# Cabinet Agenda

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Date: 30 January 2015
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**A meeting of the**

# Cabinet

**will be held on Friday, 6 February 2015 at 2.00 pm**
**Meeting Room 1, The Old Abbey House, Abingdon, OX14 3JE**

### Cabinet Members:

**Councillors**
Matthew Barber (Chairman)
Roger Cox (Vice-Chairman)
Mike Murray
Reg Waite
Elaine Ware

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Margaret Reed
Head of Legal and Democratic Services

# Agenda

## Open to the Public including the Press

**Council's vision**

The council’s vision is to take care of your interests across the Vale with enterprise, energy and efficiency.

## 1. Apologies for absence

To receive apologies for absence.

## 2. Minutes

To adopt and sign as a correct record the minutes of the Cabinet meeting held on 5 December 2014 (previously published).

## 3. Declarations of interest

To receive any declarations of disclosable pecuniary interests in respect of items on the agenda for this meeting.

## 4. Urgent business and chairman's announcements

To receive notification of any matters which the chairman determines should be considered as urgent business and the special circumstances which have made the matters urgent, and to receive any announcements from the chairman.

## 5. Statements, petitions, and questions relating to matters affecting the Cabinet

Any statements, petitions, and questions from the public under standing order 32 will be made or presented at the meeting.

## 6. Treasury management mid-year report 2014/15

(Pages 4 - 14)

To consider the head of finance’s report.

## 7. Treasury management strategy 2015/16

(Pages 15 - 43)

To consider the head of finance’s report.

## 8. Budget 2015/16

(Pages 44 - 80)

To consider the head of finance's report.  Appendix E (prudential indicators) is to follow.

**Exempt information under section 100A(4) of the Local Government Act 1972**

None

# Report to:

**Audit & Governance Committee**
**Cabinet**
**Council**

Report of Head of Finance

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Wards affected: all

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| | | |
|---|---|---|
| To: | AUDIT & GOVERNANCE COMMITTEE on | 22 January 2015 |
| | CABINET on | 6 February 2015 |
| | COUNCIL on | 18 February 2015 |

# Treasury management mid-year monitoring report 2014/15

## Recommendations

That Audit and Governance Committee:

1. notes the treasury management mid year monitoring report 2014/15, and
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy.

That Cabinet:

3. considers any comments from Audit & Governance Committee and recommends council to approve the report.

## Purpose of report

1. This report fulfils the legislative requirements to ensure the adequate monitoring of the treasury management activities and that the council's prudential indicators are reported to council in year. This report provides details of the treasury activities for the first six months of 2014/15 and an update on the current economic conditions with a view to the remainder of the year.

## Strategic objectives

2. An effective treasury management function is required in order to meet our strategic objective of managing our business effectively. Managing the finances of the authority in accordance with the treasury management strategy will help to ensure that resources are available to deliver its services and meet the council's strategic objectives.

## Background

3. The council's treasury activities are strictly regulated by legislation. The CIPFA Prudential Code and CIPFA Code of Practice for Treasury Management requires a monitoring report to be provided mid year to council. The report covers the treasury activity for the period 1 April 2014 to 30 September 2014.

4. The 2014/14 Treasury Management Strategy was approved by council on 19 February 2014. This report provides details on the treasury activity and performance for the first six months of 2014/15 against prudential indicators and benchmarks set for the year. It is also an opportunity to review and revise the limits if required. Council is required to approve this report and amendments to the Treasury Management Strategy.

## The economy and interest rates

5. An update on the economic conditions and interest rate forecasts is in appendix A.

## Icelandic banks – Landsbanki

6. On the 24 September 2008 the council deposited £1 million with Landsbanki Islands hf at an interest rate of 5.95 per cent. The investment principal and accrued interest (a total sum of £1,004,890.41) was due to be repaid on 24 October 2008 however the bank entered administration on 7 October 2008.

7. To date, the council has received £531,286 under the winding up process in part repayment of the original debt. The Icelandic Supreme Court had found in favour of UK local authorities to be paid before non-priority creditors of Landsbanki and so previously the council had expected to receive 100 per cent of the money deposited with the bank. Subsequently, there has been uncertainty over possible changes to legislation in Iceland which may prohibit funds being released outside of the country.

8. Due to this uncertainty over the timing and access to the balance owed, as at the end of September 2014 the council is, in common with other local authority creditors of Landsbanki, considering the sale of its remaining interest in the debt via the financial markets. Any such disposal is highly likely to be made at a discount to the face value although the final value potentially achievable will depend on a number of market factors. This discount will however be offset by the certainty of return and the time value of money.

## Investments

9. The council's investments at 30 September 2014 (not including that with Landsbanki) are shown in Table 1, below.

**Table 1: maturity structure of investments:**

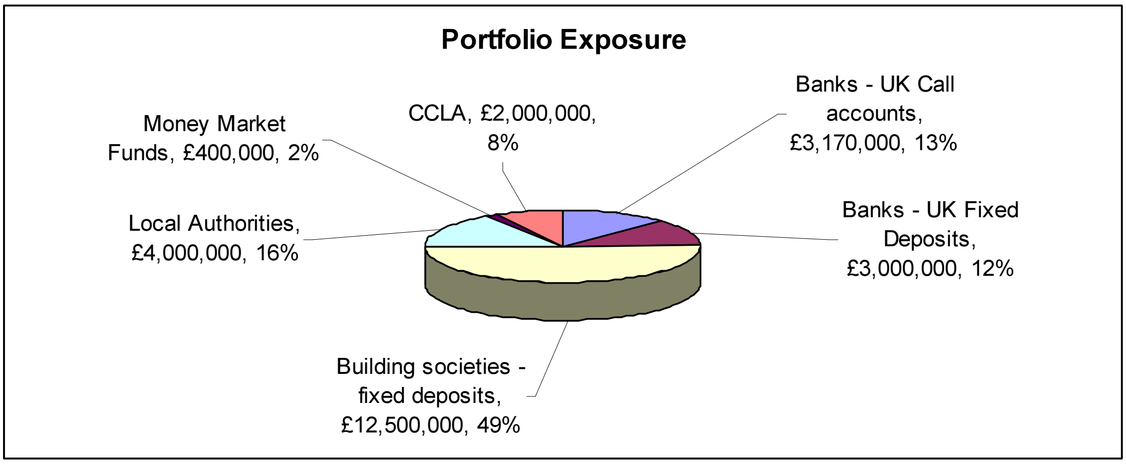
| | Classification of investment at deal date | | Classification as at 30/09/14 | |
|---|---|---|---|---|
| | £'000 | | £'000 | |
| Call | 3,170 | 13% | 3,170 | 13% |
| Money market fund | 400 | 2% | 400 | 2% |
| Less than 6 months | 2,000 | 8% | 11,500 | 46% |
| 6 months to 1 year | 13,500 | 54% | 4,000 | 16% |
| 1 year + (loans to other local authorities) | 4,000 | 16% | 4,000 | 16% |
| CCLA - property fund | 2,000 | 8% | 2,000 | 8% |
| **Total investments** | **25,070** | **100%** | **25,070** | **100%** |

10. In 2013/14 the council invested £2 million in a pooled property fund with the CCLA. Although the intention remains to hold monies in the fund for the longer term, this pooled property fund holding could be sold quickly if required for liquidity purposes.

11. The council continues to hold the majority of its investments in the form of cash deposits, most of which have been placed for fixed terms with a fixed investment return.

12. Money market rates have remained low in the financial year to date. The Funding for Lending Scheme (FLS) provided access to low rate, government funded borrowing for both banks and building societies, allowing participants to borrow from the FLS until January 2015. This has reduced the demand within the money markets significantly and has had a real impact on investment rates. It continues to be challenging to find re-investment opportunities which also meet the security and risk criteria at the same rates as previously obtained.

13. The chart below shows in percentage terms how the portfolio is spread across the types of investments.




14. The investment income earned for the first six months of 2014/15 is shown in table 2 below.

| **Table 2: Investment interest earned by investment type<br>Interest earned April 2014 - September 2014** | | | | |
|---|---|---|---|---|
| **Investment type** | **Annual budget £000** | **Actual to date £000** | **Annual forecast £000** | **Forecast variation £000** |
| Call accounts | 132 | 41 | 68 | (64) |
| Cash deposits | 104 | 122 | 221 | 117 |
| MMFs | 0 | 3 | 4 | 4 |
| CCLA | 120 | 60 | 119 | (1) |
| | **356** | **226** | **412** | **56** |

## Treasury activity

15. The Funding for Lending Scheme (FLS) lowered funding costs for banks and building societies. This access to cheaper borrowing is a key factor in the fall in market rates currently available. Longer term investment rates with high quality counterparties remain low, restricting the ability to place investments of greater than 12 months duration.

16. As at the end of September 2014, the weighted average maturity period of investments was 464 days. This is higher than that at the equivalent period last year, reflecting the change from balances held in call accounts and the placing in January 2014 of a seven year investment with Kingston upon Hull City Council. As a result of the many banking downgrades, there are now fewer financial institutions that meet the council's investment criteria. When it is possible, investments will be placed with high rated institutions for a longer duration with a view to spreading the council's risk exposure whilst maintaining the weighted average maturity of the portfolio.

17. Despite the challenging market conditions, interest earned in the first six months of the year totalled £226,000. The forecast for the year is now estimated at £412,000 (2013/14 actual outturn £478,000).

## Performance measurement

18. A list of investments as at 30 September is shown in appendix B. All investments were with approved counterparties. The average return on these investments is shown below in table 3. This shows in summary the performance of the council's investments against the benchmarks set out in the Treasury Management Strategy. These benchmarks are used to assess and monitor the council's investment performance for each type of investment.

| Table 3: investment returns achieved against benchmark | | | | |
|---|---|---|---|---|
| | Benchmark return | Actual return | Growth (below)/above benchmark | Benchmarks |
| | % | % | % | |
| Total investments | 0.42% | 1.48% | 1.06% | 3 month LIBID |

## Treasury management limits on activity

19. The council is required by the Prudential Code to report on the limits set each year in the Treasury Management Strategy. The purpose of these limits is to ensure that the activity of the treasury function remains within certain parameters, thereby mitigating risk and reducing the impact of an adverse movement in interest rates. However, if these limits are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The limits and our performance are shown in appendix C.

### Debt activity during 2014/15

20. During the first six months of 2014/15 there has been no need for the council to borrow. The council will continue to take a prudent approach to its debt strategy. The prudential indicators and limits set out in appendix C provide the scope and flexibility for the council to borrow long term up to the maximum limits for the achievement of its service objectives and the annual Treasury Management Strategy (TMS) also permits short-term borrowing if such a need arose for the cash flow management requirements of the authority.

### Financial implications

21. Recent economic data has shown continued growth in UK GDP, improving sentiment in the services and construction sectors and falling levels of unemployment. Despite this, the Bank of England's Monetary Policy Committee continues to take a cautious view on rates and the projection from the council's treasury advisors (Capita Asset Services) is that falling rates of inflation have reduced the likelihood of a rise in official rates before the second quarter of 2015. It is estimated that when rates do rise, they will do so slowly due to concerns over the sustainability of the recovery and the continuing levels of high personal indebtedness.

22. Investments made early in 2014 should increase the interest earned on investments for 2014/15 by over £50,000. The level of uncertainty over the strength of the economic recovery to a rise in official rates will continue to

suppress investment income returns going forward and this will be reflected in the council's medium term financial plan.

**Legal implications**

23. There are no significant legal implications as a result of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and the CLG Local Government Investment Guidance provides assurance that the council's investments are, and will continue to be, within its legal powers.

**Conclusion**

24. This report provides details of the treasury management activities for the period 1 April 2014 to 30 September 2014 and the mid year prudential indicators to council.

25. These details confirm that treasury activities have operated within the agreed parameters set out in the approved treasury management strategy and provides the monitoring information for audit and governance committee to fulfil the role of scrutinising treasury management activity.

**Background papers**

- CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes (revised 2011)
- CIPFA Prudential Code for Capital Finance in Local Authorities (2011 edition)
- Various committee reports, principally:-

   I. Treasury Management Investment Strategy 2014/15 (cabinet 7 February 2014, council 19 February 2014)

**Appendices**

A – Economic update and interest rates
B – List of investments as at 30.9.14
C – Prudential Indicators

## Economic Update and interest rates

1. There was strong growth in UK Gross Domestic Product in quarters 2-4 of the 2013 calendar year. Quarter 1 and 2 of 2014 continued this trend and surveys in the services and construction sector have revealed encouraging business sentiment.

2. The overall strong growth has seen unemployment fall below the threshold of 7% originally earmarked by the Bank of England Monetary Police Committee (MPC) as the level below which unemployment had to fall before it would consider an increase in the bank base rate.

3. The MPC subsequently broadened its forward guidance by looking at a much broader range of indicators in order to form a view on when rates should rise. The MPC is particularly concerned that wage inflation needs to rise above the level of general inflation (a real terms rise in wages) for the economic recovery to be sustainable.

4. Growth is expected to peak in 2014 and tail off slightly into 2015 and 2016. Unemployment is expected to continue on a downward trend and this is expected to significant increases in pay rates at some point in the next three years.

5. In the global economy, the United States demonstrated disappointing quarter 1 GDP figures, but quarter 2 figures rebounded strongly. On the other hand, the Eurozone area is facing an increasing threat from deflation. Greece continues to struggle with implementing fiscal controls and the second and third largest European economies – France and Italy – are struggling to enforce their own austerity programmes.

6. In the UK, inflation has also fallen (Consumer Price Inflation fell to 1.2% in September 2014 from 1.5% in August), reflecting cheaper transport costs, lower energy and food prices. In reaction to this data and uncertainty in the Middle East, UK government bond prices rose to their highest level in over a year as investors sought a safe haven. Bond yields have fallen accordingly, with 10-year gilts falling from 2.13% to under 2% - the lowest since June 2013.

7. The fall in UK inflation and the weakening in the Eurozone area has increased market speculation that any move to increase Bank of England base rates will now be delayed until later in 2015.

8. Concerns over investment counterparty risk remain because of the wider economic conditions. However the council's current treasury management policy aims to manage this risk down to a low level.

## Interest rates

9. The bank rate remained unchanged at 0.5 per cent throughout the first half of 2014/15. The council's treasury advisor, Capita Asset Services, has undertaken a review of interest rate forecasts. The current period of strong economic growth in the UK remains vulnerable to a downturn in the Eurozone area and there are concerns that UK growth is currently over dependent on consumer spending and the strength of the housing market. Consequently, whilst the expectation remains that bank rates will rise in the next financial year, the latest projection from Capita Asset Services is that the first increase in bank rate will not happen until the second quarter of 2015.

10. The Governor of the Bank of England has signalled that any increase in base rates will be slow and gradual as the MPC is concerned about the impact that increases will have on heavily indebted consumers, especially given that wage inflation is running significantly below the rate of CPI inflation.

11. Capita Asset Service's forecast of the expected movement in medium term interest rates is shown in the table below:

| | NOW | Dec-14 | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BANK RATE | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 1.00 | 1.00 | 1.25 | 1.25 | 1.50 | 1.50 | 1.75 | 2.00 | 2.25 | 2.50 |
| 3 month LIBID | 0.50 | 0.50 | 0.60 | 0.80 | 0.90 | 1.10 | 1.30 | 1.40 | 1.60 | 1.90 | 2.10 | 2.10 | 2.30 | 2.40 | 2.60 |
| 6 month LIBID | 0.65 | 0.70 | 0.80 | 1.00 | 1.10 | 1.20 | 1.40 | 1.50 | 1.80 | 2.00 | 2.20 | 2.30 | 2.50 | 2.70 | 2.80 |
| 12 month LIBID | 0.93 | 0.90 | 1.00 | 1.20 | 1.30 | 1.40 | 1.70 | 1.80 | 2.10 | 2.20 | 2.30 | 2.40 | 2.60 | 2.80 | 3.00 |
| 5 yr PWLB | 2.40 | 2.50 | 2.70 | 2.70 | 2.80 | 2.90 | 3.00 | 3.10 | 3.20 | 3.30 | 3.40 | 3.50 | 3.50 | 3.50 | 3.50 |
| 10 yr PWLB | 3.00 | 3.20 | 3.40 | 3.50 | 3.60 | 3.70 | 3.80 | 3.90 | 4.00 | 4.10 | 4.10 | 4.20 | 4.20 | 4.30 | 4.30 |
| 25 yr PWLB | 3.70 | 3.90 | 4.00 | 4.10 | 4.30 | 4.40 | 4.50 | 4.60 | 4.70 | 4.70 | 4.80 | 4.80 | 4.90 | 4.90 | 5.00 |
| 50 yr PWLB | 3.70 | 3.90 | 4.00 | 4.10 | 4.30 | 4.40 | 4.50 | 4.60 | 4.70 | 4.70 | 4.80 | 4.80 | 4.90 | 4.90 | 5.00 |

## Appendix B

| Investments as at 30 September 2014<br>Counterparty | Deposit type | Maturity date | Total investment duration in days | Principal | Rate |
|---|---|---|---|---|---|
| Progressive Building Society | Fixed | 03/10/2014 | 304 | 1,500,000 | 0.85% |
| Manchester Building Society | Fixed | 24/10/2014 | 273 | 2,000,000 | 0.90% |
| Close Brothers Ltd | Fixed | 18/11/2014 | 364 | 1,000,000 | 1.05% |
| Skipton Building Society | Fixed | 19/11/2014 | 174 | 2,000,000 | 0.62% |
| Lloyds Bank PLC | Fixed | 04/12/2014 | 364 | 2,000,000 | 0.98% |
| Principality Building Society | Fixed | 14/01/2015 | 364 | 2,000,000 | 0.88% |
| National Counties Building Society | Fixed | 23/03/2015 | 276 | 1,000,000 | 0.82% |
| West Bromwich Building Society | Fixed | 30/06/2015 | 365 | 3,000,000 | 1.05% |
| Progressive Building Society | Fixed | 01/07/2015 | 303 | 1,000,000 | 0.85% |
| Santander | Call * | | | 2,670,000 | 0.90% |
| Lloyds Bank PLC | Call * | | | 500,000 | 0.40% |
| Goldman Sachs | MMF * | | | 400,000 | 0.41% |
| **Total short term cash investments (<1 yr duration)** | | | | **19,070,000** | |
| | | | | | |
| Kingston Upon Hull City Council | Fixed | 19/08/2020 | 2,557 | 2,000,000 | 2.70% |
| Kingston Upon Hull City Council | Fixed | 15/01/2021 | 2,557 | 2,000,000 | 2.50% |
| **Total long-term cash investments (>1 yr duration)** | | | | **4,000,000** | |
| | | | | | |
| CCLA | Property | | | 2,000,000 | variable |
| | | | | | |
| **Total Investments** | | | | **25,070,000** | |

* *Rates are variable. Returns shown represent prevailing rates at end Q2 2014.*

*Above figures exclude balance outstanding from Landsbanki*

| Prudential indicators as at 30th September 2014 | 2014/15 Original estimate £m | Actual as at 30-Sep £m |
|---|---|---|
| **Debt** | | |
| **Authorised limit for external debt** | | |
| Borrowing | 30 | 0 |
| Other long term liabilities | 5 | 0 |
| | **35** | **0** |
| **Operational boundary for external debt** | | |
| Borrowing | 25 | 0 |
| Other long term liabilities | 0 | 0 |
| | **25** | **0** |
| **Interest rate exposures** | | |
| Maximum fixed rate borrowing | 100% | **0** |
| Maximum variable rate borrowing | 100% | **0** |
| **Investments** | | |
| **Interest rate exposures** | | |
| Limits on fixed interest rates | 60 | 19.5 |
| Limits on variable interest rates | 30 | 5.5 |
| **Principal sums invested > 364 days** | | |
| Upper limit for principal sums invested >364 days | 30 | 6 |

**Addendum to the Treasury mid-year report**

LANDSBANKI

The Council has recently taken the opportunity to sell its claim against the insolvent estate of Landsbanki Islands hf (LBI). The claim was sold through a sales process brokered by Deutsche Bank. The price at which the claim was sold was based on a reserve price set by the council on the basis of legal advice received from Bevan Brittan and the council's own analysis of the financial position. The proceeds of the sale were paid in Pounds Sterling. The sale means that the council has recovered 92.76 per cent of the amount that was originally deposited with LBI in 2008.

