Council Agenda

Contact: Steven Corrigan, Democratic Services Manager
Telephone number 01235 422526
Email: steven.corrigan@southandvale.gov.uk
Date: 7 February 2017
Website: www.whitehorsedc.gov.uk

Summons to attend a meeting of Council

to be held on Wednesday 15 February 2017 at 7.30 pm
The Ridgeway, The Beacon, Portway, Wantage, OX12 9BY

Margaret Reed
Head of Legal and Democratic Services

Alternative formats of this publication are available on request. These include large print, Braille, audio, email and easy read. For this or any other special requirements (such as access facilities) please contact the officer named on this agenda. Please give as much notice as possible before the meeting.

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 7 - 14)

To adopt and sign as a correct record the minutes of the Council meeting held on 14 December 2016 (**attached**).

3. Declarations of interest

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

4. Chairman's announcements

To receive any announcements from the chairman.

5. Statements, petitions and questions from the public relating to matters affecting council.

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

6. Urgent business

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.

7. Petitions under standing order 13

To receive petitions from members of the council under standing order 13 (if any).

8. Questions under standing order 12

To receive the following questions from councillors under standing order 12.

A. Question from Councillor Bob Johnston to Councillor Roger Cox, Cabinet member for planning

As there is a likelihood that the Lodge Hill slip roads as defined in the Local Plan Part 1 may not have the necessary funding to go ahead, there is public concern about the impact of traffic from strategic sites on local roads. Could the Cabinet Member for Planning tell me what traffic modelling (if any) was carried out by the Vale, its consultants or third parties such as developers, in preparation for Local Plan Part 1, of the impact of traffic on the A4183 (and other local roads) from the potential development which we now refer to as the "North Abingdon Site" if the new slip roads at Lodge Hill aren't provided?

B. Question from Councillor Bob Johnston to Councillor Matthew Barber, Leader of the council

In October 2014, Council passed a motion that called on officers to report on how the Vale could make and support the business case for a new express train service from Bristol to Bedford, stopping at Wantage/Grove, Didcot, Oxford, Bicester and Milton Keynes. What actions and decisions have been taken to move this forward?

C. Question from Councillor Jenny Hannaby to Councillor Matthew Barber, Leader of the council

In May 2016, Council passed a motion that called for 'officers to work with Oxfordshire County Council (and other relevant local authorities, Network Rail and Great Western Railway) to produce a business case for an express rail link from Bristol to Milton Keynes via a new station at Grove / Wantage. It must include new track and signalling so as not to obstruct present and future high speed services from Paddington and link with the current electrification scheme.' What actions and decisions have been taken to produce this business case?

D. Question from Councillor Bob Johnston to Councillor Matthew Barber, Leader of the council

In July 2015, Council passed a motion that requested the Environment Agency commission an independent review into the implications of the proposed Oxford Flood Alleviation Scheme, especially relating to possible flood risks in areas of the Vale downstream of Abingdon. What actions and decisions have been taken about this?

E. Question from Councillor Debby Hallett to Councillor Roger Cox, Cabinet member for planning

In December 2015, Council passed a motion in support of the Housing Bill, which would build starter homes, grant automatic planning permission to build on brownfield sites, sell off high value vacant council assets and use the money to build more affordable homes in the same area, and extend right to buy to housing association tenants. How many starter homes have been sold in the year since? How many automatic permissions have been given for brownfield development? How many council assets have been sold off, and how many new affordable houses have those sales funded? How many housing association tenants have exercised their right to buy?

F. Question from Councillor Emily Smith to Councillor Roger Cox, Cabinet member for planning

Could the Cabinet member for planning tell us about the timetable for the construction of the Lodge Hill slip roads?

9. Appointment of external auditors
(Pages 15 - 17)

At its meeting on 23 January 2017 the Joint Audit and Governance Committee considered a report on the approach the council will follow in appointing its external auditors.

The report of the head of finance, which the Joint Audit and Governance Committee, considered on 23 January 2017, is **attached**.

RECOMMENDATION:

To opt in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

10. Treasury management mid-year monitoring 2016/17
(Pages 18 - 29)

Cabinet, at its meeting on 3 February 2017, considered a monitoring report on the treasury management 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.

The Joint Audit and Governance Committee had considered the report at its meeting on 23 January 2017 and had not recommended any adjustments to the strategy as a result of the first six months' activities. Likewise, Cabinet concluded that the treasury management activities had operated within the agreed parameters set out in the approved treasury management strategy.

The report of the head of finance, which Cabinet considered on 3 February 2017, is attached.

RECOMMENDATION: to approve the treasury management mid-year monitoring report 2016/17.

11. Treasury management and investment strategy 2017/18 to 2019/20
(Pages 30 - 57)

Cabinet, at its meeting on 3 February 2017, considered a report on the council's treasury management strategy (TMS) for 2017/18 to 2019/20 and set out the expected treasury operations for this period.

The Joint Audit and Governance Committee considered the report at its meeting on 23 January 2017 and had not recommended any adjustments to the strategy.

Cabinet considered that paragraph 4.1 of the property investment policy should be amended to clarify where the council's property investments could be located. Cabinet considered that new property acquisitions for investment purposes should not normally be located in the Vale of White Horse district. Cabinet asked the head of finance to draft appropriate wording to reflect this.

Cabinet agreed to recommend Council approve the strategy as attached to the report subject to the addition of wording to cover the issue referred to in the previous paragraph.

The report of the head of finance, which Cabinet considered on 3 February 2017, is attached.

RECOMMENDATION: to approve

1. the treasury management strategy 2017/18 set out in appendix A to the head of finance's report to Cabinet on 3 February 2017, subject to amending paragraph 4.1 of the property investment policy to clarify where the council's property investments could be located;
2. the prudential indicators and limits for 2017/18 to 2019/20 as set out in table 2, appendix A to the head of finance's report to Cabinet on 3 February 2017; and
3. the annual investment strategy 2017/18 set out in appendix A (paragraphs 24 to 63) and the lending criteria detailed in table 5 to the head of finance's report to Cabinet on 3 February 2017.

12. Revenue budget 2017/18 and capital programme to 2021/22

(Pages 58 - 97)

Cabinet, at its meeting on 3 February 2017, considered the report of the head of finance on the draft revenue budget 2017/18, and the capital programme to 2021/22.

Cabinet resolved to agree that the Cabinet member for finance, in conjunction with the head of finance, may make minor adjustments to the report and prudential indicators should they prove necessary prior to submission to Council. Any adjustments will be reported to Council.

The report of the head of finance, considered by the Cabinet on 3 February 2017, is attached.

The Scrutiny Committee will consider this report at its meeting on 7 February 2017. Any views or recommendations will be reported to Council.

RECOMMENDATION: to

1. set the revenue budget for 2017/18 as set out in appendix A.1 to the head of finance's report to Cabinet on 3 February 2017;
2. approve the capital programme for 2017/18 to 2021/22 as set out in appendix D.1 to the head of finance's report, together with the capital growth bids set out in appendix D.2 of the head of finance's report;
3. set the council's prudential limits as listed in appendix E to the head of finance's report; and

4. approve the medium term financial plan to 2021/22 as set out in appendix F.1 to the head of finance's report.

13. Council tax 2017/18

To consider the report of the head of finance on the setting of the council tax for the 2017/18 financial year - report to follow.

14. Pay policy statement 2017/18

(Pages 98 - 101)

To consider the report of the head of HR, IT and technical services on the adoption of a pay policy statement to meet the requirements of the Localism Act report is **attached**.

15. Changes to the council's constitution

To consider the report of the monitoring officer on a proposed change to the constitution to clarify the decisions which can be taken by full council – report to follow.

16. Report of the leader of the council

(1) Urgent cabinet decisions

In accordance with the scrutiny procedure rules, a Cabinet decision can be taken as a matter of urgency, if any delay by the call-in process would seriously prejudice the council's or the public's interest. Treating the decision as a matter of urgency must be agreed by the chairman of the Scrutiny Committee and must be reported to the next meeting of the council, together with the reasons for urgency.

To receive any details of urgent Cabinet decisions taken since the last ordinary meeting of the council, (if any).

(2) Delegation of Cabinet functions

To receive details of any changes to the leader's scheme of delegation.

(3) Matters affecting the authority arising from meetings of joint committees, partnerships and other meetings

To receive the report of the leader (if any).

17. Notices of motion under standing order 11

To receive the following notice of motion under standing order 11.

Motion to be proposed by Councillor Debby Hallett, seconded by Councillor Bob Johnston:

This council supports the proposal for a new countywide unitary authority.

