Cabinet Agenda

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Date: 26 January 2017
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Vale of White Horse District Council

A meeting of the

Cabinet

will be held on Friday 3 February 2017 at 9.30 am
Meeting Room 1, 135 Eastern Avenue, Milton Park, Milton, OX14 4SB

Cabinet Members:

Councillors
Matthew Barber (Chairman)
Roger Cox (Vice-Chairman)
Eric Batts
Charlotte Dickson
Mike Murray
Robert Sharp
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

(Pages 4 - 7)

To adopt and sign as a correct record the minutes of the Cabinet meeting held on 2 December 2016.

3. Declaration of disclosable pecuniary 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. Public participation

To receive any questions or statements from members of the public that have registered to speak.

6. Treasury management mid-year monitoring 2016/17

(Pages 8 - 19)

To consider the head of finance’s report.

7. Treasury management and investment strategy 2017/18 to 2019/20

(Pages 20 - 47)

To consider the head of finance’s report.

8. Car park fees and charges

(Pages 48 - 62)

To consider the report of the head of HR, IT and technical services.

9. Revenue budget 2017/18, capital programme and medium term financial plan

To consider the head of finance’s report. **REPORT TO FOLLOW**

10. Exclusion of the public, including the press

The chairman to move that in accordance with Section 100A(4) of the Local Government Act 1972, the public, including the press, be excluded from the remainder of the meeting to prevent the disclosure to them of exempt information, as defined in Section 100(I) and Part 1 of Schedule 12A, as amended, to the Act when the following items are considered:

Corporate services
(Category 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information.)

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

11. Corporate services

To consider the report of the interim chief operating officer. **REPORT TO FOLLOW**

Minutes
of a meeting of the
Cabinet
held on Friday 2 December 2016 at 10.30 am
in the Meeting Room 1, 135 Eastern Avenue, Milton Park, Milton, OX14 4SB

Open to the public, including the press

Present:

Members: Councillors Matthew Barber (Chairman), Roger Cox (Vice-Chairman), Eric Batts, Robert Sharp and Elaine Ware

Officers: Samantha Allen, Steve Culliford, Ben Davis, Adrian Duffield, David Hill, William Jacobs, Andrew Maxted and Margaret Reed

Also present: Councillors Yvonne Constance and Debby Hallett

Number of members of the public: 2

Ca.68 Apologies for absence

Apologies for absence were received from Councillors Charlotte Dickson and Mike Murray.

Ca.69 Minutes

RESOLVED: to approve the Cabinet minutes from the meeting held on 7 October 2016 as a correct record and agree that the chairman signs them as such.

Ca.70 Declarations of interest

None

Ca.71 Urgent business and chairman's announcements

None

Ca.72 Statements, petitions, and questions relating to matters affecting the Cabinet

(1) John Simmons made a statement in support of the Milton Conservation Area appraisal believing that the historic part of the village was worthy of conservation, and also protection against inappropriate development. Any future development would have to be in keeping with its surroundings.

In response Councillor Roger Cox, the Cabinet member for planning, reported that each planning application would be considered on its own merits, but in the context of local plan policies in the Conservation Area.

(2) Councillor Debby Hallett was pleased that the council would soon be able to adopt Part 1 of the Local Plan but asked:

- What were the immediate benefits to the council?
- Did the council have a five-year housing land supply today?
- Would there be any change to the way the council determined planning applications?
- Would there soon be a masterplan for the redevelopment of the Harcourt Hill university campus?

In response Councillor Roger Cox, the Cabinet member for planning, reported that the immediate benefit to the council of adoption of Local Plan Part 1 would be that development in the district would be plan-led. As of today, before adoption of Local Plan Part 1, the council still had 4.2 years' housing land supply but if Council adopted Part 1 at its meeting on 14 December, the council would have a five-year housing land supply. Adoption of the plan would mean planning applications would be judged against the full strength of Local Plan policies. As for a masterplan for possible redevelopment of the Harcourt Hill campus, officers were meeting Oxford Brookes University representatives next week.

Ca.73 Local Plan Part 1 adoption

Cabinet received a verbal update regarding the receipt of the local plan inspector's letter, which confirmed that the council's Local Plan Part 1 was sound and that it was now for the council to adopt Part 1 at its discretion. In order to recommend adoption, the officers needed to prepare the paperwork to comply with the planning regulations before an executive recommendation could be made to full Council on 14 December 2016. Cabinet welcomed the news and supported the Cabinet member for planning taking an individual Cabinet member decision in the following week to make the formal recommendation to Council to adopt Local Plan Part 1.

Cabinet noted that although the council did not have a five-year housing land supply until Local Plan Part 1 was adopted by Council, the plan and its policies now carried substantial weight. Cabinet thanked the officers for their work on this.

Ca.74 Milton Conservation Area appraisal

Cabinet considered the head of planning's report on the Milton Conservation Area appraisal and proposed amendments to the boundary. The report set out the consultation results and the changes that had been made as a result.

The report set out three options:

1. To find that the proposed extended area identified in the appraisal was of special architectural or historic interest and the character or appearance of which was desirable to preserve or enhance, the council should designate the whole area as a conservation area.
2. To find that the proposed extended area identified in the appraisal was not of special architectural or historic interest and the character or appearance of which was not

desirable to preserve or enhance, then the council should not designate the proposed extension as a conservation area.

3. To find that there was an area of special architectural or historic interest and the character or appearance of which was desirable to preserve or enhance, but that the boundary should be different to that proposed and having identified and justified the difference, then to designate that area as a conservation area.

Cabinet agreed with option 1, to adopt the Conservation Area appraisal to extend and amend the area boundary, and noted that the appraisal document would form part of the evidence base for the development plan and would become a material planning consideration when determining planning applications.

RESOLVED: to

(a) adopt the Milton Conservation Area appraisal, as set out in Appendix 3 of the report of the head of planning to Cabinet on 2 December 2016, as part of the Development Plan evidence base and to agree that it is a material planning consideration;

(b) extend and amend the boundary to the Milton Conservation Area as set out in Appendix 2 of the report of the head of planning to Cabinet on 2 December 2016; and

(c) authorise the head of planning in consultation with the Cabinet member for planning to make minor changes, typographical corrections or non-material amendments to the Milton Conservation Area appraisal and associated documents prior to formal publication and to undertake necessary statutory actions to implement agreed recommendations.

Ca.75 Statement of community involvement

Cabinet considered the head of planning's report regarding a revised Statement of Community Involvement in planning matters. The council had conducted an eight-week consultation on the revised draft statement. The report set out proposed changes as a result of the consultation and incorporated suggested changes from the Scrutiny Committee.

Cabinet noted that it was a requirement of the Planning and Compulsory Purchase Act 2004 to produce the statement. Once adopted, the statement would be used to assist in the preparation of planning policy documents and be used when deciding on planning applications for development. Cabinet agreed to adopt the statement.

RESOLVED: to

(a) adopt the Statement of Community Involvement December 2016, as set out in Appendix 2 of the report of the head of planning to Cabinet on 2 December 2016; and

(b) authorise the head of planning in consultation with the Cabinet member for planning to make any minor changes, typographical corrections or non-material amendments to the Statement of Community Involvement prior to formal publication.

Ca.76 Council tax base

Cabinet considered the head of finance's report on the council tax base for 2017/18. Before the council tax could be set by the council, a calculation had to be made of the council tax base, being an estimate of the taxable resources for the district as a whole and for each parish area. Cabinet agreed to recommend the council tax base to Council.

RECOMMENDED: to Council that:

(a) the report of the head of finance for the calculation of the council's tax base and the calculation of the tax base for each parish area for 2017/18 be approved;

(b) in accordance with The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by Vale of White Horse District Council as its council tax base for the year 2017/18 be 49,406.0; and

(c) in accordance with The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by Vale of White Horse District Council as the council tax base for the year 2017/18 for each parish be the amount shown against the name of that parish in Appendix 1 of the report of the head of finance to Cabinet on 2 December 2016.