The transaction removes all uncertainty surrounding the timing of potential future recovery; particularly given that the administration of the insolvent estate of LBI is likely to continue for several years and the fact that future recovery payments may be made in a number of currencies which could end up being less advantageous to the council.

The money was transferred to the council on 19 November 2014 and this represents a clean break. The money can now be re-invested and the return on this will offset the discount on the price of the sale when assessed over the balance of the repayment period from LBI.

A number of other UK local authorities have sold their claims through the same auction process with each creditor receiving exactly the same price expressed terms of the Icelandic Kroner value of the claim. As authorities' claims included accrued interest on the original deposit, this may produce slightly different recoveries in different authorities.

# Report to:

**Audit & Governance Committee**
**Cabinet**
**Council**

Report of Head of Finance

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Wards affected: all

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| | | |
|---|---|---|
| To: | AUDIT & GOVERNANCE COMMITTEE on | 22 January 2015 |
| | CABINET on | 6 February 2015 |
| | COUNCIL on | 18 February 2015 |

# Treasury management and investment strategy 2015/16

## Recommendations

The committee recommends to cabinet and council:

1. To approve the treasury management strategy 2015/16 set out in appendix A to this report;

2. To approve the prudential indicators and limits for 2015/16 to 2017/18 as set out in table 2, appendix A;

3. To approve the annual investment strategy 2015/16 set out in appendix A (paragraphs 32-68) and the lending criteria detailed in table 5.

That cabinet:

Considers any comments from committee and recommends council to approve the report.

## Purpose of report

1. This report presents the council's Treasury Management Strategy (TMS) for 2015/16 to 2017/18. This sets out how the council's treasury service will support capital investment decisions, and how the treasury management operates day to day. It sets out the limitations on treasury management activity governed by the prudential indicators, within which the council's treasury function must operate. The strategy is included as appendix A to the report (paragraphs 1-68). This report includes the three elements required by legislation as follows:

   - The prudential indicators required by the CIPFA Prudential Code for Capital Finance in Local Authorities;

   - The annual investment strategy. This sets out the council's criteria for selecting counterparties and limiting exposure to the risk of loss on its investments. This strategy is in accordance with the DCLG investment guidance and forms part of the treasury management strategy. (appendix A, paragraphs 32-68);

   - A statutory duty to approve a minimum revenue provision policy for 2015/16 (paragraphs 62-64).

   It is a requirement of the CIPFA Treasury Management Code 2011 that this report is approved by full Council on an annual basis.

## Strategic objectives

2. Effective treasury management is required in order to meet our strategic objective of managing our business effectively. Managing the finances of the authority in accordance with the treasury management strategy will help to ensure that resources are available to deliver its services and meet the council's other strategic objectives.

## Background

3. 'Treasury management' is the planning of the council's 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.

4. The funding of the council's capital expenditure is also a function of treasury management. The capital programme provides a guide to the funding needs of the council and the long term cash flow plans to ensure that the council can meet its capital spending obligations.

5. The treasury management and annual investment strategy set out the council's policies for managing investments and confirms the council gives priority to the security and liquidity of those investments. It also includes the prudential indicators for the next three years; these demonstrate that the council's capital investment plans are affordable, prudent and sustainable.

6. The council's treasury management strategy 2015/16 to 2017/18 is attached in appendix A. Whilst every attempt has been made to minimise the technical content

of this report, it is, by its very nature and the need for compliance with associated guidance, technical in parts. A glossary of terms in annex 7 should aid with the understanding of some of the technical terms used in the report.

## Recommended changes to the treasury management strategy

7. Council approved the 2014/15 treasury management strategy on 19 February 2014. The proposed strategy for 2015/16 includes the changes detailed below:,

(i) To add enhanced cash funds to the list of approved investment types. Investment in such funds to be subject to counterparty lending limits as per Table 5, Appendix A.

(ii) To add certificates of deposits to the list of approved investment types. Investment in such funds to be subject to counterparty lending limits as per Table 5, Appendix A.

The above recommendations are intended to increase the number of high quality counterparties available to the council and so allow for further diversification of the investment portfolio.

## Financial implications and risk assessment

8. This report and all associated policies and strategies set out clearly the parameters the council must work within. It is important that the council follows the approved treasury management strategy which is designed to safeguard the council's finances by managing its risk exposure.

9. In the last few years investment income has fallen due to lower interest rates. In the medium term interest rates are expected to rise, although rises in rates are expected to be slow and gradual given the continued uncertainty in the global economy. The table below gives an estimate of the investment income achievable for the next five years.

**Table 1: Medium term investment income forecast**

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's |
| Forecast as at January 2015 | 412 | 514 | 670 | 814 | 886 |

10. The 2015/16 budget setting report and medium term financial plan will take into account the latest projections of anticipated investment income.

### Legal implications

11. There are no significant legal implications as a result of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services, the CLG Local Government Investment Guidance provides assurance that the council's investments are, and will continue to be, within its legal powers.

12. The council must approve any amendment to the treasury management strategy and annual investment strategy in accordance with the Local Government Act 2003 ( the Act), the CIPFA Code of Practice for Treasury Management in the Public Services

and the CLG Local Government Investment Guidance under Section 15(1) (a) Local Government Act 2003 and CIPFA Prudential Code for Capital Finance.

**Conclusion**

13. This report provides details of the proposed changes to the treasury management strategy and the annual investment strategy for 2015/16 which are appended to this report, together with the prudential indicators for approval to council. These documents provide the parameters within which officers will operate the council's treasury management function.

**Background papers**

- CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes (revised 2011)
- CLG Local Government Investment Guidance under Section 15(1)(a) Local Government Act 2003 and CIPFA Prudential Code for Capital Finance.
- Treasury Management Investment Strategy 2014/15 (cabinet 7 February 2014, council 19 February 2014)

**Appendices**

Appendix A — Treasury Management Strategy 2015/16 – 2017/18 - incorporating the following:

| | |
|---|---|
| Annex 1 | Economic conditions |
| Annex 2 | Prospects for interest rates |
| Annex 3 | Risk and performance benchmarking |
| Annex 4 | Property Investment policy |
| Annex 5 | Explanation of prudential indicators |
| Annex 6 | TMP1 extract |
| Annex 7 | Glossary of terms |

Appendix A

# Treasury Management Strategy 2015/16- 2017/18

## Introduction

1. The Local Government Act 2003 and supporting regulations require the council to 'have regard to' the CIPFA Prudential Code and to set Prudential Indicators for the next three years to ensure that the council's capital investment plans are affordable, prudent and sustainable.
2. The Act requires the council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act). This sets out the council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
3. The strategy in respect of the following aspects of the treasury management function is based on treasury officers' views on interest rates, supplemented with market forecasts provided by the council's treasury advisor, Capita Asset Services. The strategy covers:
    - Prudential and treasury indicators in force that will limit the treasury risk and activities of the council;
    - Current treasury position
    - Prospects for interest rates;
    - Borrowing strategy
    - Policy on borrowing in advance of need;
    - Investment strategy;
    - Counterparty selection and limits;
    - Policy on use of external service providers;
    - Minimum revenue provision (MRP) statement;
    - Treasury management scheme of delegation and Section 151 role.

4. 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 year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level where any increases in charges to revenue are from:
    - Increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
    - Any increases in running costs from new capital projects are identified and limited to a level which is affordable.

    A key requirement of this report is to explain the risks, and the management of those risks, associated with providing the treasury service. Legislation requires that as a minimum two further treasury reports are provided: a mid-year monitoring report and an outturn report after the year-end that reports on actual activity for the year.

Appendix A

**Treasury Limits for 2015/16 to 2017/18**

5. 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 called the “Affordable Borrowing Limit”. The Authorised Limit is the legislative limit specified in the Act.

6. The council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital expenditure remains within sustainable limits and in particular, that the impact upon its future council tax and council rent levels is ‘acceptable’.

7. The Authorised Limit is set on a rolling basis, for the forthcoming financial year and two successive financial years.

8. The following indicators set the parameters within which we manage the overall capital investment and treasury management functions. There are specific treasury activity limits, which aim to contain the activity of the treasury function in order to manage risk and reduce the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The limits are set out in table 2 below.

**Cabinet is asked to recommend council to approve the limits:**

**Table 2: Prudential indicators**

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|
| **Debt** | **£m** | **£m** | **£m** | **£m** |
| **Authorised limit for external debt** | | | | |
| Borrowing | 30 | 30 | 30 | 30 |
| Other long term liabilities | 5 | 5 | 5 | 5 |
| | **35** | **35** | **35** | **35** |
| **Operational boundary for external debt** | | | | |
| Borrowing | 25 | 25 | 25 | 25 |
| Other long term liabilities | . | . | . | . |
| | **25** | **25** | **25** | **25** |
| **Interest rate exposures** | | | | |
| Maximum fixed rate borrowing | 100% | 100% | 100% | 100% |
| Maximum variable rate borrowing | 100% | 100% | 100% | 100% |
| **Investments** | | | | |
| **Interest rate exposures** | | | | |
| Limits on fixed interest rates | 60 | 40 | 40 | 40 |
| Limits on variable interest rates | 30 | 30 | 30 | 30 |
| **Principal sums invested > 364 days** | | | | |
| Upper limit for principal sums invested >364 days | 30 | 30 | 30 | 30 |

## Current position

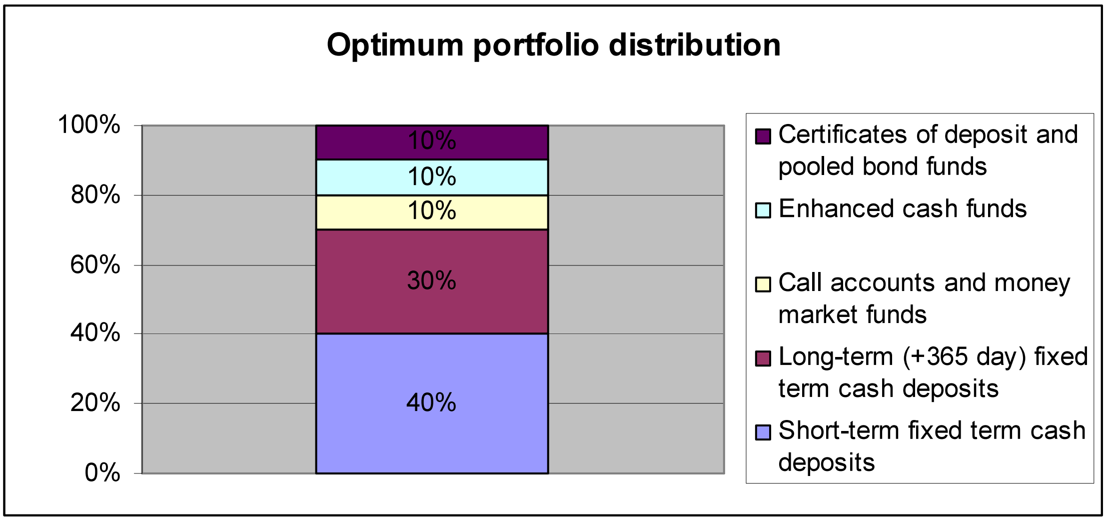
9. The maturity structure of the council's investments at 31 December 2014 was as follows:

| Table 3: Maturity structure of investments: | | | | |
|---|---|---|---|---|
| | Classification of investment at deal date | | Classification as at 31/12/2014 | |
| | £'000 | | £'000 | |
| Call | 11,000 | 40% | 11,000 | 40% |
| Money market fund | 2,040 | 7% | 2,040 | 7% |
| Less than 6 months | 0 | 0% | 7,000 | 25% |
| 6 months to 1 year | 8,500 | 31% | 1,500 | 5% |
| 1 year + (loans to other local authorities) | 4,000 | 15% | 4,000 | 15% |
| CCLA - property fund | 2,000 | 7% | 2,000 | 7% |
| **Total investments** | **27,540** | | **27,540** | |

10. The council currently holds all of its investments in the form of either cash deposits or a managed property fund (£2 million with CCLA), the majority of which have been placed for fixed terms with a fixed investment return.

11. Currently a relatively high percentage of the council's cash investments are held in call or money market accounts. Due to changing, more costly, capital requirements for banks offering call facilities the market rates (and returns) for this type of instrument are falling. Officers will explore alternative investment opportunities within the confines of this treasury strategy to improve the balance of the portfolio mix, so far as market conditions allow.

12. The council's considerations for investment will remain security, liquidity and yield – in that order. Within this framework a proposed optimum portfolio distribution of cash investments could be considered as follows:




- *This represents officer interpretations of a diversified portfolio and from time to time actual holdings could vary from this significantly.*

**Icelandic banks – Landsbanki**

13. On 24 September 2008 the council deposited £1 million with Landsbanki Islands hf at an interest rate of 5.95 per cent. This investment principal and accrued interest (a total sum of £1,004,890) was due to be repaid on 24 October 2008 however the bank entered administration on 7 October 2008.

14. Under the winding up process the council received £531,286 in part repayment of the original debt. The Icelandic Supreme Court had found in favour of UK local authorities to be paid before non-priority creditors of Landsbanki and so the council had expected to receive back substantially all of the money deposited with the bank. Subsequently, there has been much uncertainty over possible changes to legislation in Iceland which may restrict these funds being released outside of the country in the short to medium term.

15. Due to this uncertainty over timing and repatriation of the remaining balance owed, the council, in conjunction with other local authority creditors of Landsbanki, opted to offer their interest in the debt to the financial markets.

16. On 17 October 2014, a sale was brokered with Deutsche Bank AG at a price equivalent to 92.76% of the original debt. After accounting for exchange rate differences and transfer fees the balance received by the council in November 2014 in exchange for the remaining debt was £387,606.

17. Offers received by the council in prior years to purchase the council's Landsbanki claim had previously been rejected as not offering sufficient value. Officers considered that the current uncertainty over possible legislative changes was such that a sale now represented the optimum solution. The final price realised exceeded that earned in an earlier round of claims sales by some UK local authorities in which the council declined the option to participate in.

18. Although the sale was at a discount on the full value of the claim, officers have calculated that the time value of holding the money now (and potentially re-investing) will offset this discount and provide more certainty of return.

19. Previous distributions from the Landsbanki Winding-up Board (WUB) have included disbursement in Icelandic Kroner (ISK) which has to be held in an escrow account in Iceland, pending agreement for its release and conversion in sterling (or euros/US dollars). The value of this holding as at 31 March 2014 was £8,096 and is currently earning annual interest of 4.17 per cent.

**Investment performance for the year to 31 December 2014.**

20. The council's budgeted investment return for 2014/15 is £0.412 million, and the actual interest received to date is shown as follows:

| Table 4: Investment interest earned to date and outturn estimate | | | | |
|---|---|---|---|---|
| | Interest Earned | | | |
| **Investment type** | **Annual Budget 2014/15 £000's** | **Actual to date 2014/15 £000's** | **Annual Forecast 2014/15 £000's** | **Forecast Variation 2014/15 £000's** |
| Position at end December 2014 | 356 | 325 | 412 | 56 |
| **Total interest** | **356** | **325** | **412** | **56** |

**Borrowing Strategy 2015/16 – 2017/18**

21. The annual treasury management strategy has to set out details of the council's borrowing requirement, any maturing debt which will need to be re-financed, and the effect this will have on the treasury position over the next three years. This council currently has no external debt and external borrowing may only prove necessary depending on the value of new schemes added as part of the 2015/16 budget setting process.

22. The council will continue to take a prudent approach to its debt strategy. In general, the council will borrow for one of two purposes:

    - To support cash flow in the short-term;
    - To fund capital investment over the medium to long term.

    Any borrowing undertaken will be within the scope of the boundaries given in the prudential indicators shown in Table 2.

23. The prudential indicators provide the scope and flexibility for the council to borrow up to a maximum of £30 million, if such a need arose. This also allows short-term borrowing for the cash flow management activities of the authority, for the achievement of its service objectives.