Minutes
of a meeting of the
Council
held on Wednesday 14 December 2016 at 7.00 pm
at the The Ridgeway, The Beacon, Portway, Wantage, OX12 9BY

Open to the public, including the press

Present:

Members: Councillors Mike Badcock (Chairman), Reg Waite (Vice-Chairman), Alice Badcock, Eric Batts, Matthew Barber, Ed Blagrove, Yvonne Constance, Roger Cox, Margaret Crick, Stuart Davenport, Charlotte Dickson, St John Dickson, Gervase Duffield, Robert Hall, Debby Hallett, Jenny Hannaby, Anthony Hayward, Dudley Hoddinott, Simon Howell, Vicky Jenkins, Bob Johnston, Monica Lovatt, Sandy Lovatt, Ben Mabbett, Chris McCarthy, Mike Murray, Chris Palmer, Helen Pighills, Julia Reynolds, Judy Roberts, Robert Sharp, Janet Shelley, Emily Smith, Henry Spencer, Elaine Ware and Catherine Webber

Officers: Steven Corrigan, David Hill and Margaret Reed

Also present: Adrian Duffield, Head of Planning, Andrew Maxted, Interim Planning Policy Project Lead, and members of the planning policy team

Number of members of the public: 7

Co.44 Apologies for absence

Apologies for absence were submitted on behalf of councillors Katie Finch and Mohinder Kainth.

Co.45 Minutes

RESOLVED: to approve the minutes of the meeting held on 12 October 2016 as a correct record and agree that the Chairman sign them as such.

Co.46 Declarations of interest

In respect of agenda item 11 – Vale Local Plan 2031: Part 1, Councillors Dudley Hoddinott and Bob Johnston made statements that they are members of the Church of St Peter and St Paul in Botley affected by the Local Plan.

Co.47 Chairman's announcements

The Chairman provided housekeeping information. He thanked those who attended his Awards Dinner and those councillors who had represented the council at Cenotaphs across the district on Remembrance Sunday. He acknowledged the significant contribution made by residents, parish councils, community groups and the council's staff in preparing the Local Plan which Council would consider later in the meeting.

Co.48 Statements, petitions and questions from the public relating to matters affecting council.

A. Anne Morgan-Smith, representing Sutton Courtenay Action, made a statement and presented a petition raising concerns about the cumulative impact of development, both commercial and residential, on the village of Sutton Courtenay.

On behalf of the group she congratulated the council on gaining clearance for the Local Plan and welcomed the firmer control on planning development this will provide. In particular, she welcomed the end of speculative developments across the Vale. She called on the council to address some of the perceived anomalies that had arisen and take a holistic view across the district on the cumulative impact of all the developments and find ways to address them.

She referred to a recent march by approximately 150 villagers from Sutton Courtenay to the council offices to highlight the difficulties facing the village, to express their anger and to call for a fair deal for Sutton Courtenay. She welcomed the recent change of attitude of the council and Councillor Matthew Barber's suggestion of setting up a Sutton Courtenay Forum to address their concerns.

She stated that Sutton Courtenay is unique in facing the cumulative impact of a wide range of industrial and housing developments on an inadequate sewerage and highways infrastructure with traffic gridlocked by a narrow bridge over the River Thames. She also referred to the lack of planning condition enforcement (relating to sewage) and concern regarding a recent planning condition that requires traffic lights at the junction with the River Thames crossing.

She asked for the voice and concerns of all those communities which are facing development not just to be heard, but to be listened to and that the cumulative impacts of development and the risks they pose are analysed in the holistic context and measures are put in place to ameliorate them, so the district remains a pleasant place to live and work.

The Chairman thanked her for the petition and advised that it would be dealt with in accordance with the council's petition scheme.

B. Dr Les Clyne asked the following question of Councillor Matthew Barber, Leader of the council:

"The Leader told me in answer to my question to Council earlier this year that the Section 106 agreement for the Grove airfield development would be signed by the end of December 2016 and he hoped it would be signed by the end of October 2016. Assuming that the Vale local plan still relies on the realisation of the Grove airfield development what is the current situation concerning the signing of one or more Section agreements for all or some of the 2500 housing units ? If no Section 106 agreements have yet been signed what is the expected date when the first Section 106 agreement will be signed by all parties, and how many of the 2500 units will it cover?"

In response Councillor Barber stated that the Council has been in on-going discussions with the developers throughout this year and they have been keeping the council up to date with their active discussions with the landowners of the site. He hoped the Section 106 agreements would be signed by 31 March and anticipated that one agreement would cover all the units.

C. Julie Mabberley, Campaign Manager of the Wantage and Grove Campaign Group, asked the following question of Councillor Matthew Barber, Leader of the council:

"A number of Sustainable Development Goals (SDGs) were adopted by governments including the UK Government at the UN General Assembly in September, 2015.

No 3 explicitly relates to health—to "Ensure healthy lives and promote well-being for all at all ages".

A related statement suggests that when supported by strong public health policies and with aligned efforts across social, economic, and political domains, primary health care has a central role in achievement of sustainable development.

The National Planning Policy Framework Paragraph 7 states "There are three dimensions to sustainable development: economic, social and environmental. These dimensions give rise to the need for the planning system to perform a number of roles:

- an economic role – contributing to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure;

- a social role – supporting strong, vibrant and healthy communities, by providing the supply of housing required to meet the needs of present and future generations; and by creating a high quality built environment, with accessible local services that reflect the community's needs and support its health, social and cultural well-being; and
- an environmental role – contributing to protecting and enhancing our natural, built and historic environment; and, as part of this, helping to improve biodiversity, use natural resources prudently, minimise waste and pollution, and mitigate and adapt to climate change including moving to a low carbon economy.

Planning guidance further states that "Local planning authorities should ensure that health and wellbeing, and health infrastructure are considered in local and neighbourhood plans and in planning decision making."

Given that the Health Centres in Wantage, Grove and Faringdon are already running at overcapacity and can't expand further, what evidence is there that the District Council is "considering" the lack of Health facilities in their planning policy and planning decisions?"

In response Councillor Barber undertook to provide a written response setting out what the council is doing and stated that the adoption of the Local Plan would have a significant impact on the situation.

Co.49 Urgent business

None.

Co.50 Petitions under standing order 13

None.

Co.51 Questions under standing order 12

1. **Question from Councillor Judy Roberts to Councillor Matthew Barber, Leader of the council.**

   "Could the Leader please arrange for members who have statutory or trustee appointments to outside bodies to report back to council at least annually? It's important for council to know what decisions and actions are being taken in our name. We could use InFocus (or another suitable means) to update all members?"

In response Councillor Barber supported the proposal and confirmed that officers in democratic services, who were currently preparing a guidance note on membership of outside bodies, will include a requirement for appointees to report back to councillors.

2. **Question from Councillor Emily Smith to Councillor Charlotte Dickson, Cabinet member for waste.**

   "Recent changes to our recycling policy have brought complaints that the new policy is hard to comply with. Of course council will address each issue as it arises. But one widespread problem is the difficulty in finding a place to buy the suitable clear plastic bags for recycling. Could the Cabinet member advise members and residents which stores in the four main settlement areas currently stock these bags?"

Councillor Dickson undertook to provide a written answer and to put the list on the council's website.

Co.52 Council tax base 2017/18

Council considered Cabinet's recommendations, made at its meeting on 2 December 2016, on the council tax base for 2017/18.

RESOLVED:

1. to approve 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;

2. that, 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

3. that, 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.

Co.53 Blewbury and Faringdon neighbourhood plans

Council considered the recommendation of Councillor Roger Cox, Cabinet member for planning, made on 5 December 2016, to make the Blewbury and Faringdon neighbourhood plans part of the Development Plan for Vale of White Horse.

RESOLVED:

1. to make the Blewbury Neighbourhood Plan part of the Development Plan for Vale of White Horse.
2. to make the Faringdon Neighbourhood Plan part of the Development Plan for Vale of White Horse.

Co.54 Vale Local Plan Part 1: 2031

On 9 December 2016 the Cabinet member for planning took an individual Cabinet member decision to recommend Council to adopt Local Plan Part 1.

A majority of councillors welcomed the adoption of Part 1 of the Vale Local Plan: 2031. The adoption of the Plan would ensure the council has much greater control over all development in the district to control where housing is delivered and make it easier to secure the much needed infrastructure funding.

However, a number of councillors, whilst welcoming the adoption of the Plan to control housing development and reduce the number of speculative planning applications, expressed the view that the housing targets in the Plan were unrealistic, that the proposed level of housing development would put pressure on infrastructure in the district and that the Plan did not provide adequate protection for the green belt.

