted and approved by the Council.
- (iii) That the Prudential Indicators (Annex E in the report) be approved by the Council.

3.0 REASON FOR RECOMMENDATIONS

3.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (The Code) was adopted by the Council.

3.2 The Local Government Act 2003 and supporting regulations requires the Council to have regard to specified codes of practice, namely the CIPFA publications *Prudential Code for Capital Finance in Local Authorities* and *Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes*.

4.0 SIGNIFICANT RISKS

COUNCIL

21 FEBRUARY 2011

- 4.1 There are significant risks when investing public funds especially with unknown institutions. However, by the adoption of the CIPFA Code and a prudent investment policy, these are minimised. The employment of Treasury Advisors also helps reduce the risk.

REPORT

5.0 BACKGROUND AND INTRODUCTION

- 5.1 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Statutory Requirements

- 5.2 The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable and sustainable.
- 5.3 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included in this report).; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 5.4 The Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009.

Balanced Budget Requirement

- 5.5 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital finance decisions. This therefore, means that increases in capital expenditure must be limited to a level whereby increase in charges to revenue from:

- Increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- Any increase in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

CIPFA requirements

- 5.6 The CIPFA Code of Practice on Treasury Management (revised November 2009) was adopted by this Council on 10 October 2002. The primary requirements of the Code are as follows:
- (i) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

- (ii) Creation and maintenance of the Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- (iii) Receipt by full Council of an annual Treasury Management Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
- (iv) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- (v) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specified named body. For this Council the delegated body is the Overview & Scrutiny Committee.

6.0 POLICY CONTEXT

- 6.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in Local Authorities and this report complies with the requirements under this code and the relevant requirements of the Local Government Act 2003.

7.0 CONSULTATION

- 7.1 The Council use the services of Sector Treasury Services Limited to provide treasury management information and advice.

8.0 REPORT DETAILS

- 8.1 The Prudential Code regulates the manner in which capital spending plans are to be considered and approved, and in conjunction with this, the development of an integrated Treasury Management Strategy. It requires the Council to set a number of Prudential Indicators, and these are to be considered when determining the Council's Treasury Management Strategy.
- 8.2 The Treasury Management Strategy Statement details the expected activities of the Treasury function in the forthcoming financial year (2011/12). Its production and submission to the Council is a requirement of the Code.
- 8.3 The Annual Investment Strategy will set out the Council's policies for the prudent management of its investments including the security and liquidity of those investments. It details the Specified and Non Specified Investment Instruments to be used by the Council in 2011/12. Approval is also sought for the specified use of credit ratings and the maximum periods for which funds may be prudently committed in each asset category.
- 8.4 The suggested strategies for 2011/12 are based upon advice from the Council's treasury advisors, Sector Treasury Services Limited (Sector).

TREASURY MANAGEMENT STRATEGY FOR 2011/12

- 8.5 The suggested strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser Sector Treasury Services. The strategy covers:

- Treasury limits in force which will limit the treasury risk and activities of the Council
- Current portfolio position
- The borrowing requirement
- Prudential and Treasury Indicators
- Prospects for interest rates
- The borrowing strategy
- Policy on borrowing in advance of need
- The Minimum Revenue Provision strategy
- The investment strategy
- Creditworthiness policy
- Policy on use of external service providers

Treasury Limits for 2011/12 to 2013/14

- 8.6 It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.
- 8.7 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is ‘acceptable’.
- 8.8 Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years, details of the Authorised Limit can be found in Annex E of this report.

Current Portfolio Position

- 8.9 The Council’s treasury portfolio position at 31 December 2010 comprised:

	£'000
Investments Internally Managed:	
Temporary investments	4,870
Fixed term deposits	5,000
Investments Externally Managed:	
Fixed term deposits	5,000
Total Investments	14,870

Borrowing Requirement

- 8.10 The funding of the proposed 4-year Capital Plan shows that borrowing will be required. The Council’s borrowing requirement is expected to be as follows:

	2009/10 Actual £'000	2010/11 Probable £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
New Borrowing	0	0	910	1,160	0
Alternative financing arrangements	0	0	0	0	0
Replacement borrowing	0	0	0	0	0
Total borrowing requirement	0	0	910	1,160	0

Prudential and Treasury Indicators for 2011/12 to 2013/14

- 8.11 Prudential and treasury indicators (as set out in Annex E to this report) are relevant for the purposes of setting an integrated treasury management strategy.
- 8.12 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This original 2001 Code was adopted on 10 October 2002 and the revised Code was adopted by the Full Council on 22 February 2010.