24. The existing capital programme can be financed from internal resources. Additional expenditure committed as part of the 2015/16 budget setting process can be financed from internal resources (either by use of reserves or internal borrowing) or externally (through prudential borrowing). Any decision on borrowing will be taken by the Head of Finance based on the minimum cost to the council.

25. Currently, the council is debt free. There is no financial advantage to the council of maintaining a debt free status, other than it avoids the revenue cost of servicing any borrowing it assumes. Any borrowing undertaken will be within the framework of the prudential indicators included in this report.

26. The latest projection from the council's treasury advisors, Capita Asset Services, is for the Bank of England base rate to remain unchanged at 0.5% until the second quarter of 2015/16. This does provide a window of opportunity to review the strategy of undertaking external borrowing for new projects.

27. The treasury management strategy for the forthcoming year aims to efficiently manage the investment portfolio by reducing the amount of funds held extremely short-term for cash flow purposes and operating with an adequate but not excessive level of working capital. This optimum level is dictated by the accuracy of cash flow forecasts and, although unlikely, it is prudent to set a minimum level for the use of short-term borrowing arrangements or overdraft facilities if the cash flow forecasts prove inaccurate at any point in the year.

28. This strategy allows the head of finance to take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above.

29. Any borrowing for capital financing purposes will be assessed by the head of finance to be prudent, sustainable and affordable

30. This strategy allows the head of finance to determine the most suitable repayment terms of any borrowing to demonstrate affordability and sustainability in the medium term financial plan. As a general rule, the term of any borrowing will usually be matched to the expected life of the capital asset being created.

**Policy on borrowing in advance of need**

31. The council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within approved Capital Financing Requirement estimates, and 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 if any borrowing will be undertaken in advance of need, the council will:

    - consider the impact of borrowing in advance on investment cash balances and the exposure to counterparty risk. Any risk associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid year or annual reporting process.

    - consider the optimum point to borrow in advance of need to obtain the most beneficial rates on any loan raised to minimise the cost of borrowing

**Annual investment strategy**

32. The primary aim of the council's investment strategy is to maintain the security and liquidity of its investments; yield or return on the investment will be a secondary consideration, subject to prudent security and liquidity. The council will ensure:

    - It has sufficient liquidity in its investments to cover cash flow. For this purpose it has set out parameters for determining the maximum periods for which funds may prudently be committed.

    - It maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

33. The strategy aims to provide a high degree of flexibility to take appropriate lending decisions, with a view to producing a portfolio with an even spread of maturity periods

as and when institutional security and market confidence returns. This aim is to provide a more even and predictable investment return in the medium term.

34. The council's head of finance will ensure a counterparty list (a list of named institutions) is maintained in compliance with the recommended credit rating criteria (table 5) and will revise the criteria and submit any changes to the credit rating criteria to council for approval as necessary.

**Investment types**

35. The types of investment that the council can use are summarised below. These are split under the headings of 'specified' and 'non-specified' in accordance with the statutory guidance.

**Specified investment instruments (maximum period 1 year)**

These are sterling investments of not more than one year maturity, or those where the council has the right to be repaid within 12 months if it wishes. These would include sterling investments with:

- UK government Debt Management Agency Deposit Facility (DMADF)
- UK government – treasury stock (Gilts) with less than one year to maturity
- Supranational bonds of less than one year's duration
- Deposits with UK local authorities
- Pooled investment vehicles such as Money Market Funds (MMF) (AAA rated)
- Deposits with banks and building societies (minimum F2/BBB rated)
- Certificates of deposits issued by banks and building societies (minimum rating as above)

**Non-specified investment instruments (maturities over one year)**

These are any other type of investment (i.e. investments not defined as specified, above). Non-specified investments would include any sterling investments with:

- Supranational bonds of 1 to 10 years to maturity
- UK treasury stock (Gilts) with a maturity of 1 to 10 years
- Unrated building societies (minimum asset value £1 billion)
- Bank and building society cash deposits up to 5 years (minimum F1/A- rated)
- Deposits with UK local authorities up to 25 years to maturity
- Corporate bonds
- Pooled property, bond funds and UK pooled equity funds
- Direct property investment

**Other Non-specified investment instruments**

- Fixed term deposits with variable rate and variable maturities

**Approach to investing**

36. The council holds approximately £12 million core cash balances which are available to invest for more than one year. This is expected to reduce over the medium term as the approved capital expenditure is incurred and not replenished by capital receipts. In addition the council has funds which are available on a temporary basis to invest.

These are held pending payment over to another body such as precept payments and council tax. The amount can vary between £5 million and £24 million throughout the year and should only be invested short term (under one year). Investments will be made primarily with reference to known cash flow requirements (liquidity).

37. Whilst the current market uncertainties remain the council will aim to keep investments relatively short term, but where possible will continue to look for opportunities to fix lending in the medium term with highly rated institutions when possible for core cash balances. The aim is to increase the weighted average maturity of the portfolio in order to reduce maturity risk.

38. Officers will continue to implement an operational strategy which provides tight controls on the investments placed. Where possible opportunities to spread the investment risk over different types of instruments will be considered.

39. Should market conditions deteriorate suddenly to the extent that the council is unable to place money with institutions with the necessary credit rating, it will make use of the UK Government deposit account (DMADF).

40. The council has the authority to lend to other local authorities at market rates. Current investments include £4 million of lending to Kingston Upon Hull City Council which matures in 2020/21. Whilst investments with other local authorities are considered to be supported by central government, officers will consider the financial viability and sustainability of the individual local authority before any funds are advanced.

41. The property investment holdings will be kept under review to identify if further investments should be placed in these categories. Property funds will also be looked at in more detail for consideration. In 2013/14 the council invested £2 million in the Churches Charities and Local Authorities pooled property investment fund (CCLA). Further details on the property investment policy are contained in annex 4.

42. Money market funds are used for security and liquidity and to spread portfolio risk. The council will monitor our exposure to these funds in order to manage our security risk.

43. Currently the council does not make use of an external fund manager. Whilst there are presently no plans for this situation to change, this will continue to be kept under review.

44. Bond funds can be used to diversify the portfolio, whilst maintaining liquidity and security. These will be considered and reviewed as an investment possibility to spread portfolio risk.

45. One option to offer diversification in the council's investment portfolio would be to make use of enhanced cash funds (see Annex 7). Possible use of such funds would be intended for longer term investments than with traditional money market funds (i.e. for possible investment durations of 3 – 6 months). Investments placed with enhanced cash funds are callable and so offer the option to be withdrawn before maturity, although this is likely to have an adverse impact on the return on the investment.

46. Unlike money market funds, enhanced cash funds have a variable net asset value (VNAV). This means the assets are 'marked to market' (re-valued to current market value) on a daily basis and the fund unit price adjusted accordingly. Under this calculation basis the unit price fluctuates and could, therefore, be higher or lower than

the original investment when it is redeemed. Any use of enhanced cash funds would be restricted to the high quality counterparty credit criteria as set out in Table 5.

47. The council does not currently make use of certificates of deposit (Annex 7). Consideration will be given to their use to assist diversification of the investment portfolio. Certificates of deposit have the same level of ranking and security as ordinary fixed term deposits but have the option of being traded before maturity. Certificates of deposit are bought and sold on the stock market and their price can go up or down during prior to their redemption date. If held to maturity the investment will return their issue value. The council would only normally look to enter into such investments on a held to maturity basis.

48. Both enhanced cash funds and certificates of deposit have been added to the strategy this year.

**Counterparty selection**

49. Treasury management risk is the risk of loss of capital to the council. To minimise this risk, the council uses credit rating information when considering who to lend to. Capita Asset Services provide the council with credit rating updates from all three ratings agencies – Standard & Poors, Fitch and Moodys.

50. The council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies in evaluating investment opportunity. This is because adopting this approach could leave the council with too few counterparties for the strategy to be workable. Instead, counterparty investment limits will be set by reference to all of the assigned ratings.

51. Credit rating information is supplied by Capita Asset Services, our treasury consultants. Any counterparty failing to meet the minimum required criteria (Table 5) would be omitted from the counterparty list. Any rating changes and rating watches (notification of a rating change) are provided to officers almost immediately after they occur and this information is considered before any deal is entered into. Extreme market movements may result in a downgrade of an institution or removal from the council's lending list.

52. Additional requirements under the CIPFA Treasury Management Code comply the council to supplement the credit rating data with operational market information such as credit default swaps (CDS), negative watches and outlooks, which are considered when assessing the security of counterparties. This additional information is used so that the council does not rely solely on the current credit ratings of counterparties.

53. Where it is felt the council would benefit from utilising government guarantees provided by countries with an AAA rating, the council may lend to institutions covered by such guarantees. Any decision to lend in this way will be subject to consultation with and the agreement of the cabinet member responsible for finance.

**Country and sector considerations**

54. The council has determined that it will only use approved counterparties outside the UK from countries with a minimum sovereign credit rating of AAA from Fitch Ratings.

**Counterparty limits**

55. In the normal course of the council's cash flow operations it is expected that both specified and non-specified investments will be used for the control of liquidity as both categories allow for short term investments. The use of longer term instruments (greater than one year from inception to repayment) will fall in the non-specified investment category. These instruments will be used where the council's liquidity requirements are safeguarded. The council will lend to institutions that meet the following criteria:

**Table 5: Counterparty limits**

| Counterparty | Minimum Fitch Rating (or equivalent) | Counterparty Limit £m | Max. maturity period | Maximum % of total investments |
|---|---|---|---|---|
| Institutions with a minimum rating: | F1+ / AA- | £10.0m | 5 years | 100% |
| Institutions with a minimum rating: | F1 / A- | £7.5m | 2 years | 80% |
| Institutions with a minimum rating: | F2/BBB | £5.0m | 1 year | 70% |
| Banks - part nationalised UK | | £15.0m | 3 years | 100% |
| Banks - house bank | n/a | £5.0m | 3 months | 20% |
| Building societies - assets > £5,000m | n/a | £5.0m | 12 months | 70% |
| Building societies - assets > £3,000m | n/a | £3.5m | 12 months | 60% |
| Building societies - assets > £1,000m | n/a | £3.0m | 10 months | 50% |
| Corporate Bonds | AA- | £5.0m | variable | 40% |
| Money Market funds (CNAV) | AAA | £20.0m | liquid | 100% |
| Enhanced cash funds (VNAV) | AAA / V1 | £15.0m | variable | 50% |
| UK Government - gilts | UK sovereign | Unlimited | 25 years | 20% |
| UK Governmemt - DMADF | UK sovereign | Unlimited | 6 months | 100% |
| Local authorities; parish councils | n/a | £20.0m | 25 years | 20% |
| Supranationals | AAA | £10.0m | 10 years | 50% |
| Pooled property funds - CCLA | n/a | £3.0m | variable | 10% |
| Share capital / Equities | n/a | £3.0m | variable | 20% |
| Direct property investment | n/a | n/a | unlimited | 80% |
| Managed Bond Funds | n/a | £15.0m | variable | 70% |

56. The criteria proposed for choosing counterparties provides a sound approach to investment in "normal" market circumstances. Whilst councillors are asked to approve the criteria in table 5, under the exceptional current market conditions the head of finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions.

**Fund managers**

57. The treasury management strategy allows for a total of up to £15.0 million portfolio to be invested with a fund manager. Fund managers can invest in a variety of investment types such as cash deposits, gilts and certificates of deposits. These types of funds can extend the spread of investment portfolio, access highly rated institutions and capitalise upon opportunities to improve returns, whilst maintaining liquidity. This is reviewed regularly, and at present it is not evident that the council can currently benefit

from the service of a fund manager due to the market conditions. However, the situation will continue to be reviewed.

**Risk and performance benchmarks**

58. A requirement of the Code is that security and liquidity benchmarks are considered and approved. This is in addition to yield benchmarks which are used to assess performance. The benchmarks are guidelines (not limits) so may be breached depending on the movement in interest rates and counterparty criteria. Their purpose is to allow officers to monitor the current trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with an explanation in the mid year or annual report to audit and corporate governance committee. Detailed information for the assessment of risk is shown in annex 3.

59. Performance indicators are set to assess the adequacy of the treasury function over the year. These are distinct historic performance indicators, as opposed to the predominantly forward looking prudential indicators. The indicators used to assess the performance of the treasury function are:

    - Cash investments - 3 month LIBID rate.
    - Property related investments – IPD Balance Property Unit Trust Index.
    - Maximum investment of daily balances (in-house).
    - Maintenance of a balanced portfolio.

    The results of these indicators will be reported in both the annual mid-year and year-end treasury reports.

**Policy on the use of treasury management advisors**

60. The council has a joint contract for treasury management advisors with South Oxfordshire District Council. A two year contract was awarded to Capita Asset Services, a subsidiary of the Capita Group Plc which covers the period to October 2016. The company provides a range of services which include:

    - technical support on treasury matters, capital finance issues, statutory reports;
    - economic forecasts and interest rate analysis;
    - credit ratings / market information service involving the three main credit rating agencies;
    - strategic advice including a review of the investment and borrowing strategies and policy documents.

61. 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. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills, resources and up to date market information.

**Minimum revenue provision (MRP) statement 2015/16**

62. The council is required to assess its MRP requirement for the year in accordance with the guidance of section 21(1A) of the Local Government Act 2003. MRP is only chargeable on outstanding capital liabilities.

63. Currently, the council's MRP liability is nil. This will remain the case unless new capital expenditure is financed by external borrowing.

64. The council's current capital programme can be financed from internal resources. Depending on the conclusion of the 2015/16 budget setting process, new capital growth ideas may require external borrowing. If borrowing is undertaken then the council will be required by statute to set aside funds in the annual revenue budget to amortise the principal element of any borrowing – this is the MRP. There will also be a requirement to set aside revenue budget for the interest payments on any borrowing raised. Loans will generally be taken over the life of the assets being financed and amortised accordingly. The Head of Finance will determine the most appropriate repayment method, term of borrowing and duration of borrowing. As a general illustration, Table 6 below gives an example of the annual revenue costs associated with borrowing an amount of £2.5 million over a 50 year period, based on the current district tax base of 47,563 Band D equivalents:

**Table 6: Example MRP and interest calculation**

| | | |
|---|---|---|
| Loan amount | £2,500,000 | |
| Loan duration | 50 years | |
| PWLB interest rate | 3.50 per cent | |
| 2015/16 Taxbase | 47,563 | |
| | £ | £ per band D |
| MRP element | 50,000 | 1.05 |
| Annual interest cost | 87,500 | 1.84 |
| Total | 137,500 | 2.89 |

**Councillor and officer training**

65. The requirement for increased councillor consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for councillors and officers. In compliance with the revised CIPFA Code, the council provided treasury management training to councillors in January 2014. Further training can be provided if required or requested.

**Treasury management scheme of delegation and the role of the section 151 officer**

66.

I. **Council**
   - Receiving and approval of reports on treasury management policies, practices, outturn and activities;
   - Approval of annual strategy

II. **Audit and governance Committee / Cabinet**

- Approval of amendments to the organisations, adopted clauses, treasury management policy statements and treasury management practices;
- Receiving and reviewing monitoring reports and acting on recommendations;

III. **Section 151 Officer / Head of Finance**

- Recommending clauses, treasury management policies/practices for approval, review and monitoring compliance;
- Submitting regular treasury management information reports;
- Submitting budgets and budget variations;
- Reviewing the performance of the treasury management function;
- Ensuring 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;
- Approving the selection of external service providers and agreeing terms of appointment.

**Summary**

67. Prior to the beginning of each financial year the council must approve the treasury management strategy. The strategy sets the parameters within which officers can manage the council's cash flows and invest any surplus funds.

68. This strategy provides a commentary on the current financial climate and sets out the council's lending strategy in response to this.

**Economic conditions and interest rate forecasts**

1. In order to put the investment strategy into context it is necessary to consider the strength of the UK economy, external factors in the financial markets and their impact on interest rate forecasts.

**UK economy**

2. Since the second quarter of 2013 the UK has reported rising levels of GDP. However, some analysts are of the opinion that for the economic recovery to become more balanced and sustainable in the longer term there needs to be a rise in export led growth and a move away from dependence on consumer expenditure and the housing market.

3. Levels of unemployment have been falling much faster than the initial threshold of 7% previously flagged by the MPC as the point before which it would not consider any increase in bank rate. Subsequently, the MPC broadened its forward guidance by looking at a much wider range of economic indicators in order to form a view on spare capacity in the domestic economy.

4. The MPC is particularly concerned that until wage growth rises above the prevailing level of inflation the recovery will not be sustainable. Markets are expecting the MPC to follow a cautious approach to rising interest rates as it will want to protect heavily indebted consumers from too early an increase in rates at a time when inflationary pressures are also weak.

5. Consumer Price Inflation fell to a five year low in September 2014 of 1.2%. Forward indications are that rates of inflation will fall further over the year and then remain near to, or under, the 2% target level over the MPC’s two year ahead time horizon.

6. The latest projection from Capita Asset Services is for a first increase in interest rates to occur around the second quarter of 2015.

**Eurozone economy**

7. The Eurozone is facing the threat from weak or negative growth and from deflation. In September 2014 the overall inflation rate for the Eurozone area was just 0.3%. Sovereign debt difficulties could return in respect of any countries that do not address low rates of growth and economic reforms and it is possible that levels of government debt to GDP could continue to rise for some Eurozone members. Italy, for example, has the third biggest debt mountain in the world behind Japan and the United States.

8. Some economic forecasters are concerned as to whether governments will lose the support of electorates suffering under Eurozone imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 24%, and still higher levels of unemployment among younger people.

**Capita Asset Services forward view**

9. Economic forecasting continues to be difficult given the number of external influences affecting the UK. The interest rate forecasts shown below assume that there will not be a major resurgence of the EZ debt crisis or a breakup of the EZ. Key areas of risk include:

- Economic uncertainty caused by the ongoing unrest in the Ukraine and fears generated by the potential impact of the Ebola outbreak in Africa;
- UK strong economic growth continues to be dependent on consumer spending and a potentially unsustainable growth in the housing market;
- Weak economic growth or recession in the European Union, the UK's main trading partner;
- A resurgence of the Eurozone debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis;
- Monetary policy action failing to stimulate sustainable growth in western economies especially the Eurozone and Japan;
- There are also increasing concerns at the reluctance of western central banks to raise interest rates significantly for some years, plus the huge quantitative easing measures which remain in place. This has created potentially unstable flows of liquidity searching for yield and heightened the potential for an increase in risks in order to get higher returns – a similar environment to the one which led to the 2008 financial crisis.