The meeting closed at 10.42 am

Joint Audit and Governance Committee

South Oxfordshire District Council
Listening Learning Leading

Vale of White Horse District Council

AGENDA ITEM

Report of Head of Finance

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To: **Joint Audit and Governance Committee; Cabinet; Council**

DATE: 23 Jan 17 by Joint Audit and Governance Committee
1 Feb 17 (S) / 3 Feb 17 (V) by Cabinet
16 Feb 17 (S) / 15 Feb 17 (V) by Council

Treasury management mid-year monitoring report 2016/17

Recommendations

That Joint Audit and Governance Committee:

1. notes the treasury management mid-year monitoring report 2016/17, 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 Joint Audit and Governance Committee and recommends council to approve the report.

Purpose of report

1. The report fulfils the legislative requirements to ensure the adequate monitoring of the treasury management activities and that each council's prudential indicators are reported to their respective council mid-year (ie: as at 30 September). The report provides details of the treasury activities for the first six months of 2016/17 and an update on the current economic conditions with a view to the remainder of the year.

Strategic objectives

2. 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. 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 2016 to 30 September 2016.

4. The 2016/17 treasury management strategy was approved by each council in February 2016. This report summarises the treasury activity and performance for the first six months of 2016/17 against those prudential indicators and benchmarks set for the year. It is also provides an opportunity to review and subsequently revise limits if required. Full council is required to approve this report and any amendments to the Treasury Management Strategy.

Treasury activity

5. The mid-year performance of the two councils is summarised in the tables below[1].

	South	Treasury investments £000	Non treasury loan £000	Sub Total £000	Property investment £000	Overall total £000
1	Average investment balance	117,182	15,000	132,182	8,950	141,132
2	Budgeted investment income	721	311	1,032		
3	Actual investment income	1,247	312	1,559	427	1,986
4	surplus/(deficit) (3) - (2)	501	1	502		
5	Annualised rate of return	2.13%	4.16%	2.36%	9.54%	2.81%

	Vale	Treasury investments £000	Property investment £000	Overall total £000
1	Average investment balance	47,809	8,210	56,019
2	Budgeted investment income	205		
3	Actual investment income	298	358	656
4	surplus/(deficit) (3) - (2)	93		
5	Annualised rate of return	1.25%	8.72%	2.34%

[1] For property, the balance shown is the fair value of investment properties as at 31 March 2016.

6. The forecast outturn position based on known investments and maturities and an estimate for future earnings is shown in the table below:

		South Oxfordshire District Council	Vale of White Horse District Council
	Annual budget as per MTFP	£2,196,350	£411,000
	Forecast outturn	£2,277,000	£570,000
	Variance against budget	£80,650	£159,000
	Borrowing	Nil	Nil

7. The Councils remain restricted regarding financial institutions meeting their investment criteria. When it is possible, investments will be placed with highly rated institutions for a longer duration with a view to increasing the weighted average maturity of the portfolio, but this has meant that overall there are less suitable counterparties available to the councils to deposit with.

8. **SODC**. The latest estimate is that income receivable on cash investments will be above budget by £80,650 by the end of the year. Although cash balances have been higher than expected, as a result of insurance receipts and re-profiling of the capital programme, the ongoing decline in interest rates available to the council when looking to reinvest maturing deposits has meant that average rates of return over the last six months of the year are expected to be lower than achieved in the first six months. The budget for 2017/18 has been reduced to reflect this reduction.

9. Officers monitor the performance of the unit trust holding on a regular basis. When the value reaches £14 million, a disposal of £2 million is made. During September 2016, the value of our unit trust holding reached the £14 million threshold and a disposal of £2 million was agreed.

10. **VWHDC.** The latest estimate is that income receivable on cash investments will be above budget by £159,000. This is due to higher than budgeted cash balances relating to grant funding from the EZ building foundations for growth that was received at the end of 2014/15 and has been invested pending disbursement, and the re-profiling of the capital programme as a result of delays in expenditure. The ongoing decline in interest rates available to the council when looking to reinvest maturing deposits has meant that average rates of return over the last six months of the year are expected to be lower than achieved in the first six months. The budget for 2017/18 has been reduced to reflect this reduction.

11. The Section 151 officer is content that there is no current need to review practices following the TUPE transfer of staff to Capita in August 2016, whilst the service is provided on a business as usual basis. However, the status quo may change in 2017/18, and at such time practices will be reviewed.

Performance measurement

12. A list of current investments as at 30 September is shown in Appendices A1 and A2. All investments were with approved counterparties. The average return on these investments is shown above in the table at paragraph 5. South has performed better than Vale because it holds more long term loans at higher rates, equities and corporate bonds as a result of its larger investment base.

13. The councils' performance against benchmarks for the first six months of the year are detailed in Appendices A3 and A4. All benchmarks have been achieved where measurable.

14. **VWHDC.** Two benchmark performance indicators contained within the treasury management strategy for Vale are considered below, these have not got a defined measurable basis

- Maximum investment of daily balances (in house) – on a daily basis, cash balances are reviewed and invested with a view to earning the maximum return for the council.
- Maintenance of a balanced portfolio – when cash balances allow, investments are made in line with the treasury management strategy, with a view firstly to minimise risk and then to achieve maximum returns for the council.

Treasury management limits on activity

15. Each council is required by the Prudential Code to report on the limits set each year in their respective Treasury Management Strategies. The purpose of these limits is to ensure that the activity of the treasury functions remain 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 for both councils are shown in appendices B1 and B2.

16. During September 2016 a breach of counterparty limits occurred with Newcastle Building Society. South Oxfordshire District Council invested £2 million with Newcastle Building Society on 1 September 2016. This investment took the council £0.5 million over the agreed limit of £12 million. A temporary authorisation was sought and obtained from the Section 151 officer. The breach will be corrected in April 2017 when £1 million matures and brings the council back within its agreed limits.

Debt activity during 2016/17

17. During the first six months of 2016/17 there has been no need for either of the councils to borrow. The treasury manager will continue to take a prudent approach to the councils' debt strategies. The prudential indicators and limits set out in appendices B1 and B2 provide the scope and flexibility for either of the councils to borrow in the short-term up to the maximum limits, if ever such a need arose within the cash flow management activities of the authority in order to achieve its service objectives.

Financial implications

18. Following the referendum on EU membership in June, we have entered a period of uncertainty. The depreciation of sterling has resulted in a rise in inflation (CPI) and this is predicted to remain above the two per cent target for some time. The Bank of England's Monetary Policy Committee has stated that interest rates could move in either direction and they will respond to changes to the economic outlook as they unfold. The projection from the council's treasury advisors (Capita Asset Services) is that the likelihood of a rise in official rates before early 2019 is unlikely. Furthermore, when rates do rise, they will do so more slowly than in pre-crash years due to concerns over the sustainability of the recovery and the continuing levels of high personal indebtedness. Rates are not likely to reach pre-2008 levels for some considerable time (if at all).

Legal implications

19. 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

20. This report provides details of the treasury management activities for the period 1 April 2016 to 30 September 2016 and the mid-year prudential indicators to each respective council.

21. During the first six months a breach of limits occurred at SODC and temporary authorisation was sought and obtained. All other treasury activities at both councils have operated within the agreed parameters set out in their respective approved treasury management strategies.

22. This report also provides the monitoring information for joint audit and governance committee to fulfil its role of scrutinising treasury management activity at each council.