Prospects for Interest Rates

The Council has appointed Sector Treasury Services as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. Annex H draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Sector central view:

Sector Bank Rate forecast for financial year ends (March):

2011	0.50%
2012	1.00%
2013	2.25%
2014	3.25%

There is downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected.

Borrowing Strategy – Borrowing Rates

- 8.13 The Sector forecast for the PWLB new borrowing rate is as follows:

	M ar-11	Jun-11	Sep-11	Dec-11	M ar-12	M ar-13	M ar-14
Bank rate	0.50%	0.50%	0.50%	0.75%	1.00%	2.25%	3.25%
5yr PW IB rate	3.30%	3.30%	3.40%	3.50%	3.60%	4.30%	5.00%
10yr PW IB rate	4.40%	4.40%	4.40%	4.50%	4.70%	5.10%	5.40%
25yr PW IB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.50%	5.70%
50yr PW IB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.50%	5.70%

The Council's borrowing strategy will give consideration to new borrowing in the following order of priority:

- (i) The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking loans at long term rates which will be higher in future years.
- (ii) Temporary borrowing from the money markets or other local authorities
- (iii) PWLB variable rate loans for up to 10 years

- (iv) Short dated borrowing from non PWLB below sources
- (v) Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.
- (vi) PWLB borrowing for periods under 5 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowings which will spread debt maturities away from a concentration in longer dated debt.

Borrowing Strategy – External v Internal Borrowing

8.14 The table below shows a comparison of gross and net position at the year end:

	2009/10 Actual £'000	2010/11 Probable £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
Actual external borrowing (gross)	0	0	910	2,051	2,008
Cash balances	-10,724	-8,493	-4,550	-3,640	-3,435
Net borrowing	-10,724	-8,493	-3,640	-1,589	-1,427

The net position is a negative one, reflecting the fact that cash balances exceed the Council's planned borrowing for capital expenditure.

Policy on Borrowing in Advance of Need

8.15 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds. In determining whether borrowing will be undertaken in advance of need the Council will:

- Ensure the on-going revenue liabilities created, and the implications for the future plans and budgets have been considered
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- Consider the merits and demerits of alternative forms of funding
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
- Consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the control in place to minimise them.

Minimum Revenue Provision (MRP) Policy

8.16 The Minimum Revenue Provision is the method by which an Authority charges the cost of borrowing for the purchase of capital assets to its revenue account.

8.17 The Provision is determined under guidance though Statutory Instrument 2008 no. 414. The guidance requires the policy for the calculation of MRP to be approved by Full Council.

8.18 Previously there has been no requirement for this Council to make an annual MRP as the Council was debt free and had a nil Capital Financing Requirement at the end of the previous financial year. However, the Council has a number of lease agreements that were initially entered into as operating leases but following the

implementation of International Financial Reporting Standards (IFRS) is now reclassified as finance leases. As a consequence the Council will not have a nil Capital Finance Requirement in future and there will now be a need to have a MRP policy in place, which is shown in Annex B.

ANNUAL INVESTMENT STRATEGY

Investment Policy

8.19 The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:

- The security of capital and
- The liquidity of its investments

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed in Annex F under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices schedules.

Creditworthiness Policy

8.20 This Council uses the creditworthiness service provided by Sector Treasury Services. This service has been progressively enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

8.21 This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands, which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments. It is also a service that the Council would not be able to replicate using in house resources.

8.22 The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of worldwide potential counterparties. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years *
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No colour not to be used

* This category has been added for AAA rated Government debt or its equivalent.