10. The view of Capita Asset Services is that the overall balance of risks to economic recovery in the UK is currently evenly weighted. However, uncertainty remains over how long the period of strong economic growth will last and the UK economy remains exposed to vulnerabilities in a number of key areas.

## Prospects for interest rates

1. The bank base rate is forecast to remain unchanged at 0.5 per cent, rising in Q2 in 2015. Capita Asset Service's central view for bank rate forecasts is shown below:

| | Dec-14 | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank of England base rate | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% |
| PWLB rates* | | | | | | | | | | | |
| 5 year borrowing | 2.50% | 2.70% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.30% | 3.40% | 3.50% |
| 10 year borrowing | 3.20% | 3.40% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 4.00% | 4.10% | 4.10% | 4.20% |
| 25 year borrowing | 3.90% | 4.00% | 4.10% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% | 4.80% |
| 50 year borrowing | 3.90% | 4.00% | 4.10% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% | 4.80% |

* adjusted for the 20 basis point certainty rate reduction effective as of 1st November 2012

2. There are downside risks to these forecasts for example if economic growth becomes weaker. However, there is also a risk that the pace of growth could pick up more quickly than expected if inflation exceeds the Bank of England's target rate of two per cent.

**Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service.**

1. These benchmarks are targets and so may be exceeded from time to time. Any variation will be reported, along with supporting reasons, in the Annual Treasury Report.

2. Yield. The local benchmark currently used to assess the performance of cash investments is the level of returns contrasted against the London Interbank Bid (LIBID) 3 month rate. This is the interest rate a bank would be willing to pay to borrow from another bank for 3 months.

   Property related investments are benchmarked against the IPD Balanced Property Unit Trust Index.

3. Liquidity. Liquidity is defined as the council "having adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice). The in-house team keeps a daily cash-flow forecast and would only have an unseen requirement if (for example) a large receipt was received later than expected. In such a scenario, short term borrowing would be considered to cover the period of delay. In respect of this area the Council seeks to maintain:

   - Bank overdraft – the council has an approved overdraft of £500,000 on its composite set of bank accounts. As this is chargeable, the daily balance is always set to be in credit.
   - Liquid short term deposits of at least £500,000 available on instant access.

4. The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the weighted average life (WAL) of the portfolio. A shorter WAL would generally embody less risk – ie a lower duration of investments so exposed to risk of default and a lower risk of being unable to switch investments in a rising interest rate environment. However, the converse of this is that shorter duration investments offer lower rates of return and investing for longer durations gives more certainty over returns achievable.

5. Officers will continue to look at options for longer term lending as applicable, with suitable high quality counterparties, such as other local authorities. During 2013/14 the council invested a total of £4 million in seven year investments with Kingston Upon Hull City Council which has had the effect of significantly lengthening the weighted average life of the cash portfolio.

   In this respect the proposed benchmark is to be used:

   - WAL benchmark is expected to be **460** days, with a maximum of **500** days**.**

6. Security of the investments. In the context of benchmarking, assessing security is very much more a subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poor's). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the last 20-30 years.

**Average defaults for differing periods of investment**

| Long term rating | 1 year | 2 years | 3 years | 4 years | 5 years |
|---|---|---|---|---|---|
| AAA | 0.00% | 0.02% | 0.06% | 0.09% | 0.13% |
| AA | 0.02% | 0.04% | 0.14% | 0.27% | 0.38% |
| A | 0.09% | 0.24% | 0.43% | 0.61% | 0.86% |
| BBB | 0.20% | 0.59% | 1.02% | 1.52% | 2.00% |

7. The council's minimum long term (ie plus 365 day duration) rating criteria is currently "AA-". For comparison, the average expectation of default for a two year investment in a counterparty with an "AA" long term rating would be 0.04 per cent of the total investment (e.g. for a £1m investment the average loss would be £400). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

**Property Investment Policy**

## 1.0 The case for property

1.1 The Council is restricted in the different investment vehicles it is legally allowed to invest in notwithstanding the over-riding need for prudence. Of the few avenues open one is property and the returns from investing in property have generally been, and currently are, greater than the limited opportunities in the money markets. The following should be considered in conjunction with the council's published Asset Management Plan 2015-2019.

1.2 In broad terms the returns are greater because the risks are greater. Factors to be taken into account when deciding the principle of investing in property include:

- investment will be for the long term since it may not be possible, or wise, to sell quickly,
- the costs of acquisition and disposal are higher,
- there are management costs, risk of rent default and failure to honour maintenance agreements,
- different types of property and different areas carry different risks,
- generally property tends to appreciate in value, although this will vary by type and area; however, in some cases the value may go down,
- property can become functionally obsolete necessitating major refurbishment,
- without regular repair and maintenance the condition will deteriorate and the responsibility for repairs/maintenance may not always rest with the tenant,
- certain types of property may become less desirable as time goes by; this can make re-letting difficult or attract a lower calibre of tenant.

## 2.0 How much to invest?

2.1 The in-house cash holdings are currently adequate for cash-flow management purposes (operational capital). £21 million is invested in property and £27.5 million is invested in treasury investments. The investment in property currently represents 43 per cent of the total figure.

**Policy 1. The maximum percentage of the investment portfolio in property should be 80 per cent of the total, and the cash funds invested (i.e. not held for cash-flow purposes) should not fall below £10 million.**

## 3.0 What type of property?

3.1 There are different types of property investment with assessment of prospects as follows:

| | | |
|---|---|---|
| i) | shops and offices | good - although may be subject to changing fashions and working practices |
| ii) | industrial | good but condition can be variable |
| iii) | leisure | good but may be best avoided since too close to our "core" business |
| iv) | agricultural | moderate but too risky now |
| v) | woodland | poor – some is owned for environmental/leisure purposes |

3.2 Average Yield Levels ( per cent). In general, property can be categorised as prime, secondary or tertiary in terms of its desirability. 'Rack-rented' means that the maximum market rental achievable is being received. Yield derives from both capital and rent. Lower yields can indicate that the investment attracts a lower degree of risk due to the ratio of rent to capital and other factors such as location, security and regularity of income.

**Policy 2. In general, properties for investment will be from the categories: retail, offices, industrial land and buildings**.

## 4.0 Where should it be located?

4.1 There are compelling legal, cultural and financial reasons for not investing in the European mainland at the moment. Within the UK the location will influence the return and the type of property and may make management more or less difficult depending on distance from the Council offices.

**Policy 3**. **Only property located in the UK will be considered.**

## 5.0 What level of financial return?

5.1 As mentioned above, generally the greater the return, the greater the risk inherent in the investment. There are so many variables involving area, management, condition, leases, maintenance and the varying return on other investments that it is difficult to draw up hard and fast rules about them and their relationship with the rate of return.

**Policy 4. With regard to the rate of return, each proposal will be considered on its merits.**

## 6.0 Review

6.1 The Policy to be reviewed annually (along with the Treasury Management Strategy).

## Explanation of Prudential Indicators

Central government control of borrowing was ended and replaced with Prudential borrowing by the Local Government Act 2003. Prudential borrowing permitted local government organisations to borrow to fund capital spending plans provided they could demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

**Capital expenditure** – indicator to consider last year's spending, this year's projected spending and the approved programme until 2017/18.

**Ratio of financing costs to net revenue stream** – because the council currently has no net debt, investment interest on reserves and balances makes a positive contribution to the council's finances.

**Net borrowing requirement** – the council currently has no borrowing.

**In year capital financing requirement** – the in year capital financing requirement is nil as the council currently has no borrowing.

**Capital financing requirement (CFR) as at 31 March** – the CFR shows the underlying need of the council to borrow for capital purposes as determined from the balance sheet. As the council currently has no debt the CFR is zero.

**Incremental impact of capital investment decisions – increase in Council Tax (band D) per annum** – this indicator shows the affect of the latest capital programme report on annual council tax. This indicator is based on the estimated decrease or increase in interest payable to the General Fund each year due to the changed funding of the capital programme in the latest capital report to December 2014 cabinet.

**Incremental impact of capital investment decisions** – This indicator shows the affect of the latest capital programme report on revenue. This indicator is based on the estimated decrease or increase in interest payable to the funding of the capital programme. As the council currently has no debt this indicator is not relevant.

**Authorised limit for external debt** – this is the maximum limit for external borrowing. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cash flows.

**Operational boundary for external debt** – this is set as the more likely amount that may be required for day to day cash flow.

**Upper limit for fixed and variable interest rate exposure** – these limits allow the council flexibility in its investment and borrowing options.

**Upper limit for total principal sums invested for over 364 days** – the amount it is considered can be prudently invested for periods in excess of a year.

**Treasury Management Practice (TMP) 1 – credit and counterparty risk management**

The CLG issued Investment Guidance in 2010, and this forms the structure of the council's policy below.

The key aim of the guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. In accordance with the code, the head of finance has produced its treasury management practices (TMPs). This part, TMP1(1), covering investment counterparty policy requires approval each year.

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

- the strategy guidelines for decision making on investments, particularly non-specified investments.
- the principles to be used to determine the maximum periods for which funds can be committed.
- specified investments the council will use. These are high security (ie have a high credit rating, although this is defined by the council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the council is:

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

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

- UK government Debt Management Agency Deposit Facility (DMADF)
- UK government – treasury stock (Gilts) with less than one year to maturity
- Supranational bonds of less than one year's duration
- Deposits with UK local authorities
- Pooled investment vehicles such as Money Market Funds (MMF) (AAA rated)
- Deposits with banks and building societies (minimum F2/BBB rated)
- Certificates of deposits issued by banks and building societies (minimum rating as above)

Within these bodies, and in accordance with the Code, the council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are as stated in Table 5 to this report.

**Non-specified investments**

These are any other type of investment (ie not defined or specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are as set out in Table 5.

GLOSSARY OF TERMS

| | |
|---|---|
| **Basis Point (BP)** | 1/100th of 1%, i.e. 0.01% |
| **Base Rate** | Minimum lending rate of a bank or financial institution in the UK. |
| **Benchmark** | A measure against which the investment policy or performance of a fund manager can be compared. |
| **Bill of Exchange** | A financial instrument financing trade. |
| **Callable Deposit** | A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower. |
| **Cash Fund Management** | Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio. |
| **Certificate of Deposit (CD)** | Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD. |
| **Commercial Paper** | Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing. |
| **Corporate Bond** | Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies. |
| **Counterparty** | Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.) |
| **CDS** | Credit Default Swap – a swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap. |
| **CFR** | Capital Financing Requirement. |
| **CIPFA** | Chartered Institute of Public Finance and Accountancy. |
| **CLG** | Department for Communities and Local Government. |
| **Derivative** | A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock. |
| **DMADF** | Deposit Account offered by the Debt Management Office, guaranteed by the UK government. |
| **ECB** | European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is the keep inflation within a band of 0 to 2 per cent. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle. |

| | |
|---|---|
| **Enhanced Cash Funds** | A pooled investment fund. Longer dated investment than a MMF and, unlike a MMF, enhanced cash funds have variable asset value. Assets are marked to market on a daily basis and the unit prices vary accordingly. Investments can be withdrawn on a notice basis (the length of which depends on the fund) although such funds would typically be used for investments of 3 to 6 month duration. |
| **Equity** | A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain. |
| **Forward Deal** | The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate. |
| **Forward Deposits** | Same as forward dealing (above). |
| **Fiscal Policy** | The government policy on taxation and welfare payments. |
| **GDP** | Gross Domestic Product. |
| **Gilt** | Registered British government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent. |
| **Mark to Market Accounting** | Accounting on the basis of the "fair value" of an asset or liability, based on the current market price. As a result, values will change with market conditions. |
| **Minimum Revenue Provision** | This is a prudent sum set aside each year to offset the principal repayment of any loan to smooth the impact on the local taxpayer. |
| **Money Market Fund** | A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. It is very similar to a unit trust, however a MMF relies on loans to companies rather than share holdings. |
| **Monetary Policy Committee (MPC)** | Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1 per cent of a central target of 2.5 per cent in two years time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment. |
| **Other Bond Funds** | Pooled funds investing in a wide range of bonds. |
| **PWLB** | Public Works Loan Board. |
| **QE** | Quantitative Easing. |
| **Retail Price Index** | Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person. |
| **Sovereign Issues (Ex UK Gilts)** | Bonds issued or guaranteed by nation states, but excluding UK government bonds. |
| **Supranational Bonds** | Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield ("spread") given their relative illiquidity when compared with gilts. |
| **Treasury Bill** | Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value. |

# Report to:

## Cabinet

## Scrutiny Committee

## Council

Report of Head of Finance

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AGENDA ITEM NO
XX

Wards affected: All

Cabinet Member responsible: Matthew Barber

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| | |
|---|---|
| To: CABINET | 6 February 2015 |
| To: SCRUTINY COMMITTEE | 11 February 2015 |
| To: COUNCIL | 18 February 2015 |

# Revenue Budget 2015/16 and Capital Programme to 2019/20

**RECOMMENDATIONS**

1. That cabinet recommends to council that it:

   a. sets the revenue budget for 2015/16 as set out in appendix A.1 to this report,
   b. approves the capital programme for 2015/16 to 2019/20 as set out in appendix D.1 to this report, together with the capital growth bids set out in appendix D.2 of this report,
   c. sets the council's prudential limits as listed in appendix E to this report,,
   d. approves the medium term financial plan to 2019/20 as set out in appendix F.1 to this report.

2. That cabinet authorises the leader of the council to make minor adjustments to this report and the prudential indicators, in conjunction with the head of finance, should they prove necessary following the publication of the final Local Government settlement and prior to its submission to council on 18 February 2015.

## Purpose of report

1. This report:

   - brings together all relevant information to allow cabinet to recommend to council a revenue budget for 2015/16 and a capital programme for 2015/16 to 2019/20;

   - recommends the prudential indicators to be set by the council in accordance with 'the Prudential Code' introduced as part of the Local Government Act 2003;

   - contains the opinion of the council's chief financial officer on the robustness of estimates and adequacy of the council's financial reserves;

   - contains the medium term financial plan which provides details of the forward budget model for the next five years.

## Strategic objectives

2. Setting the budget in accordance with prescribed timetables enables the council to comply with its strategic objective of managing our business effectively.

3. The allocation of financial resources within the revenue and capital budgets needs to match the objectives agreed by the council. The objectives identify where investment, including proposed growth, will take place in order to help the council achieve its corporate plan targets.

4. Where officers have made growth proposals (known as growth bids), each bid sets out how it will help achieve the council's objectives. The leader of the council has chosen to include some growth bids in his budget proposals and these are identified in **appendix B** (revenue) and **appendix D.2** (capital).

## Revenue budget 2015/16

5. **Appendix A.1** summarises the movements in the base budget from £13,212,193 in 2014/15 to £11,715,918 in 2015/16. These movements are detailed below.

6. **Opening budget adjustment reduction £404,908 (appendix A.2).** This includes the removal of one-off growth items relating to 2014/15 and before, and the realisation of the full-year effect of savings proposals identified in previous years.

7. Additions to the base budget:

   - **inflation, salary increments and other salary adjustments £226,298 (appendix A.3)** . The salary and contract inflation totals £201,876, representing an average increase of 1.86 per cent on the 2014/15 net expenditure budgets. For council employees an overall increase in salary costs of two per cent is budgeted for 2015/16. Should the award when agreed be greater than this it will be met from the contingency budget. Increments payable to council employees not at the top of their salary range total £48,625.

Other salary adjustments represent a net reduction of £24,202. This includes an increase in the managed vacancy factor of £6,479.[1]

- **essential growth – one-off £376,838 and ongoing £161,928 (appendix A.4).** These items comprise additional expenditure which is considered unavoidable, and reflect changes that have occurred in the current year or which are known will happen in 2015/16.

8. Deductions from the base budget:

- **base budget savings £1,777,209 (appendix A.5)**. These base budget savings are reductions in costs identified by officers which may be the result of more efficient working or previously agreed policy decisions, cost reductions outside of the council's control, increases in income, or correction to budgets. These savings do not affect frontline service delivery.

- **Office accommodation savings £134,000**. This brings the savings resulting from the sharing of accommodation at Abbey House with Oxfordshire County Council (OCC) and the move of council staff to the South Oxfordshire DC offices at Crowmarsh Gifford up to an annual equivalent. At this stage it is too early to assess the financial impact of the recent fire at the Crowmarsh offices on the council's budgets.

9. Other changes to corporate base budgets:

- **additional revenue contingency (appendix A.6) £213,600.** This brings the level of revenue contingency up to £644,000. This includes specific provision for certain events should they occur, together with a general contingency amount.

10. As a result of these changes the council's revised base budget for 2015/16 is **£11,715,918**.

**Revenue growth proposals**

11. A number of revenue growth proposals have been selected by the leader of the council to be included in the budget for 2015/16. These are detailed in **appendix B** and total **£760,636**. The growth proposals have been selected on the basis that they support the council's key aims as set out in the council's corporate plan and enhance service provision.

12. There are also costs in the revenue budget of **£6,500** arising from the capital growth proposals shown in **appendix D.2**. These are discussed later in the report.

[1] In order to recognise a level of establishment vacancies which occur every year, a managed vacancy factor is used. This reduces the employee budgets across the council from the 100 per cent of the establishment list to 98 per cent.

**Net property income**

13. Net property income represents the council's income from its investment property portfolio less expenditure, and for 2015/16 is estimated at **£932,150.**

**Gross treasury income**

14. Investment returns for 2015/16 are used to finance expenditure in-year. As interest rates are expected to remain low for the short/medium term, it is currently forecast that **£411,640** will be earned in 2015/16.

15. More details of treasury income can be found in the council's Treasury Management Strategy 2015/16 report (see Cabinet 6 February 2015, Council 18 February 2015).

16. Including growth, property and treasury income results in a net expenditure budget for the council of **£11,139,264**.