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:-

Treasury Management Investment Strategy 2016/17
SODC – council 18 February 2016
VWHDC – council 17 February 2016

Appendices

A1 – SODC List of investments as at 30 September 2016
A2 – VWHDC List of investments as at 30 September 2016
A3 – SODC Performance against benchmark
A4 – VWHDC Performance against benchmark
B1 – SODC Prudential Indicators
B2 – VWHDC Prudential Indicators
C1 – Note on Prudential Indicators

South Oxfordshire District Council

Investments as at 30 September 2016					
Counterparty	**Deposit type**	**Maturity date**	**Investment duration in days**	**Principal**	**Rate**
Close Brothers	Fixed	15/12/2016	366	3,000,000	1.05%
National Counties Building Society	Fixed	16/12/2016	304	1,500,000	0.95%
National Counties Building Society	Fixed	21/12/2016	303	2,000,000	0.95%
Progressive Building Society	Fixed	23/12/2016	304	1,000,000	0.90%
Progressive Building Society	Fixed	03/01/2017	308	2,000,000	0.90%
National Counties Building Society	Fixed	15/02/2017	229	1,500,000	0.73%
National Counties Building Society	Fixed	27/02/2017	306	2,000,000	0.97%
Skipton Building Society	Fixed	10/03/2017	364	3,000,000	1.02%
Principality Building Society	Fixed	13/03/2017	367	2,000,000	1.05%
National Counties Building Society	Fixed	15/03/2017	257	2,000,000	0.83%
Progressive Building Society	Fixed	03/04/2017	304	2,000,000	1.00%
Progressive Building Society	Fixed	03/04/2017	304	1,000,000	0.97%
Newcastle Building Society	Fixed	12/04/2017	364	1,000,000	1.15%
Newcastle Building Society	Fixed	27/04/2017	365	2,000,000	1.15%
Newcastle Building Society	Fixed	02/05/2017	364	2,000,000	1.15%
National Counties Building Society	Fixed	04/05/2017	304	1,000,000	0.95%
Newcastle Building Society	Fixed	05/05/2017	364	2,000,000	1.15%
Skipton Building Society	Fixed	08/05/2017	367	2,000,000	1.04%
Principality Building Society	Fixed	30/05/2017	364	2,000,000	1.03%
West Bromwich Building Society	Fixed	12/06/2017	364	3,000,000	1.07%
Nottingham Building Society	Fixed	12/06/2017	364	1,000,000	1.01%
Goldman Sachs International Bank	Fixed	26/06/2017	367	2,000,000	1.00%
Newcastle Building Society	Fixed	29/06/2017	364	1,500,000	1.15%
West Bromwich Building Society	Fixed	03/07/2017	367	4,000,000	1.00%
Nottingham Building Society	Fixed	11/07/2017	365	2,000,000	0.81%
Principality Building Society	Fixed	10/07/2017	364	2,000,000	0.80%
Progressive Building Society	Fixed	17/07/2017	304	2,500,000	0.70%
West Bromwich Building Society	Fixed	19/07/2017	364	1,000,000	0.85%
Goldman Sachs International Bank	Fixed	24/07/2017	364	2,000,000	0.60%
Newcastle Building Society	Fixed	30/08/2017	365	2,000,000	0.77%
Newcastle Building Society	Fixed	31/08/2017	364	2,000,000	0.77%
Nottingham Building Society	Fixed	18/09/2017	367	2,500,000	0.72%
Goldman Sachs International Bank	Fixed	28/09/2017	364	2,000,000	0.70%
Santander	Call *			7,105,464	0.25%
Royal Bank of Scotland	Call *			2,329	0.25%
Royal Bank of Scotland	Call *			95,101	0.25%
Goldman Sachs	MMF *			4,460,000	0.44%
Blackrock	MMF *			690,000	0.36%
Total short term cash investments (<1 yr duration)				**76,852,894**	
HSBC	Fixed	27/02/2017	1827	2,000,000	1.90%
Kingston upon Hull City Council	Fixed	19/08/2020	2557	3,500,000	2.70%
Kingston upon Hull City Council	Fixed	19/08/2020	2557	1,500,000	2.70%
Kingston upon Hull City Council	Fixed	15/01/2021	2557	2,000,000	2.50%
Bury MBC	Fixed	19/07/2021	1827	5,000,000	1.50%
Royal Bank of Scotland	Fixed	22/01/2018	1098	2,000,000	1.25%
Royal Bank of Scotland	Fixed	18/02/2019	1463	2,000,000	1.20%
Royal Bank of Scotland	Fixed	08/04/2019	1095	3,000,000	1.31%
Close Brothers	Fixed	27/11/2017	732	3,000,000	1.60%
Close Brothers	Fixed	03/04/2017	549	2,000,000	1.41%
Close Brothers	Fixed	14/03/2017	547	2,000,000	1.40%
Total long-term cash investments (>1 yr duration)				**28,000,000**	
Santander	Corporate Bond	04/01/2017		280,719	11.50%
Total corporate bond investments				**280,719**	
CCLA	Property			6,524,585	Variable
Legal & General Equities	Unit Trust			12,209,874	Variable
Total Investments				**123,868,072**	

** Rates are variable. Returns shown represent prevailing rates at end Q2 2016.*

Above figures exclude balance outstanding from Kaupthing Singer and Friedlander and SOHA loan

Vale of White Horse District Council

Investments as at 30 September 2016					
Counterparty	**Deposit type**	**Maturity date**	**Total investment duration in days**	**Principal**	**Rate**
Skipton Building Society	Fixed	13/10/2016	364	2,000,000	1.02%
National Counties Building Society	Fixed	18/11/2016	305	2,000,000	1.00%
Principality Building Society	Fixed	20/01/2017	364	2,000,000	1.05%
Newcastle Building Society	Fixed	08/12/2016	304	1,000,000	1.02%
Principality Building Society	Fixed	28/12/2016	303	2,000,000	0.93%
National Counties Building Society	Fixed	28/11/2016	273	1,000,000	0.90%
West Bromwich Building Society	Fixed	20/03/2017	364	2,000,000	1.05%
Lloyds Bank Plc	Fixed	28/03/2017	364	6,000,000	1.05%
Newcastle Building Society	Fixed	15/03/2017	336	2,500,000	1.10%
Progressive Building Society	Fixed	15/03/2017	254	2,000,000	0.77%
Skipton Building Society	Fixed	20/03/2017	200	2,000,000	0.49%
Close Brothers	Fixed	29/09/2017	364	2,000,000	0.80%
LGIM	MMF *			5,750,000	0.34%
Goldman Sachs	MMF *			6,620,000	0.27%
Total short term cash investments (<1 yr duration)				**38,870,000**	
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%
Close Brothers	Fixed	16/11/2017	731	2,000,000	1.60%
Places for People Homes (HA)	Fixed	15/06/2018	730	2,000,000	1.70%
Total long-term cash investments (>1 yr duration)				**8,000,000**	
CCLA	Property			2,580,865	variable
Total Investments				**49,450,865**	

** Rates are variable. Returns shown represent prevailing rates at end Q2 2016.*

South Oxfordshire District Council

Investment returns achieved against benchmark					
		Benchmark Return	Actual Return	Growth (Below)/above Benchmark	Benchmarks
Bank & Building Society deposits - internally managed		0.38%	2.13%	1.75%	3 Month LIBID
Equities		10.61%	11.51%	0.90%	FTSE All Shares Index
Corporate Bonds		0.25%	11.50%	11.25%	BoE base rate

- All benchmarks managed by the treasury team were met in the first six months of the year.

CCLA

Annualised total return performance			
Performance to 30 September 2016	1 year	3 years	5 years
The local authorities property fund	2.9%	12.5%	9.3%
Benchmark	4.3%	12.0%	8.3%

- The CCLA investment is a long term holding. The above table shows the performance of the fund as a whole and the longer term performance should be used as a guide to returns achievable in the medium term.

- South invested £5 million into the fund and in the first six months of 2016/17, achieved a return of 4.7 per cent calculated as a ratio of income over the market value held as at 30 September 2016. This is not the same basis upon which the performance of the fund above is calculated.

Vale of White Horse District Council

Investment returns achieved against benchmark				
	Benchmark return	Actual return	Growth (below)/above benchmark	Benchmarks
	%	%	%	
Internally managed - Bank & Building Society deposits	0.38%	1.25%	0.87%	3 month LIBID

- All benchmarks managed by the treasury team were met in the first six months of the year.

CCLA

Annualised total return performance			
Performance to 30 September 2016	1 year	3 years	5 years
The local authorities property fund	2.9%	12.5%	9.3%
Benchmark	4.3%	12.0%	8.3%

- The CCLA investment is a long term holding. The above table shows the performance of the fund as a whole and the longer term performance should be used as a guide to returns achievable in the medium term.

- Vale invested £2 million into the fund and in the first six months of 2016/17, achieved a return of 4.7 per cent calculated as a ratio of income over the market value held as at 30 September 2016. This is not the same basis upon which the performance of the fund above is calculated.