- 8.23 This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moodys tend to be more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The Sector creditworthiness service does though, use ratings from all three agencies, but by using a scoring system, does not give undue preponderance to just one agency's ratings.
- 8.24 On-going monitoring of all credit ratings is undertaken. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.
- 8.25 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

Country Limits

- 8.26 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide) The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex G. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

Investment Strategy to be followed In-house

- 8.27 The Council's in-house managed funds are split between cash flow derived balances and £1.0m of core investments available for lending over a 1-2 year period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 8.28 In the current economic climate it is considered appropriate to keep investments short-term and invest only with highly credit rated financial institutions. The liquidity of the Council's assets is an important consideration in view of the significant capital investment planned in the capital programme.
- 8.29 From time to time the fixed rate investments may span financial years. Currently the Council has 1 investment totalling £1.5m on deposit, which will mature on 12 April 2011.

External Cash Fund Management

- 8.30 Tradition (UK) Limited (Tradition) is a cash manager, appointed to manage, on a discretionary basis, a proportion of the Council's investment portfolio.
- 8.31 Currently £5m of the Council's funds is externally managed by Tradition, with 3 investments totalling £4.0m spanning financial years, which will mature between the 4 May 2011 and 11 October 2011.
- 8.32 The funding of the capital programme will significantly reduce the availability of balances for investment and as a consequence notice has been given to Tradition to cease the arrangement with effect from 30 June 2011. All investments after that date will be administered in-house.

End of Year Investment Report

- 8.33 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Policy on use of external service providers

- 8.34 The Council uses Sector Treasury Services as its external treasury management advisers. However, the Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
- 8.35 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Scheme of delegation

- 8.36 Please see Annex C.

Role of the section 151 officer

- 8.37 Please see Annex D.

9.0 IMPLICATIONS

- 9.1 The following implications have been identified:
- a) Financial
The results of the investment strategy affect the funding of the Capital Programme.
 - b) Legal
There are no legal implications regarding this report.
 - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None to report.

Paul Cresswell
Corporate Director (s151)

Author: Paul Cresswell, Corporate Director (s151)
Telephone No: 01653 600666 ext: 214
E-Mail Address: paul.cresswell@ryedale.gov.uk

Background Papers:

None.

Background Papers are available for inspection at:

None.

TREASURY MANAGEMENT STATEMENT AND INVESTMENT STRATEGY REPORT- RISK MATRIX – ANNEX A

Issue/Risk	Consequences if allowed to happen	Likelihood	Impact	Mitigation	Mitigated Likelihood	Mitigated Impact
Credit risk - associated with investing with financial institutions that do not meet the credit rating criteria.	Could mean loss of principal sum and interest accrued.	2	D	In response to the economic climate the Council have adopted a more stringent credit rating methodology. The adoption of the revised Code has also mitigated the risk of security on lending.	1	D
Market risk - Selection of wrong type of investment for higher return.	The poor performance of the chosen investment.	3	B	The number of investment options was reduced in the Investment Strategy for this year and it is proposed that this will continue.	3	B
Liquidity risk - Use of fixed term deposits and / or instruments / investments with low marketability may mean a lack of liquidity	Unable to take advantage of better investment options. Funds are unavailable to cover capital spend.	2	B	The maturity profile has shortened for investments. The 2010/11 Investment Strategy reduced the period for non- specified investments and it is proposed to continue with this policy.	1	B

Score	Likelihood	Score	Impact
1	Very Low	A	Low
2	Not Likely	B	Minor
3	Likely	C	Medium
4	Very Likely	D	Major
5	Almost Certain	E	Disaster

MINIMUM REVENUE PROVISION POLICY STATEMENT

The Council will assess the MRP for 2011/12 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21 (1A) OF The Local Government Act 2003.

Certain expenditure reflected within the debt liability at 31 March 2010 will under delegated powers be subject to MRP under option 3 of the guidance; this relates to the acquisition through finance lease of refuse and recycling vehicles and will be charged over a period which is commensurate with the life of the lease, using the annuity method.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will be divided up in cases where there are two or more major components with substantially different useful economic lives.