**Reserves and other funding**

**New Homes Bonus (NHB)**

17. The provisional government allocations for NHB payment for 2015/16 is **£2,823,094**. For 2015/16 this will all be transferred to reserves, apart from a sum of £100,000 which will be used to fund the NHB community grants scheme. Projections of future NHB earnings and how they will be used are detailed later in this report.

**Council Tax Freeze Grant**

18. It is proposed that council tax will remain at the same level as 2014/15 and as a result of this, the council will receive **£58,949** of Council Tax Freeze Grant for 2015/16. This grant equates to the funding the council would have generated by increasing council tax by one per cent.

**Transfers to/ from earmarked reserves**

19. In addition to the transfer to reserves of the NHB payment referred to in paragraph 18 above, there will be a transfer of **£100,000** from the election equalisation reserve to fund the costs of the district council elections in 2015.

20. The new leisure services contract that came into force on the 1 September 2014 promised the council enhanced management fee income in exchange for the council funding the capital works agreed within the contract. As a result **£1,142,902** will be used for this purpose.

21. Based on the above use of reserves and other funding, the amount of revenue expenditure to be financed in 2015/16 is **£12,023,217**.

**Funding**

**Final local government settlement**

22. On December 18 2014, the government announced the provisional 2015/16 local government settlement. At the time of writing we have not received the final

settlement. Officers consider that any changes to the settlement at this stage would not be material. Table 1 below details the provisional funding outlined for the council for 2015/16.

**Table 1: settlement funding assessment 2015/16 (provisional)**

| | **Provisional 2015/16 settlement funding assessment** | | |
|---|---|---|---|
| | **Revenue support grant** | **Baseline funding level** | **Total** |
| | **£** | **£** | **£** |
| Lower tier funding | 1,493,162 | 2,057,190 | **3,550,352** |
| Council tax freeze compensation: | | | |
| • 2011/12 | 81,468 | 58,636 | **140,104** |
| • 2013/14 | 58,155 | 0 | **58,155** |
| • 2014/15 | 58,422 | 0 | **58,422** |
| Homelessness prevention funding | 48,119 | 35,275 | **83,394** |
| Other: | | | |
| • Rural services delivery funding | 1,741 | 0 | **1,741** |
| **Total** | **1,741,067** | **2,151,101** | **3,892,168** |

23. The provisional settlement for 2015/16 is 14.2 per cent lower than 2014/15.

24. Whilst the baseline funding element of the settlement is increasing in line with the increase in national non domestic rates, to achieve the overall reduction in funding the government has significantly reduced the revenue support grant element. It should be noted that these figures exclude NHB funding which is discussed later in the report.

**Council tax reduction scheme grant – payments to town and parish councils**

25. As agreed by Council on December 10 2014 and explained to parish councils during consultation, the council tax support grant contribution payable to town and parish councils will be **£120,445** for 2015/16. The proposed MTFP shows that this contribution will be gradually phased out by a 20 per cent reduction annually.

**Business rate retention scheme**

26. For budget setting purposes it has been assumed that the council's share of business rates income after payment of tariff will remain below the safety net. For 2015/16 this shortfall is estimated to **£161,333**. Should the actual business rate receipt prove to be in excess of the safety net surpluses generated will be added to the council's reserves.

27. Should the council decide to join the Oxfordshire Business Rate Pooling Distribution Group surpluses arising will be added to the council's reserves at the end of the financial year. Further information about this can be found in the report to Cabinet on Business Rate Pooling and Business Rate Distribution on 5 December 2014.

**Collection fund**

28. The surplus on the collection fund is estimated to be **£250,932**.

### Use of general fund balance

29. The difference between expenditure requirement and the funding available is smoothed over the medium term financial plan by transfers to and from earmarked reserves and the general fund balance. The net impact of the leader of the council's proposals detailed in this report is a draw on general fund balances of **£2,611,757** in 2015/16.

## Leader of the council's revenue budget proposal

30. Based on the amendments detailed above, and as shown in **appendix A1** of this report, the cabinet member's budget proposal, including growth, is for a budget requirement of **£9,411,460**. This revenue budget proposal includes a freeze of the current band "D" council tax at **£116.69**. **Appendix C** shows the breakdown of the revenue budget.

31. A draft MTFP and proposed growth bids were published on the council's website in December 2014. No comments on the published MTFP and growth bids have been received by officers or by the leader of the council.

## Capital programme 2015/16 to 2019/20

### Current capital programme

32. The latest capital programme (before growth) is summarised in table 2 below. It is the capital programme as set by council in February 2014 plus:-

- slippage (caused by delays to projects) carried forward from 2013/14
- new schemes approved by council during 2014/15
- re-profiling of expenditure on schemes from the 2014/15 financial year to future years where delays to schemes have occurred
- the deletion of previously agreed schemes that have completed or are no longer to be pursued.

**Table 2: current capital programme (before growth)**

| 2014/15 latest estimate £000 | 2015/16 estimate £000 | 2016/17 estimate £000 | 2017/18 estimate £000 | 2018/19 estimate £000 | 2019/20 estimate £000 |
|---|---|---|---|---|---|
| 7,418 | 7,614 | 1,442 | 1,177 | 1,147 | 1,147 |

### Cabinet capital programme proposals

33. **Appendix D.2** contains a list of new capital schemes that the leader of the council is proposing as part of his budget proposals. Officers will amend the capital programme to include the proposals if approved by cabinet and council.

**Financing the capital programme**

34. Where permitted, capital expenditure is funded in the first instance from specific government grants, earmarked reserves and other external contributions. The balance of the programme is funded from the council's capital receipts reserve, and then from NHB when this is extinguished. The council is permitted to borrow to fund the programme, provided any borrowing is prudent, sustainable and affordable. NHB is discussed further below.

35. At present there is no requirement to borrow to fund the programme as proposed. Any future borrowing would require a provision to be made in the revenue budget for repayment.

**Future pressures on the capital programme**

36. **Appendix D.1** also shows the use of capital receipts to fund the capital programme (excluding growth) and the balance of receipts over the five-year programme. Officers advise cabinet not to earmark all available resources (including NHB) in proposing the budget to council, as the prudential code requires local authorities to set sustainable budgets. By retaining an unallocated balance, cabinet can demonstrate that through a combination of this and future income (that can be expected beyond the period of the budget) it can fund future pressures.

37. There is some uncertainty about the future of NHB after the May 2015 general election. A new government may choose to review and reform the distribution methodology.

## The prudential code and prudential indicators

38. In setting its revenue and capital budgets for 2015/16, the council must agree prudential indicators in accordance with the prudential code (see below). When recommending its budgets to council, cabinet must also recommend the prudential indicators.

39. From 1 April 2004, government control of local authorities' borrowing was abolished and replaced by a prudential system of self-regulation. Authorities are able to borrow based on need and affordability, which they demonstrate through compliance with the prudential code developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and given statutory force by government regulation.

40. The key objectives of the prudential code are to ensure that the capital investment plans of the authority are affordable, prudent and sustainable. To demonstrate that authorities have had regard to these objectives, the prudential code sets out a number of indicators that must be considered covering five distinct areas – capital expenditure, affordability, prudence, external debt and treasury management. The council must approve the indicators through the budget process before 1 April each year, but they can be revised during the year if required.

41. The key indicators that will drive the capital budget decision making process will be those concerning affordability, as these measure the impact of capital investment

decisions on the overall revenue budget and in particular the precept against the collection fund.

42. In setting or revising the prudential indicators the council is required to have regard to:
    - affordability e.g. implications for the precept;
    - prudence and sustainability e.g. implications for external borrowing;
    - value for money e.g. option appraisal;
    - stewardship of assets e.g. asset management planning;
    - service objectives e.g. strategic planning for the council;
    - practicality e.g. achievability of the forward plan.

43. Under the code, the head of finance as chief finance officer is responsible for ensuring that the council considers all relevant matters when setting or revising indicators through a report. The head of finance is also required to establish procedures to monitor performance against all forward-looking indicators; and report upon any significant deviations from forward forecasts with proposed actions.

44. **Appendix E** contains the recommended prudential indicators, which have been calculated based on the budget proposals. The head of finance is satisfied that these indicators show that the council's capital investment plans are affordable, prudent and sustainable.

## The Medium Term Financial Plan (MTFP)

45. The MTFP provides a forward budget model for the next five years, and highlights the known estimated budget pressures for new responsibilities and changes in legislation, predicted investment and capital receipts.

46. **Appendix F.1** contains the MTFP for 2015/16 to 2019/20**.** This is a projection of the revenue budget up to 31 March 2020 The projection identifies budget pressures in later years and assumes that council approves all the budget proposals within this report. Officers have made no adjustments for the costs of contracts that will be re-let during this period. These could rise or fall depending on market conditions.

47. The MTFP identifies some significant challenges ahead for the council. It assumes that government grant funding will fall by 36 per cent from 2015/16 to 2019/20. This is only an estimate by officers, and the fall could be greater or less. It also incorporates assumptions on interest income, and other known pressures on the council, such as inflation and salary increments.

48. Estimates of future receipts of new homes bonus are shown in table 3 below, and are also included in the MTFP (detailed in row 39). In total the council is expected to have received in excess of £23.4 million during the MTFP period.

49. The element of the bonus that relates to the new homes bonus premium is ring-fenced to support the provision of additional affordable housing.

**Table 3: New Homes Bonus**

| Year earned | Year of receipt | | | | |
|---|---|---|---|---|---|
| | 2015/16 budget £000 | 2016/17 indicative £000 | 2017/18 indicative £000 | 2018/19 indicative £000 | 2019/20 indicative £000 |
| 2011/12 | 452 | 452 | 0 | 0 | 0 |
| 2012/13 | 546 | 546 | 546 | 0 | 0 |
| 2013/14 | 376 | 376 | 376 | 376 | 0 |
| 2014/15 | 713 | 713 | 713 | 713 | 713 |
| 2015/16 | 736 | 736 | 736 | 736 | 736 |
| 2016/17 | 0 | 1,031 | 1,031 | 1,031 | 1,031 |
| 2017/18 | 0 | 0 | 1,350 | 1,350 | 1,350 |
| 2018/19 | 0 | 0 | 0 | 1,391 | 1,391 |
| 2019/20 | 0 | 0 | 0 | 0 | 1,104 |
| **Total** | **2,823** | **3,854** | **4,752** | **5,597** | **6,325** |

50. Officers consider that any pressures in the period covered by the MTFP are manageable in light of the level of reserves and balances available to the council, particularly when combined with our ability to vary budgets and redirect funding in the later years of the plan. However, it is expected that further savings will be required to balance the budget in future years, and this represents a significant challenge. Management team are already looking at ways in which the budget requirement in future years can be managed without continual calls upon the council's reserves. A summary of the council's earmarked reserves over the life of the MTFP is attached at **appendix F.2.**

## The robustness of the estimates and the adequacy of reserves

51. The Local Government Act 2003 places a duty on the chief finance officer (i.e. the head of finance) to report on the robustness of the estimates and the adequacy of reserves. The council must have regard to this report when making decisions about the setting of the budget.

52. The construction of the budget has been managed by qualified accountants and has been subject to challenge, specifically by strategic management board, head of finance, other heads of service and cabinet members. Informal meetings of cabinet have considered the budget, and a briefing has been/will be given to the council's scrutiny committee members. In view of the process undertaken and his own knowledge of the budget, the head of finance is satisfied that the budget is both prudent and robust.

53. The head of finance is satisfied that this allows retention of sufficient uncommitted balances at the end of the period to ensure that the overall level of reserves is adequate in relation to the proposed revenue budget and capital programme and that the budgets are sustainable.

54. The one significant risk identified is a possible change to the NHB scheme. Should this happen a fundamental review of the council's budget will be necessary. Table 4 below shows that £13.587 million of expenditure budgeted for within the MTFP and the capital programme from 2017/18 onwards is dependent on the receipt of

NHB not yet received or confirmed as payable by the government. The Head of Finance and leader of the council will determine which expenditure should not commence until further certainty over the future of NHB is received. This will be reflected in the 2015/16 capital programme.

**Table 4.1 New Homes Bonus account**

| Year | Opening balance £000 | Receipt £000 | Revenue expenditure £000 | Capital expenditure £000 | Closing balance £000 |
|---|---|---|---|---|---|
| **2015/16** | **4,728** | **2,823** | (100) | (1,590) | 5,861 |
| **2016/17** | 5,861 | 3,854 | (2,455) | (907) | 6,353 |
| **2017/18** | 6,353 | 4,752 | (2,606) | (5,240) | 3,259 |
| **2018/19** | 3,503 | 5,597 | (1,592) | (3,371) | 4,137 |
| **2019/20** | 4,137 | 6,325 | (1,706) | (1,571) | 6,941 |
| **Total** | | **23,351** | **(8,459)** | **(12,679)** | |

Note that the figures in **bold** represent monies confirmed or received. The closing balance of £6.941 million includes £2.007 million has been ring fenced by the council for affordable housing.

**Table 4.2 Expenditure at risk**

| | **£000** |
|---|---|
| Total expenditure to be funded from NHB per table 4 | (21,138) |
| NHB funding received or confirmed (2015/16 in bold) note 2 | 7,551 |
| **Expenditure to be funded from NHB not yet received or confirmed** | **13,587** |

55. Should there be no change to the NHB scheme then the leader of the council has indicated that he may want to use an element of the remaining NHB balance to front fund infrastructure projects.

56. The head of finance's full report will be available at full council.

## Legal Implications

57. The cabinet needs to make recommendations to the council on its spending proposals. Under the Local Government Act 2000 it is the council that must agree the revenue and capital spending plans, and then set the council tax. Council will meet on 18 February 2015 in order to set the budget, and the council tax (including amounts set by Oxfordshire County Council and the Police and Crime Commissioner for Thames Valley).

58. The requirement placed on the council by the Local Government Act 2003 to set prudential indicators and for the head of finance as chief finance officer to make a report to the authority on the robustness of the estimates and the adequacy of reserves are addressed within the body of this report.

## Other Implications

59. Agreement of the revenue and capital budgets authorises expenditure in accordance with the council's delegated powers and financial procedure rules. The officer, councillor or councillor body taking those decisions will take into

account the human resources, sustainability and equality and diversity implications of individual spending decisions.

## Conclusion

60. This report provides details of the revenue base budget for 2015/16, the capital programme 2015/16 to 2019/20, government grants (the settlement), uncommitted reserves and balances, the leader of the council's budget proposals and the resulting prudential indicators.

61. In light of the information provided cabinet must make a number of recommendations to council regarding the revenue budget, the capital programme and the prudential indicators.

## Appendices

| | |
|---|---|
| Appendix A.1 | Revenue budget 2015/16 |
| Appendix A.2 | Opening budget adjustments |
| Appendix A.3 | Inflation, salary increments and other salary adjustments |
| Appendix A.4 | Essential growth |
| Appendix A.5 | Base budget savings |
| Appendix A.6 | Revenue contingency |
| Appendix B | Revenue growth |
| Appendix C | Service budget analysis |
| Appendix D.1 | Capital programme before growth |
| Appendix D.2 | Capital growth bids |
| Appendix E | Prudential indicators |
| Appendix F.1 | Medium term financial plan |
| Appendix F.2 | Earmarked reserves 2015/16 to 2019/20 |

## Background Papers

- Provisional settlement figures (December 2014)
- Council tax base 2015/16 – Cabinet 5 December 2014, Council 10 December 2014
- Council tax reduction scheme grant for town and parish councils – Cabinet 5 December 2014, Council 10 December 2014
- Treasury Management Strategy – Cabinet 6 February 2015, Council 18 February 2015
- Business Rate Pooling and Business Rate Distribution - Cabinet 5 December 2015

## Vale of White Horse DC - revenue budget summary 2015/16

| | 2014/15 Budget | 2015/16 Base | Appendix Ref: |
|---|---|---|---|
| **Opening base budget** | | | |
| Base service budgets 2014/15 | 12,940,051 | 12,940,051 | |
| Contingency | 430,400 | 430,400 | |
| Managed vacancy factor | (158,258) | (158,258) | |
| **Total opening base budget** | **13,212,193** | **13,212,193** | |
| **Revisions to base budget** | | | |
| Opening budget adjustments | | (404,908) | Appendix A.2 |
| Inflation, salary increments and other salary adjustments | | 226,298 | Appendix A.3 |
| Essential growth - one-off | | 376,838 | Appendix A.4 |
| Essential growth - ongoing | | 161,928 | |
| Base budget savings | | (1,777,209) | Appendix A.5 |
| Additional revenue contingency | | 213,600 | Appendix A.6 |
| Office accommodation savings | | (134,000) | |
| Changes in property budgets included in ** below | | (158,822) | |
| **Total revised base budget** | **13,212,193** | **11,715,918** | |
| Growth proposals | | | |
| Revenue - one-off | | 463,022 | Appendix B |
| Revenue - ongoing | | 297,614 | |
| Capital (revenue consequences of) | | 6,500 | Appendix D.2 |
| Net property income** | (1,090,972) | (932,150) | |
| Gross treasury income | (355,500) | (411,640) | |
| **Net expenditure** | **11,765,721** | **11,139,264** | |
| Funding from reserves | | | (11,765,721) |
| New homes bonus | (2,086,928) | (2,823,094) | |
| Council tax freeze grant 2015/16 | 0 | (58,949) | |
| Council tax freeze grant 2014/15 | (54,425) | 0 | |
| Transfers to/from earmarked reserves | 2,006,928 | 3,765,996 | |
| **Budget funding requirement before use of General fund balances** | **11,631,296** | **12,023,217** | |
| Contribution to/from general fund balances | (1,732,085) | (2,611,757) | |
| **Budget funding requirement** | **9,899,211** | **9,411,460** | Appendix C |
| **Funded by:** | | | |
| Settlement funding assessment | (4,537,887) | (3,892,168) | |
| Less - Parish share of council tax support grant | 160,593 | 120,445 | |
| + / - estimated NNDR over/under collection | 158,308 | 161,333 | |
| Collection fund (surplus)/deficit | (237,745) | (250,932) | |
| Council tax requirement | (5,442,480) | (5,550,138) | |
| **Total Funding** | **(9,899,211)** | **(9,411,460)** | |
| | | | |
| **Council tax yield required** | **5,442,480** | **5,550,138** | |