The chairman called for a recorded vote on the motion which was carried with the votes recorded as follows:

For	**Against**	**Abstentions**
Councillors	Councillors	Councillors
Alice Badcock		Margaret Crick
Mike Badcock		Debby Hallett
Matthew Barber		Dudley Hoddinott
Eric Batts		Emily Smith
Edward Blagrove		Catherine Webber
Yvonne Constance		
Roger Cox		
Stuart Davenport		
Charlotte Dickson		
St.John Dickson		
Gervasse Duffield		
Robert Hall		
Jenny Hannaby		
Anthony Hayward		
Simon Howell		
Vicky Jenkins		
Bob Johnston		
Monica Lovatt		
Sandy Lovatt		

For	Against	Abstentions
Ben Mabbett		
Chris McCarthy		
Mike Murray		
Chris Palmer		
Helen Pighills		
Julia Reynolds		
Judy Roberts		
Robert Sharp		
Janet Shelley		
Henry Spencer		
Reg Waite		
Elaine Ware		
Total: 31	Total: 0	Total: 5

RESOLVED: to

1. adopt the Vale of White Horse Local Plan 2031: Part 1; and
2. authorise the head of planning to correct any minor, typographical and grammatical errors prior to publication.

Co.55 Review of the council's constitution

Council considered the report of the head of legal and democratic services and monitoring officer on proposed changes to the council's constitution.

Councillor Yvonne Constance moved and councillor Debby Hallett seconded the recommendations in the report. In moving the recommendations they thanked officers and members of the review group for the effective work undertaken to produce a thorough, complete, and above all readable constitution.

A councillor requested clarification in due course of the ability of a ward councillor to call in an application after the initial 28 day period in circumstances where amended plans are submitted after this period.

RESOLVED: to

1. note the considerable work done by the Joint Constitution Review Group in bringing a revised constitution for consideration by Council;
2. note that, for completeness, the entire constitution has been brought before Council for consideration, but that some sections have already been approved by Council; areas of substantive change are listed within the report, under key changes;
3. note the ongoing overall approach of the review group to develop a single constitution with South Oxfordshire District Council with separate sections where necessary;
4. note the overall approach to streamline the constitution, avoiding unhelpful repetition and confusion;
5. note the overall approach to make sections self-contained, especially those relating to specific committees;

6. note the more consistent approach given to the general governance of meetings, including: quorum, time limits and public speaking, the rules aiming to promote robust democracy and effective running of council meetings;
7. approve the constitution attached as appendix one to the report of the head of legal and democratic services and monitoring officer to the Council meeting held on 14 December 2016 for implementation on 1 March 2017;
8. authorise the head of legal and democratic services to update the constitution to reflect any changes in staff responsibilities;
9. authorise the head of legal and democratic services to make any minor or consequential amendments to the constitution for consistency and to reflect the councils' style guide.

Co.56 Report of the Leader of the council

Council noted a change to the Leader's scheme of delegation: Councillor Elaine Ware now has executive has responsibility for grants.

The Leader of council stated that he had no additional matters to report which were not covered as agenda items for the meeting.

Co.57 Notices of motion under standing order 11

Motion moved by Councillor Matthew Barber, Leader of the council and seconded by Councillor Yvonne Constance:

"This Council endorses the work of Oxfordshire's Local Authority Leaders and the Local Enterprise Partnership through the Oxfordshire Growth Board to explore the opportunity for transformational changes in service delivery across a range of areas including, but not exclusively: infrastructure, skills, economic development, strategic spatial planning, public assets, business rates, health and social care.

In order to support the achievement of significant improvement in the provision of local services, this Council confirms its support for a review of the future functions of the Oxfordshire Growth Board, which should include an assessment of the merits of establishing a mayoral combined authority for Oxfordshire".

In moving the motion Matthew Barber, Leader of the council, stated that the government wanted to see devolution deals with collective governance arrangements, preferably elected mayors. A firm commitment from the Oxfordshire local authorities to such an arrangement was more likely to bring about a deal and therefore achieve investment for Oxfordshire. The issue was discussed at a recent meeting of the Local Enterprise Partnership (LEP) which suggested that each council in Oxfordshire demonstrate its commitment to a devolution deal in Oxfordshire.

The majority of councillors supported the motion as a means of indicating support for a direction of travel. This would enable work to progress on a devolution bid to government to secure investment in the infrastructure essential for the economic growth of the county.

A number of councillors expressed concern regarding the lack of detail of how a combined authority would operate and at the lack of democratic accountability of both the LEP and Oxfordshire Growth Board.

The chairman called for a recorded vote on the motion which was carried with the votes recorded as follows:

For	Against	Abstentions
Councillors	Councillors	Councillors
Alice Badcock	Margaret Crick	Judy Roberts
Mike Badcock	Jenny Hannaby	
Matthew Barber	Dudley Hoddinott	
Eric Batts	Bob Johnston	
Edward Blagrove	Helen Pighills	
Yvonne Constance	Emily Smith	
Roger Cox	Catherine Webber	
Stuart Davenport		
Charlotte Dickson		
St.John Dickson		
Gervase Duffield		
Robert Hall		
Debby Hallett		
Anthony Hayward		
Simon Howell		
Vicky Jenkins		
Monica Lovatt		
Sandy Lovatt		
Ben Mabbett		
Chris McCarthy		
Mike Murray		
Chris Palmer		
Julia Reynolds		
Robert Sharp		
Janet Shelley		
Henry Spencer		
Reg Waite		
Elaine Ware		
Total: 28	Total: 7	Total: 1

RESOLVED:

To endorse the work of Oxfordshire's Local Authority Leaders and the Local Enterprise Partnership through the Oxfordshire Growth Board to explore the opportunity for transformational changes in service delivery across a range of areas including, but not exclusively: infrastructure, skills, economic development, strategic spatial planning, public assets, business rates, health and social care.

In order to support the achievement of significant improvement in the provision of local services, that this Council confirms its support for a review of the future functions of the Oxfordshire Growth Board, which should include an assessment of the merits of establishing a mayoral combined authority for Oxfordshire.

The meeting closed at 8.20pm

Joint Audit and Governance Committee

South Oxfordshire District Council
Listening Learning Leading

Vale of White Horse District Council

Report of Head of Finance

Author: William Jacobs
Telephone: 01235 422480
Textphone: 18001 01235 422480
E-mail: william.jacbos@southandvale.gov.uk

SODC cabinet member responsible: Councillor Jane Murphy
Telephone: **07970 932054**
E-mail: jane.murphy@southoxon.gov.uk

VWHDC cabinet member responsible: Councillor Robert Sharp
Telephone: **01367 710549**
E-mail: robert.sharp@whitehorsedc.gov.uk

To: **Joint Audit and Governance Committee; South and Vale Councils**

23 Jan 2017 by Joint Audit and Governance Committee

14 Feb 2017 (V)/ 15 Feb 2017 (S) by Council

Appointment of external auditors

Recommendation
That Joint Audit and Governance Committee recommends both Councils to opt in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

Purpose of Report

1. To determine the approach the council will follow in appointing its external auditor.

Strategic Objectives

2. South - An independent external audit arrangement helps us maintain our strong financial position.

3. Vale - An independent external audit arrangement helps us run an effective council.

Background

4. Following the closure of the Audit Commission, new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the appointing person regime or to establish an auditor panel and conduct their own procurement exercise.

5. As part of closing the Audit Commission the Government novated external audit contracts to Public Sector Audit Appoints (PSAA) on 1 April 2015. At the time the audits were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.

6. In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the appointed person regime. What this means is that the authorities confirm they wish to use auditors who will be appointed to a panel by the PSAA following a tender process which will be run by the PSAA and is expected to commence in March 2017. By asking authorities to confirm they wish to opt in, the PSAA will be able to assess the demand and tailor their tender process accordingly with the intention of securing economies of scale.

7. The date by which authorities need to opt in to the appointing person arrangements is 9 March 2017. The decision needs to be endorsed by South and Vale Councils.

8. The main advantages of using PSAA are set out in its prospectus and are copied below; these can also be viewed as the disadvantages if the Councils were to decide to undertake their own procurement.

   - Assure timely auditor appointments
   - Manage independence of auditors
   - Secure highly competitive prices
   - Save on procurement costs
   - Save time and effort needed on auditor panels
   - Focus on audit quality
   - Operate on a not for profit basis and distribute any surplus funds to scheme members.

Financial Implications

9. Should the procurement result in a fee greater than the current fee this will lead to an unavoidable increase in the budget required. Both councils currently pay an annual fee of around £60,000 for external audit services.