South Oxfordshire District Council

Prudential indicators as at 30th September 2016			
		2016/17	Actual as at
		Original Estimate	30-Sep
Debt		**£m**	**£m**
Authorised limit for external debt			
Borrowing		5	0
Other long term liabilities		5	0
		10	**0**
Operational boundary for external debt			
Borrowing		2	0
Other long term liabilities		3	0
		5	**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		100	93
Limits on variable interest rates		30	12
Principal sums invested > 364 days			
Upper limit for principal sums invested >364 days		70	28
Limit to be placed on investments to maturity:			
1 - 2 years		70	7
2-5 years		50	12
5 years+		50	9

Vale of White Horse District Council

Prudential indicators as at 30th September 2016			
		2016/17	Actual as at
		Original estimate	30-Sep
Debt		£m	£m
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		40	34.5
Limits on variable interest rates		30	12.4
Principal sums invested > 364 days			
Upper limit for principal sums invested >364 days		30	8
Limit to be placed on investments to maturity:			
1 - 2 years		30	4
2-5 years		5	0
5 years+		5	4

Prudential indicators – explanatory note

Debt

There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst case scenario.

The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, "invest to save" projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows.

The Operational Boundary is a more realistic indicator of the likely position.

Interest rate exposures

The maximum proportion of interest on borrowing which is subject to fixed/variable rate of interest.

Investments

Interest rate exposure

The purpose of these indicators is to set ranges that will limit exposure to interest rate movement. The indicator required by the Treasury Management Code considers the net position of borrowing and investment and is based on principal sums outstanding.

Principal sums invested

This indicator sets a limit on the level of investments that can be made for more than 364 days.

Report to:

Joint Audit & Governance Committee
Cabinet
Council

Report of Head of Finance **REPORT NO**

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Wards affected: all

Cabinet member responsible: Councillor Robert Sharp

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To:	JOINT AUDIT & GOVERNANCE COMMITTEE on	23 January 2017
	CABINET on	3 February 2017
	COUNCIL on	15 February 2017

Treasury management and investment strategy 2017/18 to 2019/20

Recommendations

The committee recommends to cabinet and council:

1. To approve the treasury management strategy 2017/18 set out in appendix A to this report;

2. To approve the prudential indicators and limits for 2017/18 to 2019/20 as set out in table 2, appendix A;

3. To approve the annual investment strategy 2017/18 set out in appendix A (paragraphs 24-63) 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 2017/18 to 2019/20. 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. 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 24-65);
   - A statutory duty to approve a **minimum revenue provision** policy for 2017/18 (paragraphs 55-61).

   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. 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 2017/18 to 2019/20 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 6 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 2016/17 treasury management strategy on 17 February 2016. The proposed strategy for 2017/18 includes the changes detailed below, which cabinet is asked to recommend to council:

Table 2 Prudential Indicators

- To change the limits on fixed interest rates to 100 per cent from £40 million.
- To raise the limits on variable interest rates to £50 million from £30 million.
- To raise the upper limit for principal sums invested for longer than 364 days to £40 million from £30 million.

Note that the Section 151 officer has already agreed that the limit on fixed interest rates can be increased from £40 million to £43 million in 2016/17. This followed a breach of the existing limit during December 2016.

Appendix A Minimum Revenue Provision

- To approve the change in the MRP policy that states that the council will use the "asset life method" to calculate MRP as a provision for repayment of borrowing if applicable.

Annex 2 Liquidity

- To simplify the performance measurement in terms of investment liquidity in Annex 2 paragraphs 3 and 4 to focus on maintaining minimum levels of working capital in short term vehicles

8. The Section 151 officer is content that there is no current need to review practices following the TUPE transfer of staff to Capita in August 2016 whilst the service is provided on a "business as usual" basis. However when there are changes to this provision then practices will be reviewed.

Financial implications and risk assessment

9. 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.

10. In the last few years investment income has fallen due to lower interest rates. In the medium term interest rates are expected to remain low. According to latest forecasts from Capita Asset Services, the council's treasury advisors, a rise in interest rates is not expected until June 2019 and any rises in rates are expected to be slow and gradual given the continued uncertainty in the economy. The table below gives an estimate of the investment income achievable for the next five years.

Table 1: Medium term investment income forecast					
	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Forecast as at January 2017	464	390	434	491	517

11. The 2017/18 budget setting report and medium term financial plan will take into account the latest projections of anticipated investment income.

Legal implications

12. 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.

13. 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

14. This report provides details of the proposed changes to the treasury management strategy and the annual investment strategy for 2017/18 which are appended to this report, together with the prudential indicators for approval to council. These documents provide the parameters within which the council's treasury management function will operate.

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 2016/17 (cabinet 5 February 2016, council 17 February 2016)

Appendices

Appendix A Treasury Management Strategy 2017/18 – 2019/20 - incorporating the following:

Annex 1	Economic conditions
Annex 2	Risk and performance benchmarking
Annex 3	Property investment policy
Annex 4	Explanation of prudential indicators
Annex 5	TMP1 extract
Annex 6	Glossary of terms

Treasury Management Strategy 2017/18- 2019/20

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.

Treasury Limits for 2017/18 to 2019/20

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 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

	2016/17	2017/18	2018/19	2019/20
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	0	5	5	5
	25	**30**	**30**	**30**
Interest rate exposures				
Maximum fixed rate borrowing	100%	100%	100%	100%
Maximum variable rate borrowing	100%	100%	100%	100%
Investments	**£m**	**£m**	**£m**	**£m**
Interest rate exposures				
Limits on fixed interest rates	40	100%	100%	100%
Limits on variable interest rates[1]	30	50	50	50
Principal sums invested > 364 days				
Upper limit for principal sums invested >364 days	30	40	40	40

[1] The council has an investment in CCLA – property fund which pays dividends and is not included in this limit.

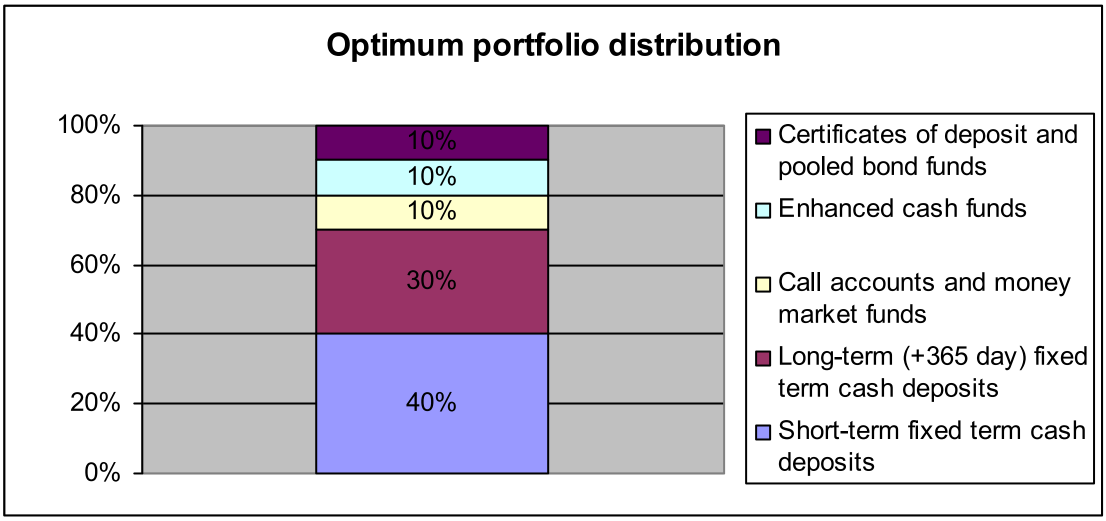
Current position

9. The maturity structure of the council's investments at 31 December 2016 was as follows:

Table 3: Maturity structure of investments:				
	Classification of investment at deal date		Classification as at 31/12/2016	
	£'000		£'000	
Call	100	0%	100	0%
Money market fund	9,090	17%	9,090	17%
Less than 6 months	9,000	17%	27,000	51%
6 months to 1 year	25,000	47%	9,000	17%
1 year +	8,000	15%	6,000	11%
CCLA - property fund	2,000	4%	2,000	4%
Total investments	**53,190**		**53,190**	

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. The council's considerations for investment will remain security, liquidity and yield – in that order. Within this framework an 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 will vary from this significantly. Should interest rates increase then consideration would be given to increasing the proportion held for the long term.