# Vale of White Horse DC - 2015/16 budget build changes
## Opening budget adjustments

| Year of bid | Summary | Spending profile: | | | | |
|---|---|---|---|---|---|---|
| | | 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
| **CORPORATE MANAGEMENT TEAM** | | | | | | |
| 2013/14 | Enterprise zone - financial software | 0 | 0 | 0 | (1,800) | (1,800) |
| 2014/15 | Corporate services contract renewal | 10,000 | (5,000) | (15,000) | (15,000) | (15,000) |
| | | **10,000** | **(5,000)** | **(15,000)** | **(16,800)** | **(16,800)** |
| **CORPORATE STRATEGY & WASTE** | | | | | | |
| 2014/15 | Increase in new properties' waste costs | 13,590 | 27,180 | 40,770 | 54,360 | 67,950 |
| 2014/15 | New Homes Bonus grant funding | (100,000) | (100,000) | (100,000) | (100,000) | (100,000) |
| 2014/15 | Thrupp lake / Abbey fishponds | 10,000 | 5,000 | (10,000) | (10,000) | (10,000) |
| 2014/15 | Biannual residents survey | 24,000 | 0 | 24,000 | 0 | 24,000 |
| 2014/15 | Community right to bid 14/15 | 7,855 | 7,855 | 7,855 | 7,855 | 7,855 |
| 2014/15 | Community right to challenge 14/15 | 8,547 | 8,547 | 8,547 | 8,547 | 8,547 |
| 2014/15 | Reduction in income from recycling credits | 50,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| | | **13,992** | **48,582** | **71,172** | **60,762** | **98,352** |
| **DEVELOPMENT & HOUSING** | | | | | | |
| 2014/15 | Housing refurbishment Abingdon | 10,000 | (20,400) | (20,400) | (20,400) | (20,400) |
| 2014/15 | Increased rental income | (7,000) | (7,000) | (7,000) | (7,000) | (7,000) |
| | | **3,000** | **(27,400)** | **(27,400)** | **(27,400)** | **(27,400)** |
| **ECONOMY LEISURE AND PROPERTY** | | | | | | |
| 2014/15 | Leisure development officer | (15,785) | (15,785) | (15,785) | (15,785) | (15,785) |
| 2014/15 | Reduction in rental income EMCOR | (13,232) | (13,232) | (13,232) | (13,232) | (13,232) |
| 2014/15 | Tilsley park ongoing savings | (91,000) | (91,000) | (91,000) | (91,000) | (91,000) |
| 2014/15 | New Leisure contract - savings | (260,000) | (260,000) | (260,000) | (260,000) | (260,000) |
| 2012/13 | Leisure consultancy support | (3,000) | (3,000) | (3,000) | (3,000) | (3,000) |
| 2013/14 | Go Active project | (24,550) | (24,550) | (24,550) | (24,550) | (24,550) |
| 2013/14 | Scanning of deed packets | (8,000) | (8,000) | (8,000) | (8,000) | (8,000) |
| 2013/14 | Additional leisure staff 5 years | 0 | 11,090 | 0 | 0 | 0 |
| 2014/15 | Strategic property technical support | 0 | (9,200) | (9,200) | (9,200) | (9,200) |
| 2014/15 | Choose Abingdon partnership | (15,000) | (15,000) | (15,000) | (15,000) | (15,000) |

# Vale of White Horse DC - 2015/16 budget build changes
## Opening budget adjustments

| Year of bid | Summary | Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|
| **ECONOMY LEISURE AND PROPERTY CONTINUED** | | | | | | |
| 2014/15 | Market town support Faringdon and Wantage | (46,000) | (46,000) | (46,000) | (46,000) | (46,000) |
| 2014/15 | Wantage Grove leisure centre feasibility | (150,000) | (150,000) | (150,000) | (150,000) | (150,000) |
| 2010/11 | Increase in utlity variation payable to SOLL | (3,180) | (3,180) | (3,180) | (3,180) | (3,180) |
| | | **(629,747)** | **(627,857)** | **(638,947)** | **(638,947)** | **(638,947)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **FINANCE** | | | | | | |
| 2014/15 | Pension costs | 29,000 | 29,000 | 29,000 | 29,000 | 29,000 |
| 2014/15 | Actuarial fees | (15,000) | (15,000) | 0 | (15,000) | (15,000) |
| | | **14,000** | **14,000** | **29,000** | **14,000** | **14,000** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **HR, IT & TECHNICAL** | | | | | | |
| 2011/12 | Delete one IT support role | (13,000) | (13,000) | (13,000) | (13,000) | (13,000) |
| 2014/15 | Civil parking enforcement | (15,000) | (15,000) | (15,000) | (15,000) | (15,000) |
| 2014/15 | Training | (25,000) | (25,000) | (25,000) | (25,000) | (25,000) |
| 2014/15 | Pension hidden costs | (47,000) | (56,000) | (56,000) | (56,000) | (56,000) |
| 2013/14 | Student to help with flooding | (7,000) | (7,000) | (7,000) | (7,000) | (7,000) |
| | | **(107,000)** | **(116,000)** | **(116,000)** | **(116,000)** | **(116,000)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **LEGAL & DEMOCRATIC** | | | | | | |
| 2014/15 | Parish community review | (17,000) | (17,000) | (17,000) | (17,000) | (17,000) |
| 2014/15 | 2015 District council elections | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) |
| 2014/15 | 2015 parliamentary and local elections | 100,000 | 0 | 0 | 0 | 0 |
| 2014/15 | Restructure in democratic and electoral services | (4,037) | (8,075) | (8,075) | (8,075) | (8,075) |
| 2014/15 | Additional 0.49 FTE solicitors post | (6,426) | (6,426) | (6,426) | (6,426) | (6,426) |
| 2012/13 | External legal fees re Leisure management contract | (5,000) | (5,000) | (5,000) | (5,000) | (5,000) |
| 2014/15 | Reduction in Community Safety Partnership funding | (8,000) | (8,000) | (8,000) | (8,000) | (8,000) |
| | | **39,537** | **(64,501)** | **(64,501)** | **(64,501)** | **(64,501)** |

# Vale of White Horse DC - 2015/16 budget build changes
## Opening budget adjustments

| Year of bid | Summary | Spending profile: | | | | |
|---|---|---|---|---|---|---|
| | | 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
| **PLANNING** | | | | | | |
| 2014/15 | Community engagement | 22,500 | 0 | (48,000) | (48,000) | (48,000) |
| 2014/15 | Local plan | (100,000) | (150,000) | (150,000) | (150,000) | (150,000) |
| 2014/15 | CIL examination | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) |
| 2014/15 | Neighbourhood plan | (35,000) | (35,000) | (35,000) | (35,000) | (35,000) |
| 2014/15 | Master planning and SPD work | 0 | (100,000) | (100,000) | (100,000) | (100,000) |
| 2014/15 | Area action planning | (25,000) | (75,000) | (75,000) | (75,000) | (75,000) |
| 2014/15 | Identify and evidence infrastructure requirements | (40,000) | (40,000) | (40,000) | (40,000) | (40,000) |
| 2014/15 | Joint planning policy work | 0 | 24,000 | 24,000 | 24,000 | 24,000 |
| 2014/15 | S106 strategic review | (40,000) | (40,000) | (40,000) | (40,000) | (40,000) |
| 2014/15 | Progress CIL and complete S106 background work | (21,600) | (60,000) | (60,000) | (60,000) | (60,000) |
| 2014/15 | Major applications | 0 | 0 | (203,000) | (203,000) | (203,000) |
| 2014/15 | Pre applications advice | (29,000) | (29,000) | (87,000) | (87,000) | (87,000) |
| 2014/15 | On-line planning | (5,000) | (5,000) | 0 | 0 | 0 |
| 2014/15 | Expected increase in planning income 2014/15 | 544,410 | 544,410 | 544,410 | 544,410 | 544,410 |
| | | **251,310** | **14,410** | **(289,590)** | **(289,590)** | **(289,590)** |

| | | | | | |
|---|---|---|---|---|---|
| **GRAND TOTAL** | **(404,908)** | **(763,766)** | **########** | **########** | **########** |

## Vale of White Horse DC - 2015/16 budget build changes
### Inflation, salary increments and other salary adjustments

| Detail | Spending profile: | | | | |
|---|---|---|---|---|---|
| | 2015/16<br>£ | 2016/17<br>£ | 2017/18<br>£ | 2018/19<br>£ | 2019/20<br>£ |
| **ALL SERVICES** | | | | | |
| Salary inflation | 131,477 | 265,584 | 402,372 | 541,897 | 684,212 |
| Salary increments | 48,625 | 98,223 | 148,812 | 200,412 | 253,045 |
| Other salary adjustments | (24,203) | (24,204) | (24,203) | (24,203) | (24,203) |
| Other inflation | 70,399 | 142,206 | 215,449 | 290,157 | 366,359 |
| **Grand total** | **226,298** | **481,809** | **742,430** | **1,008,263** | **1,279,413** |

# Vale of White Horse DC - 2015/16 budget build changes
## Essential growth

| No | Title of bid | Summary | One-off/ Ongoing | Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| ALL SERVICES | | | | | | | | |
| 1 | **Staff travel expenses** | Staff travel costs following relocation to one site | One-off | 61,838 | 0 | 0 | 0 | 0 |
| 2 | **Business rates** | Changes in business rates liabilities over and above inflation | Ongoing | 15,095 | 15,095 | 15,095 | 15,095 | 15,095 |
| | | | | **76,933** | **15,095** | **15,095** | **15,095** | **15,095** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| CORPORATE STRATEGY AND WASTE | | | | | | | | |
| 1 | **Increased grounds maintenance costs** | New areas adopted from developers and added to the grounds maintenance contract. | Ongoing | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| 2 | **Refuse - Increased refuse collection payments to Biffa.** | Increased refuse collection payments to Biffa for additional properties. Based on 557 new properties each year being the 231 actual increase over last five months and a predicted increase of 326 for the remainder of this year. A growth of 250 properties per year is already in the budget so this bid is for a further 307 | Ongoing | 12,766 | 25,532 | 38,298 | 51,064 | 63,830 |
| 3 | **Recycling - Increased recycling collection payments to Biffa.** | Increased dry recycling and food collection payments to Biffa for additional properties. Based on 557 new properties, 231 actual increase over last five months and a predicted increase of 326 for the remainder of this year. A growth of 250 properties per year is already in the budget so this bid is for a further 307 | Ongoing | 17,512 | 35,024 | 52,536 | 70,048 | 87,560 |

# Vale of White Horse DC - 2015/16 budget build changes

## Essential growth

| No | Title of bid | Summary | One-off/ Ongoing | Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| CORPORATE STRATEGY AND WASTE CONTINUED | | | | | | | | |
| 4 | **Garden Waste - Increased garden waste recycling collection payments.** | Third Party Payments. Increased garden waste collection payments to Biffa based on an increase of 1313 actual customers (April - August 2014) and predicted 377 for the remainder of this year. This growth bid can be funded from increased income from within this cost centre which has been credited to base budget savings. | Ongoing | 39,929 | 39,929 | 39,929 | 39,929 | 39,929 |
| 5 | **Bulky Waste - Increased waste collection payments to Biffa.** | Because OCC have commissioned the incinerator we have had to change the collection of bulky waste items from weekday collections to weekends. This means we have to pay the crews to work the weekends. The alternative is to continue collecting during the week but this would mean we have to buy additional vehicles and pay for additional drivers. In addition there has been an increase in clinical collections. | Ongoing | 26,244 | 26,244 | 26,244 | 26,244 | 26,244 |
| 6 | **Increase the corporate projects officer post to full time** | This part time post is currently 50:50 with South and deals with projects such as councillor development, assets of community value etc.The hours are insufficient to deliver the work allocated. We received new burdens money for the assets of community value work for three years totalling £13,420 (for both councils) each year, but in the past two years we had not spent it. However now the number of assets coming through requires additional resource to manage the work load. | Ongoing | 10,287 | 10,287 | 10,287 | 10,287 | 10,287 |

# Vale of White Horse DC - 2015/16 budget build changes

## Essential growth

| No | Title of bid | Summary | One-off/ Ongoing | Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| CORPORATE STRATEGY AND WASTE CONTINUED | | | | | | | | |
| 7 | **Funding for tree works** | Funding to address works identified as required through the tree surveys undertaken throughout 2014/15. This would be required for two years to deal with the backlog of works and then be reduced for subsequent years. The risk to the council of not doing this work is liability for insurance claims for subsidence and potential damage to property, there are also potential health and safety issues if we do not manage our trees. | Ongoing | 10,000 | 10,000 | 10,000 | 5,000 | 5,000 |
| 8 | **Great Western Park – running costs of Boundary Park Sports Pavilion** | Vale share of running costs of Boundary Park Pavilion (2:1 Vale/South to reflect pitch numbers in each district) | Ongoing | 0 | 48,000 | 48,000 | 48,000 | 48,000 |
| | | | | **126,738** | **205,016** | **235,294** | **260,572** | **290,850** |

# Vale of White Horse DC - 2015/16 budget build changes

## Essential growth

| No | Title of bid | Summary | One-off/ Ongoing | Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| ECONOMY, LEISURE AND PROPERTY | | | | | | | | |
| 1 | **Abingdon BID - additional business rates** | If the Abingdon BID is successful, then there will be a 1.75 per cent levy in 2015/16 for the Vale Council-owned property within the BID area. | Ongoing | 10,095 | 10,095 | 10,095 | 10,095 | 10,095 |
| 2 | **The Beacon - additional budget for buying stock** | Increase in expenditure budget to cover additional stock required for the growing business at The Beacon. This will generate a further £4,400 income in addition to the £18,400 which has already been included in the base budget. | Ongoing | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| 3 | **Reduction in rental income from EMCOR House during void period** | There will be a reduction in rent income from EMCOR House, Hatfield, during the void period after the lease expired in September 2014. The 2014/15 growth bid assumed a tenant would be found, but in a slow market the property is likely to remain empty or let under a rent free initial period | One-off | 145,000 | 0 | 0 | 0 | 0 |
| | | | | **165,095** | **20,095** | **20,095** | **20,095** | **20,095** |
| LEGAL AND DEMOCRATIC | | | | | | | | |
| 1 | **Corporate services contract** | External legal costs to support corporate services contract procurement | One-off | 100,000 | 25,000 | 0 | 0 | 0 |
| 2 | **2015 district and parish elections** | To deliver the 2015 district and parish elections. This is a provisional figure which we will refine to reflect outcome of staff resource planning and project planning sessions.<br>2015/16 base budget includes £100,000 | One-off | 70,000 | 0 | 0 | 0 | 0 |
| | | | | **170,000** | **25,000** | **0** | **0** | **0** |
| | **GRAND TOTAL** | | | **538,766** | **265,206** | **270,484** | **295,762** | **326,040** |

# Vale of White Horse - 2015/16 budget build changes
## Base budget savings

| Item | | 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|
| **CORPORATE MANAGEMENT TEAM** | | | | | | |
| 1 | Reduction in number of strategic directors | (62,507) | (62,507) | (62,507) | (62,507) | (62,507) |
| 2 | Other budget savings across service | (2,510) | (2,510) | (2,510) | (2,510) | (2,510) |
| | | **(65,017)** | **(65,017)** | **(65,017)** | **(65,017)** | **(65,017)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **CORPORATE STRATEGY** | | | | | | |
| 1 | Reduction to net waste budget | (211,768) | (211,768) | (211,768) | (211,768) | (211,768) |
| 2 | Reduced partnership contributions | (27,500) | (27,500) | (27,500) | (27,500) | (27,500) |
| 3 | Environmental protection salary savings | (15,460) | (15,460) | (15,460) | (15,460) | (15,460) |
| 4 | Other budget savings across service | (1,482) | (1,482) | (1,482) | (1,482) | (1,482) |
| | | **(256,210)** | **(256,210)** | **(256,210)** | **(256,210)** | **(256,210)** |

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| | | | | | | |
|---|---|---|---|---|---|---|
| **DEVELOPMENT & HOUSING** | | | | | | |
| 1 | Budget savings across service | (450) | (450) | (450) | (450) | (450) |
| | | **(450)** | **(450)** | **(450)** | **(450)** | **(450)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **ECONOMY, LEISURE AND PROPERTY** | | | | | | |
| 1 | New leisure contract savings | (721,256) | (721,256) | (721,256) | (721,256) | (721,256) |
| 2 | Property savings | (12,500) | (12,500) | (12,500) | (12,500) | (12,500) |
| 3 | Other budget savings across service | (187) | (187) | (187) | (187) | (187) |
| | | **(733,943)** | **(733,943)** | **(733,943)** | **(733,943)** | **(733,943)** |

## Vale of White Horse - 2015/16 budget build changes
### Base budget savings

| Item | | 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|
| **FINANCE** | | | | | | |
| 1 | Accountancy savings through restructure | (21,196) | (21,196) | (21,196) | (21,196) | (21,196) |
| 2 | Reduced bank charges | (3,000) | (3,000) | (3,000) | (3,000) | (3,000) |
| 3 | Housing benefit savings | (5,764) | (5,764) | (5,764) | (5,764) | (5,764) |
| 4 | Other budget savings across service | (1,230) | (1,230) | (1,230) | (1,230) | (1,230) |
| | | **(31,190)** | **(31,190)** | **(31,190)** | **(31,190)** | **(31,190)** |
| **HR, IT & TECHNICAL** | | | | | | |
| 1 | Facilites savings | (10,211) | (10,211) | (10,211) | (10,211) | (10,211) |
| 2 | Other budget savings across service | (8,930) | (8,930) | (8,930) | (8,930) | (8,930) |
| | | **(19,141)** | **(19,141)** | **(19,141)** | **(19,141)** | **(19,141)** |
| **LEGAL AND DEMOCRATIC** | | | | | | |
| 1 | Expected increase in taxi licensing income | (33,410) | (33,410) | (33,410) | (33,410) | (33,410) |
| 2 | Other budget savings across service | (6,020) | (6,020) | (6,020) | (6,020) | (6,020) |
| | | **(39,430)** | **(39,430)** | **(39,430)** | **(39,430)** | **(39,430)** |
| **PLANNING** | | | | | | |
| 1 | Increased development management income | (631,828) | (631,828) | (631,828) | (631,828) | (631,828) |
| | | **(631,828)** | **(631,828)** | **(631,828)** | **(631,828)** | **(631,828)** |
| **Overall total** | | **(1,777,209)** | **(1,777,209)** | **(1,777,209)** | **(1,777,209)** | **(1,777,209)** |