Legal implications

10. The PSAA has been identified as an appointing person under the Local Audit (Appointing Person) Regulations 2015 and has power to make auditor appointments for audits of accounts from 2018/19 on behalf of principal local government bodies that opt in, in accordance with the Regulations. The councils are entitled to opt in as district councils are included in the list of eligible bodies

listed in Schedule 2 of the Local Audit and Accountability Act 2014. By opting in the councils would be accepting that they would be relying on the outcome of the PSAA tender process and the appointment by the PSAA of an auditor from their auditor panel established following their evaluation of tenders Risks

11. As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.

Other Implications

12. Should we chose to procure alone we would have to establish an auditor panel and conduct our own procurement. This is not recommended as it will be a far more resource intensive process and, without the bulk buying power of the sector led procurement, would be likely to result in a more costly service.

Conclusion

13. Following the demise of the Audit Commission new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the appointing person regime or to establish an auditor panel and conduct their own procurement exercise.

14. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). To comply with this regulation Joint Audit and Governance Committee is asked to make the recommendation above to South and Vale Councils.

Background Papers

- PSAA Prospectus
- PSAA – Appointing Person – Frequently Asked Questions

Joint Audit and Governance Committee

Report of Head of Finance

Author: Rhona Bellis, Principal Accountant
Telephone: 01235 422497
Textphone: 18001 01235 422497
E-mail: rhona.bellis@southandvale.gov.uk

SODC cabinet member responsible: Councillor Jane Murphy
Telephone: **07970 932054**
E-mail: jane.murphy@southoxon.gov.uk

VWHDC cabinet member responsible: Councillor Robert Sharp
Telephone: **01367 710549**
E-mail: robert.sharp@whitehorsedc.gov.uk

South Oxfordshire District Council
Listening Learning Leading

Vale of White Horse District Council

AGENDA ITEM

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

Appendix A1

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**

Author: Rhona Bellis

Telephone: 01235 422497

E-mail: Rhona.bellis@southandvale.gov.uk

Wards affected: all

Cabinet member responsible: Councillor Robert Sharp

Tel: 01367 710549

E-mail: Robert.sharp@whitehorsedc.gov.uk

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

Appendix A

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.

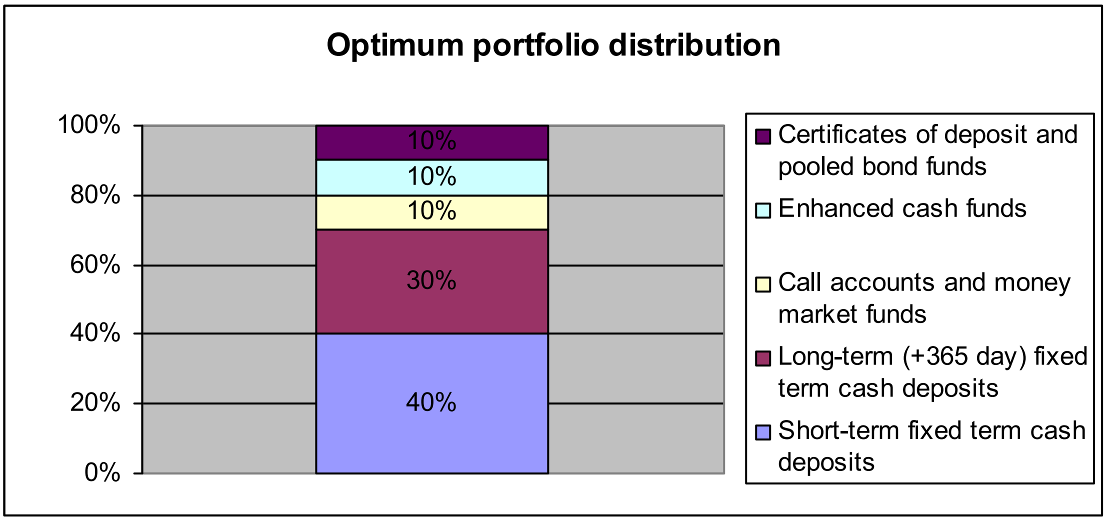
Current position

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.

Report to:
Cabinet
Scrutiny Committee
Council

Report of Head of Finance

Author: William Jacobs

Tel: 01235 422480

E-mail: William.Jacobs@southandvale.gov.uk

Wards affected: All

Cabinet Member responsible: Robert Sharp

Tel: 01367 710549

E-mail: Robert.Sharp@whitehorsedc.gov.uk

AGENDA ITEM NO XX

To: CABINET	3 February 2017
To: SCRUTINY COMMITTEE	7 February 2017
To: COUNCIL	15 February 2017

Revenue Budget 2017/18 and Capital Programme to 2021/22

RECOMMENDATIONS

1. That cabinet recommends to council that it:

   a. sets the revenue budget for 2017/18 as set out in appendix A.1 to this report,
   b. approves the capital programme for 2017/18 to 2021/22 as set out in appendix D.1 to this report, together with the capital growth bids set out in appendix D.2 of this report,
   c. sets the council's prudential limits as listed in appendix E to this report,
   d. approves the medium term financial plan to 2021/22 as set out in appendix F.1 to this report.

2. That cabinet agrees that the cabinet member for finance may make minor adjustments to this report and the prudential indicators, in conjunction with the head of finance, should they prove necessary following the publication of the final Local Government settlement and prior to its submission to council on 15 February 2017.

Purpose of report

1. This report:

    - brings together all relevant information to allow cabinet to recommend to council a revenue budget for 2017/18 and a capital programme for 2017/18 to 2020/21;

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

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

    - contains the Medium Term Financial Plan which provides details of the forward budget model for the next five years.

Budget setting process

2. In preparing and setting the revenue budget for 2017/18 and capital programme to 2021/22 a number of complexities arose that delayed the process including:

    - provisional settlement issued in December 2016;

    - changes to rules surrounding the calculation of new homes bonus requiring internal projections to be reviewed in detail;

    - a new operating environment and management team providing more robust challenges.

Strategic objectives

3. Setting the budget in accordance with prescribed timetables enables the council to run an effective council.

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

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

Revenue budget 2017/18

6. **Appendix A.1** summarises the movements in the base budget from £11,901,537 in 2016/17 to £12,834,702 in 2017/18. These movements are detailed below.

7. **Opening budget adjustment reduction £1,299,053 (appendix A.2).** This includes the removal of one-off growth items relating to 2016/17 and before, and

the realisation of the full-year effect of savings proposals identified in previous years.

8. Additions to the base budget:

- **inflation, salary increments and other salary adjustments £158,917 (appendix A.3).** The salary and contract inflation totals £33,174, representing an average increase of 0.9 per cent on the 2016/17 net expenditure budgets. For council employees an overall increase in salary costs of 1.3 per cent is budgeted for 2017/18. Increments payable to council employees not at the top of their salary range total £57,585. The increase of £68,158 in other salary adjustments include changes to employment taxes, staff working hours and corrections to prior year budgets.

- **essential growth – one-off £614,558 and ongoing £1,798,744 (appendix A.4).** These items comprise additional expenditure which is considered unavoidable, and reflect changes that have occurred in the current year or which are known will happen in 2017/18.

- In addition to essential growth items brought forward by services, there are a number of corporate essential growth items that have arisen following further work undertaken on the Five Councils' Partnership and the management restructure since the previous budget was set.

- When the 2016/17 budget was set, the contracting process for Five Council's Partnership was still ongoing and only estimates of savings were available, based on future costs being smoothed on an annual basis. Following on from the signing of the contracts it is clear that the savings profile sees a greater realisation of savings in the later years of the contract, so there is a need to increase cost in the MTFP period - the earlier years of the contract - compared to previous thinking. In addition, the savings include innovation and procurement hub savings, which officers do not feel can be taken as certain at this stage, and more prudent savings estimates have been added. As a result of these factors the savings estimate arising from the contract costs has been re-profiled over the MTFP period compared to the previous year's budget.

- Following the commencement of the Five Councils' contract, and the arrival of the new chief executive, the council is currently reviewing its future workforce requirements. At this stage we have budgeted £400,000 per annum for potential additional staff.

9. Deductions from the base budget:

- **base budget reductions £194,018 (appendix A.5)**. These base budget savings are reductions in costs identified by officers which may be the result of more efficient working or previously agreed policy decisions, cost reductions outside of the council's control, increases in income, or correction to budgets. These savings do not affect frontline service delivery.

- **reduction in revenue contingency (appendix A.6) £153,642.** This brings the level of revenue contingency down to £347,980. This includes specific provision for certain events should they occur, together with a general contingency amount of £138,000.

- **decrease in managed vacancy factor £7,659,** this provision is set at two per cent of budgeted employee costs and reduces the overall employees budget to reflect the savings that result from vacancies arising as part of normal staff turnover. As budgeted costs increase or decrease the provision is adjusted accordingly.