Investment performance for the year to 31 December 2016.

12. The council's budgeted investment return for 2016/17 is £0.411 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 2016/17 £000's**	**Actual to date 2016/17 £000's**	**Annual Forecast 2016/17 £000's**	**Forecast Variation 2016/17 £000's**
Position at end December 2016	411	444	570	159
Total interest	**411**	**444**	**570**	**159**

Borrowing Strategy 2017/18 – 2019/20

13. 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 to fund the future capital programme.

14. 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.

15. 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.

16. The existing capital programme can be financed from internal resources. Additional expenditure committed as part of the 2017/18 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 optimum cost to the council.

17. 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.

18. The latest projection from the council's treasury advisors, Capita Asset Services, is for the Bank of England base rate to remain unchanged at 0.25 per cent until June 2019.

19. 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.

20. 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.

21. Any borrowing for capital financing purposes will be assessed by the Head of Finance to be prudent, sustainable and affordable

22. 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 not be longer than the expected life of the capital asset being created.

Policy on borrowing in advance of need

23. 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 over the duration of the loan.

Annual investment strategy

24. 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.

25. 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.

26. 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

27. 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

28. 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 F1/A- rated)
- Certificates of deposits issued by banks and building societies (minimum rating as above)

Non-specified investment instruments

29. 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, pooled bond funds and UK pooled equity funds
- Direct property investment

Other Non-specified investment instruments

30. Other non-specified investment instruments include:

- Fixed term deposits with variable rate and variable maturities

Approach to investing

31. The council holds approximately £14 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 that 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 £15 million throughout the year and should only be invested short term (under one year). Investments will be made with reference to known cash flow requirements (liquidity).

32. Whilst the current market uncertainties remain the council will aim to keep investments relatively short term, but 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.

33. 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.

34. 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).

35. 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.

36. 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 3.

37. Money market funds are mainly used for liquidity; they also provide security and spread portfolio risk. Officers will always monitor the council’s exposure to these funds in order to manage our security risk.

38. 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.

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

40. One option to offer diversification in the council’s investment portfolio would be to make use of enhanced cash funds. 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 three – six 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.

41. 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 below.

42. The council does not currently make use of certificates of deposit. 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 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.

Counterparty selection

43. 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.

44. 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.

45. Credit rating information is supplied by Capita Asset Services, our treasury consultants. Any counterparty failing to meet the minimum required criteria (Table 5 below) 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.

46. Additional requirements under the CIPFA Treasury Management Code require 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.

47. 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

48. 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

49. 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
Routinely used counterparties				
Banks - house bank	n/a	£5.0m	3 months	20%
Banks - part nationalised UK	UK sovereign	£15.0m	3 years	100%
Building societies - assets > £1,000m	n/a	£3.0m	12 months	50%
Building societies - assets > £3,000m	n/a	£3.5m	12 months	60%
Building societies - assets > £5,000m	n/a	£5.0m	12 months	70%
Institutions with a minimum rating:	F1 / A-	£7.5m	2 years	80%
Local authorities; parish councils	n/a	£20.0m	25 years	20%
Money Market funds (CNAV)	AAA	£20.0m	liquid	100%
Pooled property funds - CCLA	n/a	£3.0m	variable	10%
Other counterparties				
Corporate Bonds	AA-	£5.0m	variable	40%
Direct property investment	n/a	n/a	unlimited	80%
Enhanced cash funds (VNAV)	AAA / V1	£15.0m	variable	50%
Institutions with a minimum rating:	F1+ / AA-	£10.0m	5 years	100%
Institutions with a minimum rating:	F2/BBB	£5.0m	1 year	70%
Managed Bond Funds	n/a	£15.0m	variable	40%
Share capital / Equities	n/a	£3.0m	variable	20%
Supranationals	AAA	£10.0m	10 years	50%
UK Government - DMADF	UK sovereign	Unlimited	6 months	100%
UK Government - gilts	UK sovereign	Unlimited	25 years	20%
UK Government - treasury bills	UK sovereign	Unlimited	12 months	50%

50. The criteria for choosing counterparties provides a sound approach to investment. Whilst councillors are asked to approve the criteria in table 5, under exceptional 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.

Fund managers

51. The council does not currently employ any external fund managers. However in the event of such an appointment, appointees will comply with this and subsequent treasury strategies. This strategy empowers the Section 151 officer to appoint such an external manager to manage a proportion of the council's investment portfolio if this is advantageous. Situations in which this might be advantageous include benchmarking the performance of the internal treasury team; benefiting from the often extensive

credit risk and economic modelling resources of external fund managers and resources necessary to hold liquid instruments for trading.

Risk and performance benchmarks

52. 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 2.

53. 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.

54. 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

55. The council has a joint contract for treasury management advisors with South Oxfordshire District Council. Capita Asset Services, a subsidiary of the Capita Group Plc 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.

56. 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) policy statement 2017/18

57. MRP is the amount out of revenues set aside each year as a provision for debt i.e. the provision in respect of capital expenditure financed by borrowing.

58. The council is required by regulation to approve an annual MRP policy before the start of the year to which it relates. Any in-year changes must also be submitted to the council for approval.

59. A variety of options are provided to councils for the calculation of MRP. The council has chosen the "asset life method" as being most appropriate. Using this method MRP will be based on the estimated life of the asset, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction). Repayments included in annual PFI or finance leases are applied as MRP.

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

61. In the event that borrowing is required to fund the council's capital programme the Head of Finance will determine the most appropriate repayment method, term of borrowing and duration of borrowing.

Councillor and officer training

62. 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 2017. Further training can be provided if required or requested.

Treasury management scheme of delegation and the role of the Section 151 officer

63. The treasury management scheme of delegation and the role of the Section 151 officer is as follows:

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

II. **Joint 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;
   - Ensuring effective scrutiny of the treasury management function

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

64. 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.

65. 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, following the result of the EU referendum, growth has become volatile. Indicators suggest we will still see growth thanks to low unemployment and household spending, but the rate of growth will be slower than previously forecast.

3. Levels of unemployment currently stand at 4.9 per cent, lower than the initial threshold of seven per cent previously flagged by the MPC as the point before which it would not consider any increase in bank rate. 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. Consumer Price Inflation currently stands at 0.6 per cent. Forward indications are that rates of inflation will rise due to the weakness in sterling and the impact this is having on import prices.

5. The latest projection from Capita Asset Services is for a first increase in interest rates to occur around June 2019.

Eurozone economy

6. Growth has slowed in the Eurozone. Consumer confidence is falling, especially in Germany, which is pulling growth lower. The Euro has strengthened since the Brexit vote in June, and if it remains strong, it will result in inflation in the bloc falling sharply in the coming months.

Capita Asset Services forward view

7. Economic forecasting continues to be difficult given the number of external influences affecting the UK. Key areas of risk include:
    - Economic uncertainty caused by the ongoing unrest in Eastern Europe, the Middle East and Asia;
    - UK economic growth is weaker than we currently anticipate;
    - Weak economic growth or recession in the European Union, the UK's main trading partner;
    - A resurgence of the Eurozone sovereign debt crisis;
    - Weak capitalisation of some European banks;
    - Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially the Eurozone and Japan.

8. 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 0.25 per cent, rising in Q2 in 2019. Capita Asset Service's central view for bank rate forecasts is shown below:

	Dec-16	Mar-17	Jun-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank of England base rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50
PWLB rates										
5 year borrowing	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90
10 year borrowing	2.30	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50
25 year borrowing	3.00	2.90	2.90	2.90	3.00	3.00	3.00	3.10	3.10	3.20
50 year borrowing	2.70	2.70	2.70	2.70	2.80	2.80	2.90	2.80	2.90	3.00

2. Following the results of the EU referendum, we have been in a period of uncertainty. The MPC has made clear that interest rates will change in either direction in the coming months if the economic outlook changes considerably.