TREASURY MANAGEMENT SCHEME OF DELEGATION

1. Full Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

2. Policy and Resources Committee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment (where outside the scheme of delegation)

3. Overview and Scrutiny Committee

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

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

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

PRUDENTIAL AND TREASURY INDICATORS

Prudential Indicators

	2009/10	2010/11	2011/12	2012/13	2013/14
Extract from budget setting report	Actual	Probable Outturn	Estimate	Estimate	Estimate
Total Capital Expenditure	£1.589m	£4.882m	£5.802m	£2.425m	£0.680m
Ratio of financing costs to net revenue stream	-1.12%	1.03%	1.11%	1.58%	0.72%
Net borrowing requirement	-£10.724m	-£8.493m	-£3.640m	-£1.589m	-£1.427m
Capital Financing Requirement as at 31 March	£0.556m	£0.639m	£1.383m	£2.346m	£2.138m
Annual change in Capital Financing Requirement	£0.135m	£0.083m	£0.744m	£0.963m	-£0.208m
Incremental impact of capital investment decisions Increase in council tax (band D) per annum	N/a	N/a	£6.99	£10.85	£12.76

The indicators have been adjusted to meet the requirements of International Financial Reporting Standard (IFRS) accounting and allow for the reclassification of some of the Council's operating leases to finance leases.

Treasury Management Indicators

	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Probable Outturn	Estimate	Estimate	Estimate
Authorised Limit for external debt -					
borrowing	N/a	£20m	£20m	£20m	£20m
other long term liabilities	N/a	£0m	£0m	£0m	£0m
Total	N/a	£20m	£20m	£20m	£20m
Operational Boundary for external					
debt -					
borrowing	N/a	£5m	£5m	£5m	£5m
other long term liabilities	N/a	£0m	£0m	£0m	£0m
Total	N/a	£5m	£5m	£5m	£5m
External debt	£0.556m	0.639m	£1.383m	£2.346m	£2.138m
Upper limit for fixed interest rate					
exposure					
Net principal re fixed rate borrowing / investments	N/a	N/a	100%	100%	100%
Upper limit for variable rate					
exposure					
Net principal re variable rate borrowing / investments	N/a	N/a	20%	50%	50%
Upper limit for total principal sums					
invested for over 364 days					
(per maturity date)	N/a	N/a	£1.0m	£1.0m	£1.0m

SPECIFIED AND NON-SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS:

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable.

Investment	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	Sovereign rating	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	Per Sector Weekly Credit List	In-house
Money Market Funds	AAA	In-house
Banks nationalised by high credit rated (sovereign rating) countries	Per Sector Weekly Credit List	In-house
Government guarantee on ALL deposits by high credit rated (sovereign rating) countries*	Per Sector Weekly Credit List	In-house
UK Government support to the banking sector (implicit guarantee) **	Sovereign rating per Sector Weekly Credit List	In-house

* See Annex G

**The original list of banks covered when the support package was initially announced was:

- Abbey (now part of Santander)
- Barclays
- HBOS (now part of the Lloyds Group)
- Lloyds TSB
- HSBC
- Nationwide Building Society
- RBS
- Standard Chartered

Banks eligible for support under the UK bail-out package and which have issued debt guaranteed by the Government are eligible for a continuing Government guarantee when debt issues originally issued and guaranteed by the Government mature and are refinanced. However, no other institutions can make use of this support as it closed to new issues and entrants on 28.02.10. The financial institutions which have used this explicit guarantee are as follows:

- Bank of Scotland
- Barclays
- Clydesdale
- Coventry Building Society
- Investec
- Nationwide Building Society
- Rothschild Continuation Finance plc
- Standard Life Bank
- Tesco Personal Finance plc
- Royal Bank of Scotland
- West Bromwich Building Society
- Yorkshire Building Society