10. As a result of these changes the council's revised base budget for 2017/18 is **£12,834,702**.

Revenue growth proposals

11. A number of revenue growth proposals are being recommended to council for inclusion in the budget for 2017/18. These are detailed in **appendix B.1** and total **£659,447**. The growth proposals have been selected on the basis that they support the council's key aims as set out in the council's corporate plan and enhance service provision.

12. In add addition to revenue growth proposals, a number of savings proposals are being recommended. These are detailed in **appendix B.2** and total **£47,500.** The equalities implications of the proposals are considered later in the report.

Gross treasury income

13. Investment returns for 2017/18 are used to finance expenditure in-year. As interest rates are expected to remain low for the short/medium term, it is currently forecast that **£379,160** will be earned in 2017/18.

14. More details of treasury income can be found in the council's Treasury Management Strategy report[1].

Borrowing costs

15. The revenue consequence of budgeted borrowing to fund capital expenditure is **£63,273**. This is considered later in the report.

16. Including growth, gross treasury income and borrowing costs results in a net expenditure budget for the council of **£13,130,762**.

Reserves and other funding

New Homes Bonus (NHB)

17. The provisional government allocation for NHB payment for 2017/18 is **£4,149,782**. For 2017/18 **£1,759,664** of this will be used to support revenue and the remainder transferred to reserves. Projections of future NHB earnings and how they will be used are detailed later in this report.

Transfers to/ from earmarked reserves

18. In addition to the transfer to reserves of the NHB payment the other proposed transfers to / from earmarked reserves reflect:

[1] Cabinet 3 February 2017, Council 15 February 2017

- the transfer of **£40,000** to the election equalisation reserve to help fund the costs of the district council elections in 2019;

- transfer from earmarked reserves of grant funding to fund essential growth of **£389,417**;

- transfer from general fund balances **£1,885,666**.

19. Based on the above use of reserves and other funding, the amount of revenue expenditure to be financed from government and from council tax in 2017/18 is **£9,136,015**.

Funding

Local government settlement

20. As part of the December 2015 Spending Review, the Secretary of State for Communities and Local Government offered to councils a four-year funding settlement[2] for the period 2016/17 to 2019/20. To qualify councils had to publish an Efficiency Plan which covered the four-year time period. The council published an efficiency statement on 11 October 2016 and as a result qualified for the four year settlement. Table 1 below details the funding for the council up to 2019/20.

Table 1: Settlement Funding Assessment (provisional)

	2016/17 £000	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**
Revenue Support Grant	1,082	513	165	0
Business Rates Baseline Funding Level	2,169	2,212	2,277	2,350
Settlement Funding Assessment	**3,251**	**2,724**	**2,442**	**2,350**
Tariff/Top-Up adjustment	0	0	0	(224)
Total	**3,251**	**2,724**	**2,442**	**2,126**

21. The provisional settlement for 2017/18 is 16.2 per cent lower than 2016/17. Whilst the baseline funding element of the settlement is increasing in line with the increase in national non domestic rates, to achieve the overall reduction in funding the government has significantly reduced the Revenue Support Grant (RSG) element. RSG reduces to nil in 2019/20. The provisional figures indicate that in that year additional tariff payment will be due, reflecting a redistribution of government funding. This has commonly been referred to as negative RSG. It should be noted that these figures exclude NHB funding which is discussed later in the report.

22. At the time of writing this report the final settlement funding assessment had not been received from the government. It is not anticipated that when this information is available it will be significantly different to the provisional figures.

[2] the four year settlement agreed by government only related to RSG and not to funding relating to business rates

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

23. As previously agreed by council, the last council tax support grant contribution payable to town and parish councils will be **£40,149** for 2017/18.

Business rate retention scheme

24. For budget setting purposes it has been assumed that the council's share of business rates income after payment of tariff will remain below the safety net. For 2017/18 this shortfall is estimated to **£165,877**. Should the actual business rate receipt prove to be in excess of the safety net the additional revenue generated will be added to the council's general fund balance.

25. Included in the budget for the first time is **£237,000** business rates retained by the council as planning authority relating to facilities generating renewable energy within the district.

Collection fund

26. The surplus on the collection fund is estimated in 2016/17 to be **£368,419**.

Use of general fund balance

27. The difference between expenditure requirement and the funding available is smoothed over the medium term financial plan by transfers to and from earmarked reserves and the general fund balance. The net impact of these budget proposals is a draw on general fund balances of **£1,885,666** in 2017/18.

Cabinet member for finance's revenue budget proposal

28. Based on the amendments detailed above, and as shown in **appendix A1** of this report, the budget proposal, including growth, is for a budget requirement of **£9,136,015**. This revenue budget as proposed would result in an increase of £5.00 to current band "D" council tax to **£121.69**. **Appendix C** shows the breakdown of the revenue budget.

Capital programme 2017/18 to 2021/22

Current capital programme

29. The latest capital programme (before growth) is shown in **Appendix D.1** and summarised in table 2 below. It is the capital programme as set by council in February 2016 plus:-

- slippage (caused by delays to projects) carried forward from 2015/16,
- new schemes approved by council during 2016/17,
- re-profiling of expenditure on schemes from the 2016/17 financial year to future years where delays to schemes have occurred,
- the deletion of previously agreed schemes that have completed or are no longer to be pursued.

Cabinet capital programme proposals

30. **Appendix D.2** contains a list of new capital schemes that are being recommended as part of this budget proposal. Officers will amend the capital programme to include the proposals if approved by cabinet and council.

31. Capital schemes of greater than £500,000 deleted from the capital programme during the year are listed below:

    - Car park extension scheme – scheme total £2 million, removed pending fully worked up projects being presented for appraisal.

    - Reduction of capital contingency – scheme reduced by £774,000, to re-balance the available contingency budget given probable calls upon this facility. The remaining capital contingency budget is £1,500,000.

Financing the capital programme

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

33. At present there is a budgeted requirement to borrow to build a new leisure centre at Wantage. Long term borrowing has been budgeted in from 2017/18, repayable over the thirty-five year lifetime of the facility.

34. The use of capital receipts in relation to the redevelopment of West Way in Botley will be considered upon receipt. This will include a review of potential projects in the local area as well as investment opportunities to replace the loss of income from West Way. No adjustment to the capital programme is proposed at this stage to take account of either the capital receipt or any relevant expenditure.

35. **Table 2** contains a schedule identifying showing the current and proposed capital programme and how it will be financed, including the growth proposals, if they are approved. The programme proposed can be fully funded from existing and anticipated capital resources. The total planned capital expenditure is **£44.5 million**.

Table 2: current and proposed capital programme with financing

	2016/17 latest estimate £000	2017/18 estimate £000	2018/19 estimate £000	2019/20 estimate £000	2020/21 estimate £000	2021/22 estimate £000	GRAND TOTAL £000
Capital programme approved	8,565	14,806	6,524	2,194	1,455	1,274	34,818
Cabinet capital growth proposals	0	1,800	2,334	3,856	1,333	330	9,654
Total expenditure	**8,565**	**16,606**	**8,858**	**6,050**	**2,788**	**1,604**	**44,472**
Financing							
Grant funding	1,141	523	523	523	523	523	3,756
Developers' contributions	622	1,296	1,250	0	0	0	3,168
Borrowing	0	4,585	7,085	3,913	0	0	15,583
New homes bonus	0	9,343	0	1,614	2,265	1,081	14,303
Usable capital receipts/revenue reserves	6,802	859	0	0	0	0	7,662
Total financing	**8,565**	**16,606**	**8,858**	**6,050**	**2,788**	**1,604**	**44,472**
Estimated balances as at 31 March 2022							
Usable capital receipts							**0**
New homes bonus:							
Unringfenced							**177**
Affordable homes							**2,460**

Future pressures on the capital programme

36. As can be seen from table 2 the council's useable capital receipts, based on current estimates, are expected to be extinguished in 2017/18 and thus projects not funded from outside sources, including the growth bids, will need to be funded from NHB or from prudential borrowing.

37. Based on the officers estimates for future NHB receipts (discussed below), there is a potential need for up to £15.6 million of prudential borrowing during the life of this capital programme. This level of borrowing maintains general fund balances at ten per cent of net expenditure. The council's MTFP includes provision to repay both the principal and interest element of the borrowing.

38. It should be noted that although there is borrowing budgeted in 2017/18, at the point of borrowing, the need to borrow will be determined by a number of tests including the future level of NHB, future capital receipts and level of external funding for the capital programme and the ongoing requirement for the revenue account to draw on NHB.

The prudential code and prudential indicators

39. In setting its revenue and capital budgets for 2017/18, the council must agree prudential indicators in accordance with the prudential code (see below). When recommending its budgets to council, cabinet must also recommend the prudential indicators.

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

Finance and Accountancy (CIPFA) and given statutory force by government regulation.