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) three month rate. This is the interest rate a bank would be willing to pay to borrow from another bank for three 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).
4. In respect of this area, the council shall seek to:
   - maintain a minimal balance held in the council's main bank account at the close of each working day. Transfers to the councils call accounts, MMF and investments will be arranged in order to achieve this, while maintaining access to adequate working capital at short notice.
   - use the authorised bank overdraft facility or short term borrowing where there is clear business case for doing so, to cover working capital requirements at short notice
5. **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%

6. The council's minimum long term (i.e. plus 365 day duration) rating criteria is currently "A-". For comparison, the average expectation of default for a two year investment in a counterparty with an "A" long term rating would be 0.24 per cent of the total investment (e.g. for a £1m investment the average loss would be £2,400). **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. 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.

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. How much to invest?

2.1 £8 million is invested in property and £49 million is invested in treasury investments. The investment in property currently represents 16 per cent of the total figure.

The maximum percentage of the investment portfolio in property should be no more than 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. 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 (%).** 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 appreciation 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.

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

4. Where should it be located?

4.1 Direct property investments will be located in the UK and will be acquired subject to appropriate legal powers and business case.

5. 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.

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

6. 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.

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 F1/A- 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 (i.e. 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

Authorised Limit	The maximum amount of external debt at any one time in the financial year.
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.
Operational Boundary	The most likely, prudent but not worst case scenario of external debt at any one time.
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.

Cabinet report

Report of Head of HR, IT & Technical Services

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To: Cabinet

DATE: 3 February 2017

Review of car park fees and charges for 2017/18

Recommendation

That cabinet reviews the current car park fees and charges and considers the options put forward by officers, along with any other options it wishes to consider, and decides what, if any, changes it wishes to make to the current car park fees and charges.

Purpose of report

1. The purpose of this report is to provide cabinet with information to consider so that it can determine the appropriate car park fees and charges from 1 April 2017.

2. Reviewing the car park fees and charges each year is in line with the Vale of White Horse District Council's car park pricing policy.

Strategic objectives

3. The provision of public car parks contributes to the achievement of our strategic objective "building an even stronger economy" by giving access to shops, businesses and services within the towns and some villages. It also contributes towards our strategic objective of "sustainable communities and wellbeing" by providing car parking that is value for money and meets the needs of the users.

Background

4. The council's existing parking policy is:

B (1) – *removed in 2011 following introduction of free two hours parking*

B (2) Differential pricing may apply between areas in the Vale, including between car parks in the same town

B (3) Pricing may be used to regulate and influence usage to achieve a balance between sustainability and environmental objectives, and town centre vitality and viability; hence, short- term and long-term public parking should be differentially priced and located to encourage edge of town parking for commuters, thus freeing town centre parking for shoppers and visitors

B (4) Parking will be provided free of charge for disabled badge holders

B (5) Parking fees and charges will be reviewed annually.

5. In December 2011 the cabinet agreed to introduce a free period of two hours in the council's car parks. In December 2013 the cabinet agreed to reduce the cost of excess charges (parking fines) from £50 to £40 and to introduce a cashless payment system in car parks (pay by mobile phone). Last year the cabinet resolved to make no changes.

6. The car park service was included as part of the corporate services 5 councils project and since 1 August 2016 has been managed by Vinci's car parks partner Indigo. The contract specifies that the contractor must at least maintain the income to the council and reduce costs.

7. The current fees and charges and permits for the Vale Council are attached as appendix 1 to this report. As a comparison, fees and charges for other local car parks are attached as appendix 2 to this report. The cost of permits is shown in appendix 3 to this report.

8. Officers are required to review the car park fees and charges in accordance with the car park pricing policy B (5) as listed in paragraph 4 above, which is undertaken below.

Future income uncertainties

Abingdon Charter

9. The Charter multi-storey car park is due to undergo an extensive refurbishment. The timescales for when this work will begin or the impact it will have on income are not yet known in detail, but there is likely to be some loss of income. During the refurbishment work the impact on the use of the car park will be minimised wherever possible. In 2015/16 the car park generated approximately £84,000 of income (£50,000 of pay and display, £18,000 in excess charge notices and £16,000 in permit sales).

10. The contractor undertaking the tendering and supervision process for the works expects it to take approximately three months to complete, during which time approximately 30 percent of car park capacity will not be available. It is estimated that the loss of income will be approximately £7,000.

Free parking in December

11. In December 2016 each major town in the district (Abingdon, Wantage and Faringdon) has been given four free days parking in the lead up to Christmas. Abingdon has been given five days as the Abingdon extravaganza at the end of November is also included. In December 2015 year one free day's parking was given in the run up to Christmas.

12. Calculating the impact on income of this policy is difficult due to the lack of precise usage data. However it is anticipated that the loss of income will be approximately £7,000 (£5,250 for Abingdon, £1,400 Wantage and £350 for Faringdon).

Review of car park fees and charges

13. As part of the review, officers first looked at the financial situation and the expected income and expenditure if no changes are made.

CAR PARK SERVICE OVER FIVE YEARS

14. Table 1 below estimates how the net cost of car parks will change over the five-year period 2015/16 to 2019/20 assuming no changes are made. It should be noted that depreciation or support costs are not budgeted for – the table is purely a paper exercise - but these elements need to be included to give a full picture.

15. The detailed effect of outsourcing in terms of running expenses and also support costs is not clear although officers expect an overall small reduction.

16. In the past we have added inflation of two percent to the cost projections. However, this year future costs have not been increased as the overall effect of the corporate services contract target to reduce costs, combined with the directly incurred expenses for national non domestic rates (NNDR) and electricity which are likely to increase with inflation, are considered likely to produce a small cost reduction.

17. In 2015/16, if considering just the income and the running costs, then the service showed a small income of £57,674. However, taking into account other costs associated with parking like depreciation and corporate support costs, the table shows that there will be an estimated deficit on the service at the end of 2016/17 of £136,543. The deficit is expected to decrease to £86,540 in 2017/18. This is due to a one off cost of £50,000 for 2016/17 work to review the car parking capacity in the district. The projected cumulative deficit in 2019/20 will be £511,731.

Table 1 Car park service over five years

Car Parks net income (expenditure) updated November 2016	2015/16 Actual	2016/17 Budget	2016/17 Projected outturn (based on actual to 30 Sept 2016	2017/18 Base budget	2018/19 Base budget	2019/20 Base budget
Total Income	**448,935**	**415,300**	**415,300**	**415,300**	**415,300**	**415,300**
Less: Projected loss of income due to Abingdon Charter refurbishment				7,000		
Corrected income due to loss of Charter income				**408,300**		
less Running costs	391,261	428,443	428,443	378,440	378,440	378,440
Outturn actual / budgeted	57,674	(13,143)	(13,143)	36,860	36,860	36,860
Depreciation for use of asset	105,220	57,400	57,400	57,400	57,400	57,400
Support costs	68,021	66,000	66,000	66,000	66,000	66,000
Total Costs	**564,503**	**551,843**	**551,843**	**501,840**	**501,840**	**501,840**
Projected net income (deficit) corrected for loss of income at the Charter				(93,540)	(86,540)	(86,540)
Projected net income (deficit) corrected for loss of income at charter cumulative				(359,651)	(446,191)	(532,731)
Actual / Projected net income (deficit) without correction	**(115,568)**	**(136,543)**	**(136,543)**	**(86,540)**	**(86,540)**	**(86,540)**
Actual / Projected net income (deficit) cumulative without correction	(115,568)		(252,111)	(338,651)	(425,191)	(511,731)

Options

18. The current financial position of the car park service does not warrant any further planned reductions in income. Officers have considered the following options to increase income.

19. Any change in fees will have a significant cost impact due to the need to recalibrate all the pay and display machines, update the software on the cashless payment system and update the tariff boards at each car park. The cost of undertaking the above changes is likely to be in the region of £16,000.

Fee variation options

A. INCREASE ALL FEES

20. An increase of 10p is the smallest increase that is reasonable as fees are normally given to the nearest 10p as this is the lowest denomination accepted by the machines. However, this increase would only have a small impact on the income and an increase of 20p would be more significant in reducing the deficits forecast over the next few years.

21. An increase of all fees would mean that the current differential that exists between the cost of short stay parking in the town centre and the cost of edge of town parking would remain the same.

22. Officers estimate that a 20p increase for all tariffs would increase income by up to £25,000 per year which would still mean that the car park service would be subsidised by other council income.

23. Officers estimate that an increase of all fees of at least 60p is required, plus an increase in permits of 20 percent for the service to breakeven.