# Vale of White Horse DC - 2015/16 budget build changes
## Contingency

| SUMMARY | Provision 2015/16 £ |
|---|---|
| **Revenue contingency 2014/15** | **430,400** |
| Movement 2014/15-2015/16 | |
| Unused specific budget release | (28,600) |
| General contingency Bfwd | 401,800 |
| Uplift to contingency provision 2015/16 | 242,200 |
| **Total revenue contingency budget 2014/15** | **644,000** |

| DETAIL | | Worst case liability (£) | Probability (%) | Provision 2015/16 |
|---|---|---|---|---|
| | | £ | % | £ |
| **ALL SERVICES** | | | | |
| 1 | General contingency | N/A | 100 | 150,000 |
| | | | | **150,000** |
| **CORPORATE STRATEGY** | | | | |
| 2 | Waste contract inflation costs - assumes contract will rise by 1% | 46,400 | 100 | 46,400 |
| | | | | **46,400** |
| **FINANCE** | | | | |
| 3 | Capita pay and performance mechanism - council tax | 18,000 | 100 | 18,000 |
| 4 | Capita pay and performance mechanism - benefits | 160,000 | 100 | 160,000 |
| | | | | **178,000** |
| **HEALTH & HOUSING** | | | | |
| 5 | Homelessness preventions payments | 85,000 | 25 | 21,250 |
| 6 | Rent Income from Vale properties used for temporary housing | 229,000 | 90 | 206,100 |
| | | | | **227,350** |
| **LEGAL AND DEMOCRATIC** | | | | |
| 7 | External legal costs for major projects | 35,000 | 75 | 26,250 |
| 8 | External legal costs | 20,000 | 50 | 10,000 |
| 9 | By-elections | 14,000 | 25 | 3,500 |
| 10 | Code of conduct investigations | 10,000 | 25 | 2,500 |
| | | | | **42,250** |
| **Overall total** | | | | **644,000** |

## Vale of White Horse DC - 2015/16 revenue growth bids

| No | Title of bid | Summary | One-off or ongoing | Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| CORPORATE MANAGEMENT TEAM | | | | | | | | |
| 1 | **Change support programme** | Consultancy costs to support in-house teams in preparing for corporate services tendering exercise. | One-off | 37,500 | 0 | 0 | 0 | 0 |
| | | | | **37,500** | **0** | **0** | **0** | **0** |

| No | Title of bid | Summary | One-off or ongoing | 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| CORPORATE STRATEGY AND WASTE | | | | | | | | |
| 1 | **Freeze garden waste fee** | A growth bid to enable the price for the garden waste service to remain the same and not be increased by inflation. This is based on the current number of garden waste customers | Ongoing | 22,000 | 22,000 | 22,000 | 22,000 | 22,000 |
| 2 | **Community grants** | To fund another year of the New Homes Bonus Community grants scheme | One-off | 100,000 | 0 | 0 | 0 | 0 |
| 3 | **Grade 5 tree officer** | This is a Grade 5 tree officer post to mangage the councils tree stock of around 30,000 trees. This post would undertake regular scheduled inspections to assist in mitigating any insurance claim against the councils. This bid includes on costs of 22.4 per cent. Costs reflect the different size of tree stocks at south and vale. Vale share of this post is 60 per cent. | Ongoing | 21,600 | 21,600 | 21,600 | 21,600 | 21,600 |
| 4 | **Oxfordshire Safeguarding Childrens Board** | Increase funding to OSCB from £2,000 to £5,000 annually to help ensure that the protection of children is given priority in the council | Ongoing | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| 5 | **Highway verges grass cutting** | Funding for grass cutting of highway verges in the main urban areas to bridge the gap from a reduction in grant from OCC. This would enable the standard of maintenance to remain the same. We are still in discussions, along with the other district and city council, with OCC on actual figures. | One-off | 25,000 | 0 | 0 | 0 | 0 |
| 6 | **Councillor development programme** | Councillor development programme -  programme of training to support new and returning councillors post 2015 elections. | One-off | 13,500 | 0 | 0 | 0 | 0 |
| | | | | **185,100** | **46,600** | **46,600** | **46,600** | **46,600** |

## Vale of White Horse DC - 2015/16 revenue growth bids

| No | Title of bid | Summary | One-off or ongoing | Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| DEVELOPMENT AND HOUSING | | | | | | | | |
| 1 | **Growth Board / LEP Support Officer+delivery support** | Recruit a Growth Board/LEP Officer to co-ordinate the actions coming out of the Growth Board/ LEP/ County Council Infrastructure programmes to inform SO/Vale Councils so that they are best represented. | Ongoing | 24,000 | 24,000 | 24,000 | 24,000 | 24,000 |
| 2 | **Science Vale Project Manager** | Creation of a Science Vale project manager post to work within the LEP, Science Vale board, Oxfordshire growth board framework, writing the SV sections of Oxon strategies and growth bids, leading on production of business cases and co-ordinating actions that flow from the above boards to optimise income to S&V | Ongoing | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| | | | | **59,000** | **59,000** | **59,000** | **59,000** | **59,000** |

| No | Title of bid | Summary | One-off or ongoing | 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| ECONOMY, LEISURE AND PROPERTY | | | | | | | | |
| 1 | **Beacon staffing increase** | In view of growing usage of The Beacon, we wish to maintain the development of our existing business (includes making the temporary marketing officer and coffee shop assistant posts into permanent posts, and additional casual staff + provision of annual £10,000 marketing budget) and to grow new areas of our business (includes a part-time duty officer) at a cost of £73,594. However, we expect this expenditure to generate additional income of £43,450, and this bid is for the net cost of £30,144. | Ongoing | 30,144 | 30,144 | 30,144 | 30,144 | 30,144 |
| 2 | **Leisure administration apprentice - make temporary full-time post a permanent post** | Following the successful completion of our first apprenticeship, we want to provide routine admin support for the leisure team through this route. The post is a full-time grade 1 position and is split 50 per cent South : 50 per cent Vale.<br><br>This will be a rolling programme of a two year fixed-term contract for each apprentice, but will be a permanent post on the establishment list. | Ongoing | 9,370 | 9,370 | 9,370 | 9,370 | 9,370 |
| 3 | **Market towns support** | Market town support for Faringdon and Wantage. To continue the successful posts of market town co-ordinators in both towns for a further year, plus funding to deliver specific projects. We will seek contributions from town councils towards cost of these posts.. | One-off | 46,000 | 0 | 0 | 0 | 0 |
| 4 | **Business support officer** | To extend post of business support officer in the legal team from March 2015 until March 2016 to complete the Vale's first registration work (Botley and villages outstanding) in partnership with strategic property team and clearly identify sub projects to be delivered. The bid includes on-costs. | One-off | 16,022 | 0 | 0 | 0 | 0 |

## Vale of White Horse DC - 2015/16 revenue growth bids

| No | Title of bid | Summary | One-off or ongoing | Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| ECONOMY, LEISURE AND PROPERTY continued | | | | | | | | |
| **5** | **Strategic property officer - additional professional support** | To provide additional resources for the strategic property team, by means of property consultancy advice and/or temporary surveyor support, to deliver specific projects and workstreams. The bid is split 67 per cent Vale: 33 per cent South, from 1 April 2015. | Ongoing | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| **6** | **Strategic property technical assistant - make temporary part-time post a permanent part-time post** | To make the temporary part-time strategic property technical assistant a permanent part-time post from 1 April 2015 (current growth bid for temporary post expires March 2016). The bid includes on-costs and is split 67 per cent Vale: 33 per cent South. The additional cost would be incurred from 2016/17 onwards. | Ongoing | 0 | 13,524 | 13,524 | 13,524 | 13,524 |
| | | | | **121,536** | **73,038** | **73,038** | **73,038** | **73,038** |

| No | Title of bid | Summary | One-off or ongoing | 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| HR, IT & TECHNICAL | | | | | | | | |
| **1** | **Statutory compliance officer** | New roles to cover statutory health and safety compliance requirements. | One-off | 21,000 | 21,000 | 0 | 0 | 0 |
| | **Mastering management trainaing for new managers** | Additional funding for Mastering Management. To cover two years worth of courses for those newly appointed / promoted to team leader or manager (48 people in total based on 24 per year). Amount dependent on specific numbers on the course and which supplier gets the work. | One-off | 9,000 | 9,000 | 0 | 0 | 0 |
| **3** | **Data capture** | Complete historic data capture of planning applications and building control applications, putting information online and enabling staff to move off paper records. | One-off | 145,000 | 145,000 | 145,000 | 0 | 0 |
| **4** | **FOI officer** | Admin support (FOI) - due to the increase in number of FOI requests | Ongoing | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| | | | | **187,000** | **187,000** | **157,000** | **12,000** | **12,000** |

| No | Title of bid | Summary | One-off or ongoing | 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| LEGAL AND DEMOCRATIC | | | | | | | | |
| **1** | **Funding to support victims of crime** | Reduction in Police and Crime Commissioner funding. The Community Safety Partnership cannot sustain the funding of projects to support victims of crime/vulnerable people and the cost of partnership staff. This represents the funding required to mainstream the two partnership members of staff. £8,000 was agreed for 2014/15 on a one-off basis. | Ongoing | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| | | | | **35,000** | **35,000** | **35,000** | **35,000** | **35,000** |

## Vale of White Horse DC - 2015/16 revenue growth bids

| No | Title of bid | Summary | One-off or ongoing | Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|
| PLANNING | | | | | | | | |
| 1 | **Enforcement officer** | Enforcement Officer (joint) - following increases in planning applications (18 per cent up this year South, 15 per cent up at Vale - ontop of last years planning application workload increase of approx 20 per cent) and major applications for housing development, more proactive monitoring of new development during construction to improve credibility with local communities that council managing plan/condition compliance | Ongoing | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 |
| 2 | **Neighbourhood planning officer** | Neighbourhood Planning Officer (Joint) to support Parish Councils in preparation of their neighbourhood plans (NPs) and to meet expectations and ensure NPs are sound for submission. Expecting increase in NPs following Local Plan process over next two years. Conference in Feb 2015 will help reduce some workload, but expertise still required to guide and assist sound NPs. | Ongoing | 23,000 | 23,000 | 23,000 | 23,000 | 23,000 |
| 3 | **SHMA2** | SHMA2 Following agreement by districts to secure resources to second staff (and backfill) and contribute to Oxfordshire wide studies (watercycle, transport). This bottom up approach, overseen by the Growth Board, will help deal with Oxford City's un met housing need. | One-off | 50,000 | 0 | 0 | 0 | 0 |
| | **S106/CIL monitoring officer** | S106/CIL monitoring officer (Joint) - Following a review of our processes, we need to ensure S106 contributions are collected and monitored. Similarly this will be required by CIL. Post holder will invoice, chase , monitor spend/clarification of spend and keeping live data for public inspection (web site). This requires an administrative resource to assist across the two councils. Potential income to fund post from S106 obligations and 5% CIL will be recoverable (approx 2yr time) | Ongoing | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| | | CIL funding | | 0 | 0 | (20,000) | (20,000) | (20,000) |
| 5 | **Digital satellite imagery** | Joint procurement of high quality digital satellite imagery rather than aerial photography which is no longer fit for propose (don't fly, not uptodate for district and quality poor). The satellite images will be updated every 3 months and are at significantly higher resolution, adding a great deal of value to the service / councils. The councils planning data will be shared with wider corporate benefits. Can additionally secure back images. | Ongoing | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| | | | | **135,500** | **85,500** | **65,500** | **65,500** | **65,500** |
| | **GRAND TOTAL** | | | **760,636** | **486,138** | **436,138** | **291,138** | **291,138** |

## Vale of White Horse DC Service budget analysis 2015/16

| Budget head | Final Budget £ |
|---|---|
| Corporate management team | 390,758 |
| Corporate strategy | 5,267,148 |
| Development & Housing | 586,676 |
| Economy leisure & property | (409,760) |
| Finance | 2,033,330 |
| HR IT & Technical | 1,840,225 |
| Legal & democratic services | 1,289,308 |
| Planning | 1,005,036 |
| Contingency | 644,000 |
| Managed Vacancy Factor | (163,667) |
| **Net cost of delivering services** | **12,483,054** |
| | |
| Net property income | (932,150) |
| Gross treasury income | (411,640) |
| **Net expenditure** | **11,139,264** |
| | |
| **Government grant funding:** | |
| Council tax freeze grant | (58,949) |
| New Homes Bonus | (2,823,094) |
| **Transfer to reserves** | |
| SIF | 2,666,014 |
| Affordable homes | 157,080 |
| Leisure funding | 1,142,902 |
| | |
| **Funding from existing resources:** | |
| Election equalisation reserve | (100,000) |
| New home bonus | (100,000) |
| Contribution to/from General fund balances | (2,611,757) |
| | |
| **Budget funding requirement** | **9,411,460** |

# VALE OF WHITE HORSE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2020

| | 2014/15 original budget £000 | 2014/15 latest budget £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|---|---|---|---|
| **APPROVED PROGRAMME** | | | | | | | |
| Corporate Strategy | 1,139 | 1,479 | 1,168 | 1,102 | 1,102 | 1,102 | 1,102 |
| Development and Housing | 1,707 | 143 | 1,814 | 0 | 0 | 0 | 0 |
| Economy, Leisure and Property | 1,623 | 2,399 | 3,341 | 250 | 0 | 0 | 0 |
| Finance | 2 | 4 | 0 | 0 | 0 | 0 | 0 |
| HR, IT and Technical Services | 1,608 | 881 | 1,076 | 75 | 75 | 45 | 45 |
| Legal and Democratic Services | 61 | 61 | 15 | 15 | 0 | 0 | 0 |
| Planning | 95 | 164 | 0 | 0 | 0 | 0 | 0 |
| Contingency | 2,200 | 2,287 | 200 | 0 | 0 | 0 | 0 |
| **TOTAL APPROVED PROGRAMME** | 8,435 | 7,418 | 7,614 | 1,442 | 1,177 | 1,147 | 1,147 |
| PROVISIONAL PROGRAMME | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **GRAND TOTAL** | 8,435 | 7,418 | 7,614 | 1,442 | 1,177 | 1,147 | 1,147 |
| | | | | | | | |
| **Cumulative Total Budget** | | | | | | | 19,945 |
| | | | | | | | |
| **CAPITAL FINANCING** | | | | | | | |
| Public arts projects funded by developer contributions | 57 | 68 | | | | | |
| Wantage Civic Hall Capital Works, funded from developer contribution | 55 | 55 | | | | | |
| Wantage Leisure Facilities, funded from developer contribution | 46 | 0 | 46 | | | | |
| Chilton Public Art, funded from developer contribution | 78 | 83 | | | | | |
| Great Western Park public art, funded from developer contribution | 153 | 156 | | | | | |
| Marlborough Gardens Play Area, funded from developer contribution | | 5 | | | | | |
| Tower Close Play Area, funded from developer contribution | | 22 | | | | | |
| Wantage leisure centre capital investment direct revenue financing | | 131 | 131 | | | | |
| WHLTC capital investment direct revenue financing | | 125 | 538 | 716 | 581 | | |
| Faringdon leisure centre capital investment direct revenue financing | | 315 | 473 | 203 | | | |
| Support development of social housing, funded from developer contributions | 305 | 0 | 305 | | | | |
| Mandatory Disabled Facilities Grants, government funding | 523 | 523 | 523 | 523 | 523 | 523 | 523 |
| Community Safety Partnership grants LAA1 CDRP funding | 24 | 16 | | | | | |
| Electronic delivery of planning service PDG | 22 | 22 | | | | | |
| Cyclepath Willow Walk, funded from developer contribution | | 48 | | | | | |
| Balance from reserves and capital receipts | 7,172 | 5,850 | 5,598 | 0 | 73 | 624 | 624 |
| GRAND TOTAL | 8,435 | 7,418 | 7,614 | 1,442 | 1,177 | 1,147 | 1,147 |
| Capital receipts b/f from previous year | 6,207 | 6,207 | 3,929 | 0 | 0 | 0 | 0 |
| Projected increase in capital receipts in year | 3,550 | 3,572 | 1,425 | 0 | 0 | 0 | 0 |
| Other resources | | | 244 | 0 | 73 | 624 | 624 |

# VALE OF WHITE HORSE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2020

| | 2014/15 original budget £000 | 2014/15 latest budget £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|---|---|---|---|
| Capital receipt balance to c/f | 2,585 | 3,929 | 0 | 0 | 0 | 0 | 0 |

# VALE OF WHITE HORSE DISTRICT COUNCIL
## CAPITAL PROGRAMME TO 31 MARCH 2020

**Corporate Strategy**

| | 2014/15 original budget £000 | 2014/15 latest budget £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|---|---|---|---|
| Energy reduction plan | 25 | 25 | 25 | | | | |
| New and Upgraded Parks Facilities | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Additional Wheeled Bins for New Properties | 47 | 47 | 47 | 47 | 47 | 47 | 47 |
| Community Grants Fund | 100 | 153 | 141 | 100 | 100 | 100 | 100 |
| Marlborough Gardens Play Area | 0 | 5 | | | | | |
| Tower Close Play Area | 0 | 22 | | | | | |
| Disabled Facilities Grants | 850 | 1,110 | 850 | 850 | 850 | 850 | 850 |
| Home Repairs Target | 90 | 90 | 90 | 90 | 90 | 90 | 90 |
| IT for Mobile Working in EH | 12 | 12 | | | | | |
| | 1,139 | 1,479 | 1,168 | 1,102 | 1,102 | 1,102 | 1,102 |