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

42. The key indicators that will drive the capital budget decision making process will be those concerning affordability, as these measure the impact of capital investment decisions on the overall revenue budget and in particular the precept against the collection fund.

43. In setting or revising the prudential indicators the council is required to have regard to:

- affordability e.g. implications for the precept;
- prudence and sustainability e.g. implications for external borrowing;
- value for money e.g. option appraisal;
- stewardship of assets e.g. asset management planning;
- service objectives e.g. strategic planning for the council;
- practicality e.g. achievability of the forward plan.

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

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

The Medium Term Financial Plan (MTFP)

46. The MTFP provides a forward budget model for the next five years. **Appendix F.1** contains the MTFP for 2017/18 to 2021/22**.** This is a projection of the revenue budget up to 31 March 2022 The projection allows for budget pressures in later years and assumes that council approves all the budget proposals within this report. Officers have made no adjustments for the costs of contracts that will be re-let during this period. These could rise or fall depending on market conditions.

47. The MTFP identifies some potential challenges ahead for the council. It reflects the draft four year settlement figures published by the government in December 2015 and shown in table 1 above and anticipates that the basis of funding in 2019/20 continues into 2021/22. Ongoing funding after 2020/21 is an estimate by

officers, and is subject to change. It also incorporates assumptions on interest income, and other known pressures on the council, such as inflation and salary increments.

48. Estimates of future receipts of new homes bonus are shown in table 3 below, and are also included in the MTFP (detailed in row 40). In total the council is expected to have received in excess of £27.4 million during the MTFP period.

Table 3: New Homes Bonus

Year earned	Year of receipt				
	2017/18 budget £000	**2018/19 indicative £000**	**2019/20 indicative £000**	**2020/21 indicative £000**	**2021/22 indicative £000**
2013/14	376	0		0	0
2014/15	713	0	0	0	0
2015/16	736	736	0	0	0
2016/17	1,106	1,106	1,106	0	0
2017/18	1,218	1,218	1,218	1,218	0
2018/19	0	1,304	1,304	1,304	1,304
2019/20	0	0	2,024	2,024	2,024
2020/21	0	0	0	1,859	1,859
2021/22	0	0	0	0	1,595
Total	**4,149**	**4,364**	**5,652**	**6,405**	**6,782**

49. Officers consider that any pressures in the period covered by the MTFP are manageable in light of the level of reserves and balances available to the council, particularly when combined with our ability to vary budgets and redirect funding in the later years of the plan. However, there is uncertainty over future funding from NHB and business rates, including the introduction of the yet to be determined 100 per cent retention of business rate scheme for the council at this time which means that there may be a need to revisit the budget proposals in the future. A summary of the council's earmarked reserves over the life of the MTFP is attached at **appendix F.2.**

The robustness of the estimates and the adequacy of reserves

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

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

52. The head of finance is satisfied that this allows retention of sufficient uncommitted balances at the end of the period to ensure that the overall level of reserves is

adequate in relation to the proposed revenue budget and capital programme and that the budgets are sustainable.

53. The one significant risk identified is further possible changes to the NHB scheme in addition to those already announced.

54. Scheme changes already known and built into the estimates are :

- a move to five year payments for both existing and future bonus allocations in 2017/18 and then to four years from 2018/19;

- the introduction of a national baseline of 0.4 per cent for 2017/18 for NHB below which allocations will not be made.

55. Should this prove less generous for the council a fundamental review of the council's budget may be necessary. Table 4 below shows that £20.568 million of expenditure budgeted for within the MTFP and the capital programme from 2017/18 onwards is dependent on the receipt of NHB not yet received or confirmed as payable by the government.

Table 4.1 New Homes Bonus account

Year	Opening balance £000	Receipt £000	Revenue £000	Capital £000	Closing balance £000
2017/18	**8,915**	**4,150**	(1,760)	(9,343)	1,962
2018/19	1,962	4,365	(4,397)	0	1,930
2019/20	1,930	5,652	(4,047)	(1,614)	1,921
2020/21	1,921	6,405	(4,498)	(2,265)	1,563
2021/22	1,563	6,782	(4,628)	(1,081)	2,636
Total		**27,354**	**(19,330)**	**(14,303)**	

Note that the figures in **bold** represent monies confirmed or received. The closing balance of £2.636 million includes £2.459 million ring-fenced for affordable housing.

Table 4.2 Expenditure at risk

	£000
Total expenditure to be funded from NHB per table 4.1	(33,633)
NHB funding received or confirmed (2017/18 in bold) table 4.1	13,065
Expenditure to be funded from NHB not yet received or confirmed	**(20,568)**

56. The funding of local government will undergo change over the next few years as the government move to a 100 per cent business rates retention model and further reviews the new homes bonus scheme. In the light of this, consideration will be given to produce a medium term financial strategy for the council that will set the parameters and principle on which the council's budget will be built.

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

Legal Implications

58. The cabinet needs to make recommendations to the council on its spending proposals. Under the Local Government Act 2000 it is the council that must agree the revenue and capital spending plans, and then set the council tax. Council will meet on 15 February 2017 in order to set the budget, and the council tax including amounts set by Oxfordshire County Council and the Police and Crime Commissioner for Thames Valley.

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

Equalities Implications of revenue savings proposals

60. The council has reviewed the revenue savings proposals in line with our public sector equality duties to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation,
- advance equality of opportunity between people who share a protected characteristic[3] and those who do not,
- foster good relations between people who share a protected characteristic and those who do not.

61. Consideration was also given to those groups not protected by legislation such as low income groups, in line with the requirement of the Equality Framework for Local Government

62. It is the equality officer's view that the budget reduction proposal relating to stopping the discretionary events and festival grants is likely to have a low equality impact. The events the scheme can fund often help with community integration (especially for disadvantaged groups) and improving community knowledge and understanding of cultural events/matters.

Other Implications

63. Agreement of the revenue and capital budgets authorises expenditure in accordance with the council's delegated powers and financial procedure rules. The officer, councillor or councillor body taking those decisions will take into account the human resources, sustainability and equality and diversity implications of individual spending decisions.

[3] A' protected characteristic' under the Act is colour, race, nationality, ethnic or national origin, disability, age, sex, gender reassignment, sexual orientation, religion, belief, marriage or civil partnership, pregnancy and maternity

Conclusion

64. This report provides details of the revenue base budget for 2017/18, the capital programme 2017/18 to 2021/22, government grants (the settlement), uncommitted reserves and balances, the leader of the council's budget proposals and the resulting prudential indicators.

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

Appendices

Appendix A.1	Revenue budget 2017/18
Appendix A.2	Opening budget adjustments
Appendix A.3	Inflation, salary increments and other salary adjustments
Appendix A.4	Essential growth
Appendix A.5	Base budget savings
Appendix A.6	Revenue contingency
Appendix B.1	Revenue growth
Appendix B.2	Revenue savings
Appendix C	Service budget analysis
Appendix D.1	Capital programme before growth
Appendix D.2	Capital growth bids
Appendix E	Prudential indicators
Appendix F.1	Medium term financial plan
Appendix F.2	Earmarked reserves 2017/18 to 2021/22

Background Papers

- Provisional settlement figures (December 2016)
- Council tax base 2017/18 – Cabinet 2 December 2016, Council 14 December 2016
- Treasury Management Strategy – Cabinet 3 February 2017, Council 15 February 2017

Vale of White Horse DC - revenue budget summary 2017/18

	2016/17 Budget	2017/18 Base	Appendix Ref:
Opening base budget 2016/17		**11,901,537**	
Revisions to base budget			
Opening budget adjustments		(1,299,053)	Appendix A.2
Inflation, salary increments and other salary adjustments		158,917	Appendix A.3
Essential growth - one-off		614,558	Appendix A.4
Essential growth - ongoing		1,798,744	
Base budget savings		(194,018)	Appendix A.5
Reduction in revenue contingency		(153,642)	Appendix A.6
Movement in managed vacancy factor		7,659	
Total base budget after revisions	**11,901,537**	**12,834,702**	
Growth proposals			
Revenue - one-off		293,412	Appendix B.1
Revenue - ongoing		366,035	
Capital (revenue consequences of)		0	Appendix D.2
Savings proposals		(47,500)	Appendix B.2
Gross treasury income	(411,000)	(379,160)	
Borrowing costs		63,273	
Net expenditure	**11,490,537**	**13,130,762**	
Funding			
Funding from reserves	(2,572,929)	(3,994,747)	Appendix C
Budget funding requirement	(8,917,607)	(9,136,015)	
Total Funding	**(11,490,536)**	**(13,130,762)**	
Council tax yield required	**5,621,762**	**6,012,216**	