B. INCREASE THE PRICE OF PERMITS

24. The table in appendix 3 lists the cost of permits currently available. Permits provided an income of approximately £80,000 in 2015/16.

25. An increase in the cost of permits of 20 per cent would increase the income by £16,000 per year.

26. An increase in the price of permits would reduce the support to town centre businesses and to those businesses who rely on their staff paying for permits themselves.

C. CHARGE ON SUNDAYS

27. Currently only three car parks in Abingdon charge on a Sunday (those adjacent to the river Thames i.e. Rye Farm, Hales Meadow and Abbey Close). The current tariffs in all other car parks, including the free two hours, could be extended to cover all days of the week.

28. This would require some enforcement on a Sunday which would be at a cost but the increase in income is likely to outweigh this cost.

29. As a comparison, some town centre car parks to the north in Cherwell district do charge on a Sunday whereas car parks in South Oxfordshire do not. Traditionally people, particularly those attending religious services have strongly opposed any introduction of charges on a Sunday.

Financial Implications

30. In 2015/16, the Vale Council collected £259,420 from 'pay and display' income, £79,566 from parking permit income, £98,780 from excess charges (fines) and £11,169 from other miscellaneous income. The financial implication for each of the options is summarised in the table 2 below.

Table 2 – Estimated changes to car park income from increasing fees

Option	Title	Offer	Estimated increase in income per year
A	Increase all fees	Increase by 20p Increase by 60p	£25,000 £75,000
B	Increase price of permits	20 percent increase	£16,000
C	Charge on Sundays	Similar fees to other days of the week	£11,250

31. Any financial implications of the decisions made as a result of this report will be included in the budget for 2017/18 and the medium term financial plan, which will be agreed by full council in February 2017.

32. The options A and C will have associated initial one off set up costs for changing signs and adapting software and is likely to be a one off cost of £16,000.

Legal Implications

33. There are no implications to maintaining fees at charges at current levels. Changes to the price of permits or to the fees would not require any changes to the car parking order itself, but would require the revised schedules to be published.

34. These changes can be introduced by way of notice under section 35C of the Act, given and published in compliance with regulation 25 of the Local Authorities Traffic Orders (Procedure) (England and Wales) Regulations 1996.

Other implications

35. In line with our duties under the Equality Act 2010, officers have considered the equality impact associated with option A, B and C. Option 'A' increase all fees by 20p is unlikely to have a negative impact to users who share a protected characteristic. Increasing fees by 60p could deter people on a lower income from using the car parks. Option 'B' increase price of permits by 20 per cent could impact on people working in the district who are on a low income. Option C could disadvantage people attending religious services. For all options, users who display a disabled badge will be unaffected by the changes, as they will continue to get free parking.

Conclusion

36. Officers have reviewed the current fees and charges in line with the council's car parking policy. The service currently operates at a loss and the detailed effect of outsourcing in terms of running expenses and also support costs is not clear although officers expect an overall small reduction. Also, there will be some loss of income resulting from the refurbishment of the Abingdon Charter car park. Cabinet are invited to consider the options put forward, and any others it may wish to consider.

Background Papers

- None

Appendix 1 Vale Council - summary of car park fees and charges 2015

		7 SCHEDULE OF CHARGES	
1	5	7a	7b
NAME OF PARKING PLACE	CHARGING/ NON-CHARGING PERIODS AND MAXIMUM PERIOD FOR WHICH VEHICLES MAY WAIT	CHARGES FOR PARKING TICKETS Footnote 2 Footnote 3	PERMITS (INC. VAT) Footnote 1 Footnote 3
ABINGDON **Audlett Drive** **Charter Multi Storey** **West St Helen Street** **Abbey Close**	Monday to Saturday, except Abbey Close Monday to Sunday 8am to 6pm 10 hours	Not exceeding: - up to 2 hours no charge - up to 3 hours £1.50 - up to 4 hours £3.40 - up to 6 hours £4.30 - over 6 hours £5.30	£5.80 per day £65 per month (5 day) £78 per month (6 or 7 day) £194 per quarter (5 day) £233 per quarter (6 or 7 day) £650 per annum (5 day) £779 per annum (6 or 7 day) Resident permit: £287 per annum
Charter Service Area & all external areas	Monday to Sunday 7 days - **Permit Holders only** Maximum stay 24 hours	N/A	£5.80 per day £65 per month (5 day) £78 per month (6 or 7 day) £194 per quarter (5 day) £233 per quarter (6 or 7 day) £650 per annum (5 day) £779 per annum (6 or 7 day
Civic **Cattlemarket**	Monday to Saturday 8am to 6pm 10 hours	Not exceeding: - up to 2 hours no charge - up to 3 hours £1.50 - up to 4 hours £3.40 -up to 6 hours £4.30 - over 6 hours £5.30	No permits Resident permit for **Cattlemarket** only: £287 per annum

		7 SCHEDULE OF CHARGES	
1	5	7a	7b
NAME OF PARKING PLACE	CHARGING/ NON-CHARGING PERIODS AND MAXIMUM PERIOD FOR WHICH VEHICLES MAY WAIT	CHARGES FOR PARKING TICKETS Footnote 2 Footnote 3	PERMITS (INC. VAT) Footnote 1 Footnote 3
Rye Farm including the lorry park **Hales Meadow**	Monday to Sunday 8am to 6pm 10 hours	Not exceeding: - up to 2 hours no charge - up to 3 hours £1.50 - up to 4 hours £3.10 - up to 6 hours £3.80 - over 6 hours £4.30 Lorry park only £7.40 for 24 hours or part thereof	£52 per month (5 day) £61 per month (6 or 7 day) £157 per quarter (5 day) £190 per quarter (6 or 7 day) £520 per annum (5 day) £622 per annum (6 or 7 day) Resident permit: £287 per annum or £144 six months Market trader permits, one day/week per year £82
WANTAGE **Portway**	Monday o Saturday 8am to 6pm 10 hours	Not exceeding: - up to 2 hours no charge - up to 3 hours £1.30 - up to 4 hours £3.30 - up to 6 hours £4.30 - over 6 hours £5.30	Resident permit: £119 per annum School Term Permit (10 mins) £free
Limborough Road 1 and 2 **Mill Street Undercroft**	Monday to Saturday 8am to 6pm 10 hours	Not exceeding: - up to 2 hours no charge - up to 3 hours £1.30 - up to 4 hours £2.90 - up to 6 hours £3.00 - over 6 hours £3.50	£46 per month (6 or 7 day) £136 per quarter (6 or 7 day) £455 per annum (6 or 7 day) Resident permit: £72 per half year £143 per annum Market Traders Permit: 1 day a week £67 per annum
FARINGDON **Southampton Street**	Monday to Saturday 8am to 6pm 10 hours	Not exceeding: - up to 2 hours no charge - up to 3 hours £1.10	School Term Permit (10 mins) £free

1	5	7 SCHEDULE OF CHARGES	
		7a	7b
NAME OF PARKING PLACE	CHARGING/ NON-CHARGING PERIODS AND MAXIMUM PERIOD FOR WHICH VEHICLES MAY WAIT	CHARGES FOR PARKING TICKETS Footnote 2 Footnote 3	PERMITS (INC. VAT) Footnote 1 Footnote 3
Gloucester Street	Monday to Saturday 8am to 6pm 10 hours	Not exceeding: - up to 2 hours no charge - up to 3 hours £1.00 - up to 4 hours £2.40 - up to 6 hours £2.60 - over 6 hours £2.80	£33 per month (6 or 7 day) £98 per quarter (6 or 7 day) £324 per annum (6 or 7 day) Resident permit: £119 per annum Market Traders Permit: One day per week £36 per annum School Term Permit (10 mins) £free
BOTLEY **West Way Shoppers Car Park, (Church Way, Chapel Way, Elms Parade)**	Monday to Sunday Maximum stay 3 hours	No charge	No charge
Service Area 1 & 2	Monday to Sunday 7 days – **Permit Holders only** Maximum stay 24 hours	N/A	No charge

Footnote 1: The Council will charge £12 when asked to issue replacement permits.
Footnote 2: No charges apply to motorcycles or vehicles displaying a disabled person's badge at all car parks.
Footnote 3: A valid ticket or parking permit will be required to be displayed during a charging period at those car parks where charges are payable, including those periods when a charge is not payable
All car parks have a 'No Return' period of two hours except the service areas in Botley and the Charter.