**Development and Housing**

| | 2014/15 original budget £000 | 2014/15 latest budget £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|---|---|---|---|
| Support Development of Social Housing | 387 | 0 | 387 | | | | |
| Online Housing Applications | 0 | 13 | | | | | |
| Open Market Homebuy Scheme | 200 | 105 | 42 | | | | |
| Implementation of Online Housing Advice | 0 | 25 | | | | | |
| Housing Allocations | 0 | 0 | 13 | | | | |
| Refurbish Abingdon Temporary Accommodation | 0 | 0 | 252 | | | | |
| Refurbish Tiverton House | 200 | 0 | 200 | | | | |
| Housing Abingdon | 920 | 0 | 920 | | | | |
| | 1,707 | 143 | 1,814 | 0 | 0 | 0 | 0 |

# VALE OF WHITE HORSE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2020

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**Economy, Leisure and Property**

| | 2014/15 original budget £000 | 2014/15 latest budget £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|---|---|---|---|
| Great Coxwell Wall Reinstatement | 25 | 25 | | | | | |
| Essential Refurbishment of Operational Property Assets | 200 | 0 | 200 | | | | |
| West Way Shopping Centre Refurbishment | 50 | 0 | 50 | | | | |
| Refurbishment of Emcor House, Hatfield | 150 | 0 | 150 | | | | |
| Public Art Projects (funded by contributions) | 57 | 68 | | | | | |
| Maintain Building Fabric - Leisure Faciliies | 113 | 143 | | | | | |
| Wi-fi for Vale Towns | 1 | 10 | 8 | | | | |
| Wantage Civic Hall Capital Works | 55 | 55 | | | | | |
| WHLTC Car Park Extension | 435 | 420 | 14 | | | | |
| Wantage Leisure Facilities | 46 | 0 | 46 | | | | |
| Chilton Public Art | 78 | 83 | | | | | |
| Great Western Park Public Art | 153 | 156 | | | | | |
| Abingdon Riverbank Repairs | 10 | 0 | 600 | | | | |
| Leisure Centre Essential Works | 250 | 65 | 435 | 250 | | | |
| Wantage leisure centre capital investment | 0 | 261 | | | | | |
| WHLTC capital investment | 0 | 249 | 1,711 | | | | |
| Faringdon leisure centre capital investment | 0 | 864 | 127 | | | | |
| | 1,623 | 2,399 | 3,341 | 250 | 0 | 0 | 0 |

**Finance**

| | 2014/15 original budget £000 | 2014/15 latest budget £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|---|---|---|---|
| Fixed Asset System | 2 | 4 | | | | | |
| | 2 | 4 | 0 | 0 | 0 | 0 | 0 |

# VALE OF WHITE HORSE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2020

| | 2014/15 original budget £000 | 2014/15 latest budget £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|---|---|---|---|
| **HR, IT and Technical Services** | | | | | | | |
| Flood Prevention | 45 | 65 | 170 | 45 | 45 | 45 | 45 |
| Sewage Works | 17 | 17 | | | | | |
| MHP - Junct. Box Replacement | 20 | 9 | | | | | |
| Upgrade of Sewage Treatment Works - Challow & Sparsholt | 50 | 50 | | | | | |
| Development of Additional Plots at MHP | 836 | 0 | 836 | | | | |
| Hales Meadow Public Convenience | 100 | 200 | | | | | |
| Mobile Home Parks Improvement Works | 18 | 18 | | | | | |
| Woodlands watercourse | 30 | 30 | | | | | |
| Car park lighting improvements | 36 | 36 | 30 | 30 | 30 | | |
| Changes to Rye Farm car park | 5 | 5 | 40 | | | | |
| IT Infrastructure Investment | 187 | 187 | | | | | |
| IT Applications Investment | 14 | 14 | | | | | |
| IT Infrastructure (improvements identified under FftF) | 250 | 250 | | | | | |
| | 1,608 | 881 | 1,076 | 75 | 75 | 45 | 45 |
| **Legal and Democratic Services** | | | | | | | |
| CCTV Capital Works | 37 | 37 | 15 | 15 | | | |
| Community Safety Partnership Grants | 24 | 16 | | | | | |
| Legal Case Management System | 0 | 1 | | | | | |
| Licensing software project | 0 | 7 | | | | | |
| | 61 | 61 | 15 | 15 | 0 | 0 | 0 |
| **Planning** | | | | | | | |
| Wantage & Grove Integrated Transport Study | 30 | 30 | | | | | |
| Electronic Delivery of Planning Service | 22 | 22 | | | | | |
| New Paths/Cycleways | 0 | 77 | | | | | |
| Computerising Property Planning Software | 33 | 25 | | | | | |
| Capture Planning Constraints | 10 | 10 | | | | | |
| | 95 | 164 | 0 | 0 | 0 | 0 | 0 |

# VALE OF WHITE HORSE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2020

| | 2014/15 original budget £000 | 2014/15 latest budget £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|---|---|---|---|
| **Contingency** | | | | | | | |
| Capital Contingency | 2,200 | 2,287 | 200 | | | | |
| | 2,200 | 2,287 | 200 | 0 | 0 | 0 | 0 |

Notes

CORC-(1) Capital growth bid approved as part of 2014/15 budget setting process.
CORC-(2) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
CORC-(3) Scheme t/f'd from Health and Housing
CORC-(4) £22k added to programme (ICMD February 2014)
DAHC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
DAHC-(2) Capital growth bid approved as part of 2014/15 budget setting process.
ELPC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
ELPC-(2) Capital growth bid approved as part of 2014/15 budget setting process.
ELPC-(3) Capital growth bid approved as part of 2012/13 budget setting process.
ELPC-(4) £250k growth bid approved as part of 2012/13 budget setting process. Further growth of £250k approved as part of 2014/15 budget setting process.
ELPC-(5) Addition to programme per Joint Cabinet lesiure management contract (May 2014). £175 moved from 16/17 to 25/26
FINC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
HITC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
HITC-(2) Capital growth bid approved as part of 2014/15 budget setting process.
HITC-(3) Schemes transferred from Economy, Leisure and Property
LEGC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
PLAC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
CONC-(1) £2m capital growth bid approved as part of 2014/15 budget setting process added to existing scheme.
CONC-(2) 2014/15 Working Budget allocations reflect budget slipped from 2013/14

**Vale of White Horse DC - 2015/16 capital growth bids**

Appendix D.2

| No | Title of bid | Summary | One-off or rolling | Vale only or joint bid? | CAPITAL SPEND Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | REVENUE CONSEQUENCES Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CORPORATE MANAGEMENT TEAM** | | | | | | | | | | | | | | |
| 1 | **North Hinksey rail crossing** | The crossing is an essential link for the communities of North Hinksey, New Hinksey and Kennington. The contribution to Network Rail from OCC, Oxford City Council and Vale for including ramps in the crossing specification will be £250,000 split evenly between partners. | One-off | Vale only | 83,333 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | **Fencing at Redbridge Hollow** | OCC are willing to install security fencing around the perimeter of the Redbridge Hollow romany traveller site to reduce the risk of further flytipping. Vale and other partners are to make a financial contributions to the cost. Estimated at £60,000. Cost to Vale is £15,000 | One-off | Vale only | 15,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | **98,333** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **CORPORATE STRATEGY & WASTE** | | | | | | | | | | | | | | |
| 1 | **Wantage memorial park** | Refurbish Wantage Memorial Park play area, in conjunction with the community fund raising and consultation that has taken place. | One-off | Vale only | 77,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | **Pye street play area** | Refurbish Pye street play area, Faringdon | One-off | Vale only | 77,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | **Additional kerbside recycling** | Contractor payment to Biffa for the introduction of additional recycling streams from the kerbside such as textiles and small electrical items. This will pay for the cages under the vehicles | One-off | Joint | 10,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | **Purchase of new bins** | For the purchase of new household waste bins. | Rolling | Vale only | 27,000 | 27,000 | 27,000 | 27,000 | 27,000 | 0 | 0 | 0 | 0 | 0 |
| | | | | | **191,500** | **27,000** | **27,000** | **27,000** | **27,000** | **0** | **0** | **0** | **0** | **0** |
| **ECONOMY LEISURE AND PROPERTY** | | | | | | | | | | | | | | |
| 1 | **Beacon capital works** | To establish a five year rolling programme for essential capital works at The Beacon. This will include electronic booking system, new stage curtains and fridges for the bar in year 2015/16 and further works in subsequent years. | Rolling | No | 30,000 | 20,000 | 20,000 | 20,000 | 20,000 | 500 | 500 | 500 | 500 | 500 |
| 2 | **Broadband** | To increase superfast broadband coverage across the district by provision of a capital grant fund for communities. | One-off | No | 250,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | **Leisure centre capital works** | To provide refurbishment works in the Vale leisure facilities during 2019/20 to comply with the Vale Council's contractual requirements and maintaining key public assets. | Rolling | No | 0 | 0 | 0 | 0 | 250,000 | 0 | 0 | 0 | 0 | 0 |
| 4 | **Wantage / Grove leisure facility** | The Wantage and Grove leisure facility project will see the construction of a new building. There are a number of significant issues which prohibit the existing centre being a viable option. The leisure and sports facilities study identified that in order to meet the capacity requirements of planned housing growth a new replacement leisure centre is required to be delivered by 2019. This project will provide a long-term solution for the leisure facility needs of the Wantage and Grove locality. | One-off | No | 50,000 | 560,000 | 7,120,000 | 4,200,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | S106 funding | | | 0 | 0 | (2,500,000) | (2,500,000) | 0 | 0 | 0 | 0 | 0 | 0 |

**Vale of White Horse DC - 2015/16 capital growth bids**

Appendix D.2

| No | Title of bid | Summary | One-off or rolling | Vale only or joint bid? | CAPITAL SPEND Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | REVENUE CONSEQUENCES Spending profile: 2015/16 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ECONOMY LEISURE AND PROPERTY CONTINUED** | | | | | | | | | | | | | | |
| 5 | **Abbey Meadows and Gardens improvements** | To deliver improvements to Abbey Meadows and Abbey Gardens, identified by public consultation, to encourage greater use of the grounds by both visitors and residents, to make the grounds appeal to an even wider demographic and to attract visitors to the grounds all year round. The bid may need to be amended in the light of whatever improvements are agreed. | One-off | No | 500,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | **830,000** | **580,000** | **4,640,000** | **1,720,000** | **270,000** | **500** | **500** | **500** | **500** | **500** |
| **HR, IT& TECHNICAL** | | | | | | | | | | | | | | |
| 1 | **Wantage PC** | Demolish the existing public conveniences in Wantage rec and replace with newly designed, modern, unisex block. | One-off | Vale | 70,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | **Abingdon flood relief** | Grant towards Abingdon flood relief | One-off | Vale | 50,000 | 300,000 | 500,000 | 1,000,000 | 650,000 | 0 | 0 | 0 | 0 | 0 |
| 3 | **Abbey meadows public convenience** | To replace the public conveniences in Abbey Meadows, Abingdon. On-going cost from existing WC budget plus £6,000 pa to keep them open all year, as currently only open at weekends in winter. | One-off | Vale | 70,000 | 0 | 0 | 0 | 0 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| 4 | **Car park signs** | To replace the car park tariff boards in all the car parks, to show details of new payment methods and directions to alternative car parks. | One-off | Vale Only | 15,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 | **Gas boiler** | New gas boiler at Abbey House (pricing assumes 30 per cent contribution from OCC as per lease agreement) | One-off | Vale Only | 21,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | **226,000** | **300,000** | **500,000** | **1,000,000** | **650,000** | **6,000** | **6,000** | **6,000** | **6,000** | **6,000** |
| | **GRAND TOTAL** | | | | **1,345,833** | **907,000** | **5,167,000** | **2,747,000** | **947,000** | **6,500** | **6,500** | **6,500** | **6,500** | **6,500** |

## Medium Term Financial Plan to 2019/20



| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 1 | **Vale of White Horse District Council** | **Budget** | **Indicative** | **Indicative** | **Indicative** | **Indicative** | |
| 2 | | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | |
| 3 | | **£** | **£** | **£** | **£** | **£** | |
| 4 | **Base budget** | | | | | | |
| 5 | Corporate management | 401,413 | 401,413 | 401,413 | 401,413 | 401,413 | |
| 6 | Corporate strategy | 5,153,444 | 5,153,444 | 5,153,444 | 5,153,444 | 5,153,444 | |
| 7 | Development & Housing | 476,289 | 476,289 | 476,289 | 476,289 | 476,289 | |
| 8 | Economy, leisure and property | 845,480 | 845,480 | 845,480 | 845,480 | 845,480 | |
| 9 | Finance | 1,986,466 | 1,986,466 | 1,986,466 | 1,986,466 | 1,986,466 | |
| 10 | HR, IT, & technical | 1,811,236 | 1,811,236 | 1,811,236 | 1,811,236 | 1,811,236 | |
| 11 | Legal and democratic | 1,055,109 | 1,055,109 | 1,055,109 | 1,055,109 | 1,055,109 | |
| 12 | Planning | 1,210,614 | 1,210,614 | 1,210,614 | 1,210,614 | 1,210,614 | |
| 13 | Managed vacancy factor | (158,258) | (158,258) | (158,258) | (158,258) | (158,258) | |
| 14 | Contingency | 430,400 | 430,400 | 430,400 | 430,400 | 430,400 | |
| 15 | **Total base budget** | **13,212,193** | **13,212,193** | **13,212,193** | **13,212,193** | **13,212,193** | |
| 16 | **Revisions to base budget** | | | | | | |
| 17 | Opening budget adjustments | (404,908) | (763,766) | (1,051,266) | (1,078,476) | (1,040,886) | |
| 18 | Inflation, salary increments and adjustments | 226,298 | 481,809 | 742,430 | 1,008,263 | 1,279,413 | |
| 19 | Essential growth - one-off | 376,838 | 25,000 | 0 | 0 | 0 | |
| 20 | Essential growth - ongoing | 161,928 | 240,206 | 270,484 | 295,762 | 326,040 | |
| 21 | Base budget savings | (1,777,209) | (1,777,209) | (1,777,209) | (1,777,209) | (1,777,209) | |
| 22 | Additional revenue contingency | 213,600 | 213,600 | 213,600 | 213,600 | 213,600 | |
| 23 | Office accommodation savings | (134,000) | (134,000) | (134,000) | (134,000) | (134,000) | |
| 24 | Corporate contract savings | 0 | (50,000) | (100,000) | (100,000) | (100,000) | |
| 25 | Other budget adjustments | (158,822) | (13,822) | (13,822) | (13,822) | (13,822) | |
| 26 | **Total revised base budget** | **11,715,918** | **11,434,011** | **11,362,410** | **11,626,311** | **11,965,329** | |
| 27 | **Growth, savings and other budget adjustments** | | | | | | |
| 29 | Growth ***proposals*** | | | | | | |
| 30 | Revenue - one-off | 463,022 | 175,000 | 145,000 | 0 | 0 | |
| 31 | Revenue - ongoing | 297,614 | 311,138 | 291,138 | 291,138 | 291,138 | |
| 32 | Capital (revenue consequences of) | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | |
| 33 | Assumed future essential growth | 0 | 100,000 | 200,000 | 300,000 | 400,000 | |
| 35 | **Net cost of services** | **12,483,054** | **12,026,649** | **12,005,048** | **12,223,949** | **12,662,967** | |
| 36 | Net property income | (932,150) | (1,077,150) | (1,077,150) | (1,077,150) | (1,077,150) | |
| 37 | Gross treasury income | (411,640) | (514,000) | (670,000) | (814,000) | (886,000) | |
| 38 | **Net expenditure** | **11,139,264** | **10,435,499** | **10,257,898** | **10,332,799** | **10,699,817** | |
| 39 | New Homes Bonus | (2,823,094) | (3,854,170) | (4,751,884) | (5,596,921) | (6,325,111) | |
| 40 | CT freeze grant 2015/16 tranche | (58,949) | 0 | 0 | 0 | 0 | |
| 41 | Transfers to / (from) earmarked reserves | 3,765,996 | 2,582,448 | 3,286,992 | 4,024,152 | 4,519,368 | |
| 42 | **Amount to be financed** | **12,023,217** | **9,163,777** | **8,793,006** | **8,760,030** | **8,894,074** | |
| 43 | **Financing** | | | | | | |
| 44 | Revenue support grant | (1,741,067) | (1,114,220) | (574,086) | (248,117) | (150,000) | |
| 45 | Business rates retention scheme | (2,151,101) | (2,194,123) | (2,238,005) | (2,282,766) | (2,328,421) | |
| 46 | **Total start-up funding allocation** | **(3,892,168)** | **(3,308,343)** | **(2,812,091)** | **(2,530,882)** | **(2,478,421)** | |
| 47 | Less - Parish share of council tax support grant | 120,445 | 80,297 | 40,148 | 0 | 0 | |
| 48 | + / - estimated NNDR over/under collection | 161,333 | 164,559 | 167,850 | 171,207 | 174,632 | |
| 49 | Collection fund (surplus)/deficit | (250,932) | (200,000) | (200,000) | (200,000) | (200,000) | |
| 50 | **Council tax requirement before use of reserves** | **8,161,895** | **5,900,290** | **5,988,914** | **6,200,355** | **6,390,285** | |
| 51 | Use of general fund balance | (2,611,757) | (155,595) | (17,754) | 7,497 | 36,709 | |
| 52 | **Council tax requirement after use of reserves** | **5,550,138** | **5,744,696** | **5,971,160** | **6,207,852** | **6,426,994** | |
| 53 | Tax base | 47,563.1 | 48,265.1 | 49,184.1 | 50,131.1 | 50,883.1 | |
| 54 | Band D Council tax (£) | 116.69 | 119.02 | 121.40 | 123.83 | 126.31 | |
| 55 | Council tax increase from previous year | 0.0% | 2.0% | 2.0% | 2.0% | 2.0% | |
| 56 | **Reserves at year end** | | | | | | |
| 57 | opening GFB | (3,810,916) | (1,199,159) | (1,043,565) | (1,025,811) | (1,033,308) | |
| 58 | General fund balance | (1,199,159) | (1,043,565) | (1,025,811) | (1,033,308) | (1,070,018) | |
| 59 | Earmarked revenue reserves | (6,231,931) | (6,764,477) | (3,710,433) | (4,363,585) | (7,311,953) | |