Vale of White Horse DC - 2017/18 budget build changes

Opening budget adjustments

Year of bid	Summary	Spending profile:				
		2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
ALL SERVICES						
2015/16	Corporate costs	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)
2016/17	Management restructure savings	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
		(85,000)	**(85,000)**	**(85,000)**	**(85,000)**	**(85,000)**

CORPORATE STRATEGY & WASTE						
2014/15	Increase in properties waste collection costs	13,590	27,180	27,180	27,180	27,180
2015/16	Increase in properties waste collection costs	12,766	25,532	38,298	38,298	38,298
2015/16	Increase in recycling credits payments to Biffa	17,512	35,024	52,536	52,536	52,536
2015/16	Tree works	0	(5,000)	(5,000)	(5,000)	(5,000)
2014/15	Thrupp lake / Abbey fishponds	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
2016/17	Deep cleanse trial	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)
2016/17	NHB grant scheme	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
2016/17	OCC highways verges cutting	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
2016/17	Grounds maintenance additional payment	(66,750)	(66,750)	(66,750)	(66,750)	(66,750)
2013/14	Additional leisure staff 5 years	(31,080)	(31,080)	(31,080)	(31,080)	(31,080)
2016/17	Queens birthday celebrations	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
2016/17	Reduction in partnership grant	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
2016/17	Income from future leisure centre build	0	0	0	(314,000)	(314,000)
		(293,962)	**(255,094)**	**(224,816)**	**(538,816)**	**(538,816)**

Vale of White Horse DC - 2017/18 budget build changes
Opening budget adjustments

Year of bid	Summary	Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
CLIENT						
2015/16	Mastering management training	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
2014/15	Actuarial fees	15,000	0	0	15,000	0
2016/17	Car park expansion	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
2016/17	Corporate contract savings	(268,424)	(314,967)	(338,268)	(338,268)	(338,268)
		(312,424)	**(373,967)**	**(397,268)**	**(382,268)**	**(397,268)**
DEVELOPMENT & HOUSING						
2014/15	Community engagement	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)
2016/17	Contribution to growth board	0	0	(50,000)	(50,000)	(50,000)
2016/17	Studies to inform housing strategies	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
		(123,000)	**(123,000)**	**(173,000)**	**(173,000)**	**(173,000)**
ECONOMY LEISURE AND PROPERTY						
2016/17	Management restructure savings	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
		(50,000)	**(50,000)**	**(50,000)**	**(50,000)**	**(50,000)**
HR, IT & TECHNICAL						
2016/17	Market towns support	0	(40,000)	(40,000)	(40,000)	(40,000)
2015/16	Statutory compliance officer	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)
2015/16	Data capture officer	0	(145,000)	(145,000)	(145,000)	(145,000)
2014/15	Biannual residents survey	24,000	0	24,000	0	24,000
		3,000	**(206,000)**	**(182,000)**	**(206,000)**	**(182,000)**
LEGAL & DEMOCRATIC						
2016/17	CCTV running costs	3,333	3,333	3,333	3,333	3,333
		3,333	**3,333**	**3,333**	**3,333**	**3,333**

Vale of White Horse DC - 2017/18 budget build changes
Opening budget adjustments

Year of bid	Summary	Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
PLANNING						
2016/17	Income funded resources for development management	0	(138,000)	(138,000)	(138,000)	(138,000)
2016/17	Local plan	0	(100,000)	(100,000)	(100,000)	(100,000)
2015/16	CIL funding for contract monitoring officer post	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
2016/17	CIL officer	0	(20,000)	(20,000)	(20,000)	(20,000)
2016/17	CIL officer funding	0	20,000	20,000	20,000	20,000
2016/17	Joint landscape study	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)
2016/17	Housing planning applications staff	0	0	(74,000)	(74,000)	(74,000)
2016/17	Housing planning applications staff funding	0	0	74,000	74,000	74,000
2016/17	Studies to support local plan	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
2016/17	Recruitment and retention	0	0	(90,000)	(90,000)	(90,000)
2016/17	Recruitment and retention funding	0	0	28,000	28,000	28,000
2014/15	Major apps	(203,000)	(203,000)	(203,000)	(203,000)	(203,000)
2014/15	Pre apps advice	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)
		(391,000)	**(629,000)**	**(691,000)**	**(691,000)**	**(691,000)**

STRATEGIC MANAGEMENT BOARD						
2013/14	Enterprise zone - financial software	0	(1,800)	(1,800)	(1,800)	(1,800)
2016/17	Management restructure savings	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
		(50,000)	**(51,800)**	**(51,800)**	**(51,800)**	**(51,800)**
GRAND TOTAL		**(1,299,053)**	**(1,770,528)**	**(1,851,551)**	**(2,174,551)**	**(2,165,551)**

Vale of White Horse DC - 2017/18 budget build changes

Inflation, salary increments and other salary adjustments

Detail	Spending profile:				
	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
ALL SERVICES					
Salary inflation	44,737	90,592	137,503	185,073	233,735
Salary increments	57,585	116,609	176,990	238,222	300,859
Other salary adjustments	68,158	68,158	68,158	68,158	68,158
Other inflation	(11,563)	79,352	150,430	212,675	273,670
Grand total	**158,917**	**354,711**	**533,081**	**704,128**	**876,422**

Vale of White Horse DC - 2017/18 budget build changes

Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
CLIENT TEAM								
1	**Reduction in rental income at West Way**	The shopping centre at West Way is to be redeveloped. Although trading will continue during the construction, rental income will be reduced for the duration.	Ongoing	210,000	605,000	605,000	605,000	605,000
2	**Reduction in rental income from investment properties**	Reduction in rental income from Bury Street shops following transition to geared rent, estimated £100,000 for 2017/18 and £50,000 ongoing. Reduction in rental income from Napier Court units arising from rent free periods for new tenancies, £85,000.	Ongoing	185,000	50,000	50,000	50,000	50,000
3	**5 Councils Partnership**	Reprofiling of contract savings	Ongoing	598,665	965,143	246,334	182,239	78,251
				993,665	**1,620,143**	**901,334**	**837,239**	**733,251**

No	Title of bid	Summary	One-off/ Ongoing	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
CORPORATE STRATEGY AND WASTE								
1	**Additional areas added to the grounds maintenance contract**	To add additional areas to the grounds maintenance contract such as Folly View, Faringdon. First year will include £8K to undertake some initial improvement work to the site. This will be funded from s106 receipts already held by the council	Ongoing	23,000	15,000	15,000	15,000	15,000
2	**Uplifted contractor payments to the grounds maintenance contractor**	This is an additional payment agreed by Cabinet to be paid to the grounds maintenance contractor as part of a three year extension	One-off	89,000	89,000	89,000	0	0
3	**Abbey Meadow improvement scheme - Grounds Maintenance**	Additional grounds maintenance costs associated with the redevelopment of Abbey Meadow. This is an estimated net increase in grounds maintenance costs. The pitch and putt course, crazy golf and tennis courts are replaced with additional play areas and planting. The removal of the seasonal attendants salary and loss of income have been included in these figures.	Ongoing	10,000	10,000	10,000	10,000	10,000
4	**Recycling - Increased recycling collection payments to Biffa fixed invoice**	Increased dry recycling and food collection payments to Biffa for additional properties.	Ongoing	25,000	25,000	25,000	25,000	25,000
5	**Recycling - Increased recycling collection payments to Biffa variable invoice**	Increased dry recycling and food collection payments to Biffa for additional properties on the variable invoice.	Ongoing	10,000	10000	10000	10000	10000
6	**Decrease in garden waste income**	Decreased income due to under achievement of predicted new customers in 2015/16 and current predictions for 2016/17.	Ongoing	25,000	25,000	25,000	25,000	25,000

Vale of White Horse DC - 2017/18 budget build changes

Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile:				
				2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
CORPORATE STRATEGY AND WASTE continued								
7	**Reduction in recycling credits**	Reduction in income due to reduced recycling tonnage	Ongoing	35,000	35,000	35,000	35,000	35,000
8	**Reduction in income from export certificates**	A large manufacturing business is closing in October 2016. They require certificates from us for each consignment of food they export for which we receive significant income. This income will not be available following the closure of the premises.	Ongoing	28,987	28,987	28,987	28,987	28,987
9	**Reduced Leisure Contract Income**	When the leisure contract was let, GLL provided an annualised ten year payment plan including the full costs of the contract and setting out the payments they would make to the council. This growth bid will align income with budget.	Ongoing	17,753	17,753	17,753	17,753	17,753
				263,740	**255,740**	**255,740**	**166,740**	**166,740**
DEVELOPMENT AND HOUSING								
1	**Housing Related Support - Funding of accommodation for rough sleepers**	To fund the provision of six complex needs beds (located in Oxford City) and seven high need beds for rough sleepers following the withdrawal of Housing Related Support funding by Oxfordshire County Council. This proposal has been to Cabinet Briefing and approved by an ICMD	One-off	36,300	36,300	36,300	0	0
2	**Syrian Vulnerable Person resettlement Scheme**	In response to a government request, both South and Vale have agreed to house and support up to eight Syrian refugee families (2 for South and 6 for Vale). A budget of £260,745 has been approved for this year. Smaller budgets are required for future years, due the reduced level of support needed over time.	One-off	89,985	19,098	19,668	20,262	0
		Funded by the Home Office	One-off	(89,985)	(19,098)	(19,668)	(20,262)	0
3	**Development and Regeneration staff costs**	£96K of the budget approved by the previous Chief Executive to establish a permanent Development and Regeneration team was provided subject to the submission of an essential growth bid. The funding was agreed on the basis of a 50/50 split basis between South and Vale.	Ongoing	48,000	48,000	48,000	48,000	48,000