NON-SPECIFIED INVESTMENTS

A maximum of £1.0m will be held in aggregate in non-specified investment

1. Maturities of ANY period

Investment	Minimum Credit Criteria	Use	Maximum Investment	Maximum maturity period
Fixed term deposits with variable rate and variable maturities:				
Structured deposits	Per Sector Weekly Credit List	In-house	£1.0m	2 Years
Commercial paper issuance by UK banks covered by UK Government guarantee	UK Government explicit guarantee	In-house	£1.0m	2 Years
Other debt issuance by UK banks covered by UK Government guarantee	UK Government explicit guarantee	In-house	£1.0m	2 Years

2. Maturities in excess of 1 year

Investment	Minimum Credit Criteria	Use	Maximum Investment	Maximum maturity period
Term deposits – local authorities	--	In-house	£1.0m	2 Years
Term deposits – banks and building societies	Per Sector Weekly Credit List	In-house	£1.0m	2 Years
Certificates of deposits issued by banks and building societies	Per Sector Weekly Credit List	In house	£1.0m	2 Years
UK Government Gilts	AAA	In-house	£1.0m	2 Years
Bonds issued by multilateral development banks	AAA	In-house	£1.0m	2 Years
Bonds issued by a financial institution which is explicitly guaranteed by the UK government	AAA	In-house	£1.0m	2 Years

APPROVED COUNTRIES FOR INVESTMENT

AAA Rating

- Canada
- Denmark
- Finland
- France
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.
- U.S.A.

AA+ Rating

- Australia
- Belgium
- Hong Kong

AA Rating

- Japan
- Kuwait
- Qatar (AA S&P rating)
- UAE

AA- Rating

- Italy
- Saudi Arabia

* Sector has suggested that clients exercise care and caution when considering placing deposits with Irish and Portuguese banks as their economies and banking systems are currently under severe pressure.

INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. INDIVIDUAL FORECASTS

Sector interest rate forecast – 6.01.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Bank rate	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.25%	2.75%	3.00%	3.25%	3.25%
3 month LIBID	0.60%	0.70%	0.80%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%	3.00%	3.25%	3.50%	3.50%
6 month LIBID	0.90%	1.00%	1.10%	1.20%	1.50%	1.80%	2.10%	2.40%	2.80%	3.20%	3.50%	3.80%	4.00%
12 month LIBID	1.40%	1.50%	1.60%	1.80%	2.10%	2.40%	2.70%	3.00%	3.20%	3.40%	3.65%	4.00%	4.20%
5yr PWLB rate	3.30%	3.30%	3.40%	3.50%	3.60%	3.80%	3.90%	4.10%	4.30%	4.60%	4.80%	4.90%	5.00%
10yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%	5.40%	5.40%
25yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%	5.70%
50yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%	5.70%

Capital Economics interest rate forecast – 12.1.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.50%	2.00%
5yr PWLB rate	3.20%	3.20%	3.00%	2.75%	2.75%	2.90%	3.00%	3.20%	3.40%	3.60%	3.90%	4.20%
10yr PWLB rate	4.75%	4.75%	4.25%	3.75%	3.75%	3.75%	3.75%	3.75%	3.90%	4.00%	4.30%	4.60%
25yr PWLB rate	5.25%	5.25%	4.85%	4.65%	4.65%	4.65%	4.65%	4.65%	4.75%	4.85%	5.10%	5.30%
50yr PWLB rate	5.30%	5.30%	5.20%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.10%	5.20%	5.30%

UBS interest rate forecast (for quarter ends) – 06.01.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Bank rate	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
10yr PWLB rate	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%
25yr PWLB rate	5.25%	5.30%	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%
50yr PWLB rate	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%	5.65%	5.70%

2. SURVEY OF ECONOMIC FORECASTS

HM Treasury January 2011

The current Q4 2011 forecasts are based on the January 2011 report. Forecasts for 2011-2014 are based on 32 forecasts in the last quarterly forecast - in November 2010.

BANK RATE FORECASTS	quarter ended			annual average Bank Rate			
	actual	Q4 2011		ave. 2011	ave. 2012	ave. 2013	ave. 2014
Median	0.50%	2.00%		0.90%	1.60%	2.40%	3.00%
Highest	0.50%	0.50%		2.10%	3.10%	3.60%	4.50%
Lowest	0.50%	0.80%		0.50%	0.50%	0.60%	1.20%