1	8 EXCESS CHARGES AND CONCESSIONARY EXCESS CHARGES (not subject to VAT)
NAME OF PARKING PLACE	EXPIRED TICKET; EXPIRED PERMIT; NO PERMIT DISPLAYED; NO VALID TICKET OR PERMIT DISPLAYED; PERMIT OR TICKET NOT VALID FOR PARKING PLACE; WRONG REGISTRATION NUMBER ON TICKET; EXCEEDED MAX 3 HOUR STAY; EXCEEDED MAX STAY; RETURNED WITHIN 2 HOUR TIME LIMIT; NO VALID DISABLED BADGE DISPLAYED; PARKED IN AN UNAUTHORISED AREA; NOT PARKED WITHIN A MARKED BAY; EXCEEDED WEIGHT RESTRICTION; NO OVERNIGHT CAMPING
All car parks	Excess Charge £80 payable within 28 days of the excess charge notice otherwise concessionary excess charge £40 if paid within 10 days.

Appendix 2 Comparison of pay and display car park charges, November 2016

Place	Average Charging periods	up to 1 hour	up to 2 hours	up to 3 hours	up to 4 hours	up to 5 hours	up to 6 hours	Up to 7 hours	up to 8 hours	up to 10 hours	up to 12 hours	ECN
Vale of White Horse DC (Portway, Wantage)	8am - 6pm Mon - Sat		Up to 2 hrs no charge	1.30	3.30		4.30				5.30	Max £80
Vale of White Horse DC (Gloucester St, Faringdon)	8am - 6pm Mon - Sat		Up to 2 hrs no charge	1.00	2.40		2.60				2.80	Max £80
Vale of White Horse DC (Cattlemarket, Abingdon)	8am - 6pm Mon - Sat		Up to 2 hrs no charge	1.50	3.40		4.30				5.30	Max £80
South Oxfordshire District Council	9am to 5pm 8am to 6pm (in Henley on Saturdays)	Free or 60p	80p	1.60		2.0 to 2.30			1.80 to 3.40			Max £70
Train Station, Henley (discounts apply if pay by 'phone)	All day			1.00	1.50		2.50		4.50			Max £80
Dry Leas (Henley rugby club)	9am-5pm Mon to Friday										3.00	unknown
Mill Meadows (Henley Town Council) Mon-Fri Sat and Sun and BHs		1.30 1.70	2.70 3.30		5.60 6.60						7.70 8.80	Max £70
Wycombe DC (High Wycombe Easton Street	7am – 6pm Mon - Sat	1.00	1.50	2.00	2.50	3.00	3.50				5.00	Max £80
Wycombe DC (High Wycombe) Baker St	7am - 7pm Mon - Sat		1.50				3.00				3.00	Max £80
Wycombe DC (Marlow) Riley Rd	7am - 7pm Mon – Sat (£1.00 Sunday and Bank Holidays)	60p (40p for up to 30 mins)	1.20	1.50	2.00		3.00				5.50	Max £80
Woking Borough Council (Victoria Way, Brewery Road & Heathside Crescent)	6am - 7pm Mon – Sat (also charges Sunday at reduced rate)	1.30	2.60	3.90	5.20	6.00	6.00	9.00			£10 up to 24 hrs	Max £80
Wargrave, School Lane (short stay)	8am - 6pm Mon - Sat	40p	60p		2.00					4.00		Max £80
Wokingham town centre, Easthampstead Rd (long stay)	8am - 6pm Mon - Sat	70p	1.20	2.00	2.00		3.00			4.00		Max £80

Place	Average Charging periods	up to 1 hour	up to 2 hours	up to 3 hours	up to 4 hours	up to 5 hours	up to 6 hours	Up to 7 hours	up to 8 hours	up to 10 hours	up to 12 hours	ECN
West Berkshire Council (Newbury central library)	8am - 6pm Mon - Sat (*£1 after 6pm)	1.30	2.50	3.70	5.00		7.00		8.50		12.00	Max £70
Aylesbury Vale DC (Upper Hundreds Town centre – short stay)	8am - 6.30pm Mon - Sat	1.00		2.00	3.50	5.00					8.00 up to 24 hrs	Max £70
Aylesbury Vale DC (Hampden House – inner long stay)	8am - 6.30pm Mon - Sat					2.50					4.00 up to 24 hrs (£1 overnight)	Max £70
Aylesbury Vale DC (Friarscroft – outer long stay)	8am - 6.30pm Mon - Sat										3.00 up to 24 hrs (1.00 overnight)	Max £70
Banbury (Market Pl, ultra short stay)	8am - 6pm Mon – Sun	£1.20 (80p up to 30 mins)										Max £80
West Oxfordshire DC (Marriotts Walk multi-storey, Witney)	8am - 6pm Mon -Sat	Free	Free	Free	Free	Free	Free	Free	Free	Free		Max £70
West Oxfordshire DC (Woodford Way)	8am - 6pm Mon -Sat	Free	Free	Free	Free	Free	Free	Free	Free	Free		Max £70
Cherwell DC (Claremont)	8am - 7pm Mon - Sun	60p	1.20 or Sunday £1 over 1hr	1.70								Max £80
Cherwell DC (Cattle Market)	8am - 7pm Mon - Sun	60p	1.20 or Sunday £1 over 1hr	1.70	2.20					2.50		Max £80
OCC (Redbridge Park & Ride)	5am - 6:30pm									2.00 or by RingGo 2.20		Max £100
OCC (Oxpens)	8am -8pm Sun -Fri 8am -8pm Sat	2.50 3.10	4.00 5.20	6.00 8.00	8.00 10.00		12.00 15.00		18.00 22.50	23.00 28.60 up to 24hr		Max £100
OCC (Worcester Street)	8am -8pm Sun -Fri 8am -8pm Sat	3.30 4.00	5.50 6.70	7.50 9.50	9.00 11.30		14.00 17.30		21.00 26.30	25.00 31.50		Max £100

Appendix 3 Vale Council - car park permit prices 2016/17

CAR PARK	DAY PERMIT	ANNUAL 6/7 day	QUARTERLY 6/7 day	MONTHLY 6/7 day	ANNUAL 5 day	QUARTERLY 5 day	MONTHLY 5 day	RESIDENTIAL 12 Month	RESIDENTIAL 6 Month
Abbey Close	£5.80	£779.00	£233.00	£78.00	£650.00	£194.00	£65.00	£287.00	£144.00
Audlett Drive	N/A	£779.00	£233.00	£78.00	£650.00	£194.00	£65.00	£287.00	£144.00
West St Helen Street	N/A	£779.00	£233.00	£78.00	£650.00	£194.00	£65.00	£287.00	£144.00
The Charter	N/A	£779.00	£233.00	£78.00	£650.00	£194.00	£65.00	£287.00	£144.00
		Annual AM/PM £390.00			Annual AM/PM £325.00				
Civic	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cattle Market	N/A	N/A	N/A	N/A	N/A	N/A	N/A	£287.00	£144.00
Hales Meadow	N/A	£622.00	£190.00	£61.00	£520.00	£157.00	£52.00	£287.00	£144.00
Rye Farm	N/A	£622.00	£190.00	£61.00	£520.00	£157.00	£52.00	£287.00	£144.00
Portway	£5.80	N/A	N/A	N/A	N/A	N/A	N/A	£119.00	N/A
Limborough Road	N/A	£455.00	£136.00	£46.00	N/A	N/A	N/A	£143.00	£72.00
Mill Street	N/A	£455.00	£136.00	£46.00	N/A	N/A	N/A	£143.00	£72.00

Southampton Street	N/A		N/A	N/A	N/A		N/A	N/A	N/A		N/A	N/A
Gloucester Street	N/A		£324.00	£98.00	£33.00		N/A	N/A	N/A		£119.00	N/A

The HGV charges for the Rye Farm car park are:

£77 for one day/week per year
£7.30 for 24 hours
£636 for five days/week per year
£159 for one day/week per year