Vale of White Horse DC - 2017/18 budget build changes
Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
DEVELOPMENT AND HOUSING continued								
4	**Enterprise Zone Manager**	Vale have agreed to fund this post (via and ICMD) until such time as sufficient EZ non-domestic rates income is received to reimburse the Council for all previous costs associated with the post and cover all future, on-going, annual costs.	Ongoing	84,980	84,980	84,980	84,980	84,980
		Funded by Enterprise Zone income	Ongoing	(84,980)	(84,980)	(84,980)	(84,980)	(84,980)
5	**Building capacity and accelerating housing growth**	Building capacity and accelerating housing growth. DCLG funded from previous years. ICMD approved August 2016	One-off	366,417	79,083	0	0	0
6	**Reduction in temporary accommodation income**	The housing needs team are successfully preventing households from becoming homeless. This reduces the number of homeless households that need temporary accommodation and therefore the rental income from council-owned temporary accommodation.	Ongoing	81,000	81,000	81,000	81,000	81,000
				531,717	**244,383**	**165,300**	**129,000**	**129,000**
FINANCE								
1	**Insurance**	The insurance premium for Vale of White Horse District council has increased by 41% this year from £141,746 to £201,085. The increased premium is due to a number of factors: a) Cover for both fidelity guarantee and professional negligence was excluded last year. b) 'Works in progress', 'all risks' and 'additional expenditure' figures have increased significantly because last years figures were not accurate .	Ongoing	59,339	59,339	59,339	59,339	59,339
				59,339	**59,339**	**59,339**	**59,339**	**59,339**

Vale of White Horse DC - 2017/18 budget build changes

Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
HR, IT & TECHNICAL SERVICES								
1	**Abingdon BID - additional costs for Capita BID module**	Annual cost for Capita BID module to operate Abingdon BID administration and collection through specialist BID software	One-off	12,982	12,982	12,982	12,982	0
2	**Abingdon BID - additional business rates**	An essential growth bid was made for the additional 1.75 per cent levy on business rates for Vale Council owned property within the Abingdon BID area in 2015/16 to run until 2019/20. Due to delay in starting this growth bid is now required to be extended by one year to 2020/21. In addition, the figures for the years 2017/18 to 2019/20 have been revised in line with Vale Council owned property on which levy is payable.	One-off	9,859	10,056	10,257	10,462	0
				22,841	**23,038**	**23,239**	**23,444**	**0**
PLANNING								
1	**Local Plan Part 2**	To support LPP2, various evidence studies will be required and to be updated prior to examination. Significant work has already been commissioned, but 2017/18 has no budget for additional studies and the necessary updates e.g. SA/SEA, viability, ETI, landscape.	One-off	100,000	0	0	0	0
2	**Drainage advice (Monson)**	To provide consultancy advice for DM applications regarding drainage and SUDs. Funding secured by previous post holder (£9K) does not cover cost of service contracted by Monson. Balance required £19K	Ongoing	19,000	19,000	19,000	19,000	19,000
3	**Planning application advertising**	Due to the increase in planning application work load (majors) where by legislation we have to place notices in the press, the budget is insufficient to cover costs. We have tried to absorb these costs and that they have increased in cost annually, but it is now too substantial to cover	Ongoing	23,000	23,000	23,000	23,000	23,000
				142,000	**42,000**	**42,000**	**42,000**	**42,000**
STRATEGIC MANAGEMENT BOARD								
1	**Council workforce review**	Estimate of costs arising from review of current workforce capacity	Ongoing	400,000	400,000	400,000	400,000	400,000
				400,000	**400,000**	**400,000**	**400,000**	**400,000**

Vale of White Horse DC - 2017/18 budget build changes
Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
ALL SERVICES								
1	**Employers pension costs**	Increases as a result of the triennial actuarial valuation of the LGPS	Ongoing	0	8,000	23,000	23,000	23,000
				0	**8,000**	**23,000**	**23,000**	**23,000**
	TOTAL			**2,413,302**	**2,652,643**	**1,869,952**	**1,680,762**	**1,553,330**

Vale of White Horse - 2017/18 budget build changes

Base budget savings

Item		One-off / ongoing	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
CORPORATE STRATEGY							
1	Reduction in contract payments to Biffa	Ongoing	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
2	The Beacon - net increase in income	Ongoing	(10,321)	(10,321)	(10,321)	(10,321)	(10,321)
3	Other budget savings across service	Ongoing	(2,764)	(2,764)	(2,764)	(2,764)	(2,764)
			(38,085)	**(38,085)**	**(38,085)**	**(38,085)**	**(38,085)**
CLIENT							
1	Increased income at mobile home parks	Ongoing	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
2	Housing benefit changes	Ongoing	(118,933)	(118,933)	(118,933)	(118,933)	(118,933)
			(143,933)	**(143,933)**	**(143,933)**	**(143,933)**	**(143,933)**
PLANNING							
1	Increase in building control income	Ongoing	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
			(12,000)	**(12,000)**	**(12,000)**	**(12,000)**	**(12,000)**
Overall total			**(194,018)**	**(194,018)**	**(194,018)**	**(194,018)**	**(194,018)**

Vale of White Horse DC - 2017/18 budget build changes

Contingency

SUMMARY	Provision 2017/18 £
Revenue contingency 2016/17	**501,622**
Movement in contingency provision 2017/18	(153,642)
Total revenue contingency budget 2017/18	**347,980**

DETAIL		Worst case liability (£)	Probability (%)	Provision 2016/17
		£	%	£
ALL SERVICES				
1	General contingency	N/A	100	138,000
				138,000
CORPORATE STRATEGY				
2	Waste contract inflation costs	46,400	95	44,080
				44,080
FINANCE				
3	Housing benefit bad debt provision	98,000	95	93,000
				93,000
LEGAL AND DEMOCRATIC				
4	External legal costs	47,000	95	44,650
5	By-elections	14,000	50	7,000
6	Code of conduct investigations	5,000	25	1,250
				52,900
PLANNING				
7	Landscape Officer	15,000	70	10,500
8	Growth Board Programme Manager contribution	10,000	95	9,500
				20,000
Overall total				**347,980**

Vale of White Horse DC - 2017/18 revenue growth bids

No	Title of bid	Summary	One-off or ongoing	Vale only or joint bid?	Spending profile:				
					2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
CORPORATE STRATEGY AND WASTE									
1	**Beacon Coffee Shop**	To appoint additional staff resource at the Beacon to enable us to open longer hours, take more bookings and ensure adequate holiday cover	One-off	Vale Only	23,712	11,856	0	0	0
		The cost is partially offset by increased income			(11,300)	(5,650)	0	0	0
2	**Deep Cleanse**	To continue with the Deep Clean scheme which has been operating as a trial during 2016/17.	Ongoing	Vale Only	80,000	80,000	80,000	80,000	80,000
3	**New Homes Bonus**	To set a budget of £100,000 in 2017/18 to continue to award New Homes Bonus Community Grants.	One-off	Vale Only	100,000	0	0	0	0
4	**Grass Cutting**	To continue maintaining OCC highway verges in the main urban areas to the same standard currently provided.	One-off	Vale Only	25,000	25,000	25,000	0	0
5	**Leisure projects officer post**	This post was agreed in 2012 to deliver capital leisure projects including the new leisure facility in Didcot. Initially the salary budget was agreed for five years but due to the delays encountered is now required on an ongoing basis.	Ongoing	Joint	24,864	24,864	24,864	24,864	24,864
6	**Leisure officer post 0.4FTE**	A 0.4 FTE leisure officer to help plan local community leisure facilities development projects.	One-off	Vale Only	20,000	0	0	0	0
					262,276	**136,070**	**129,864**	**104,864**	**104,864**

DEVELOPMENT AND HOUSING									
1	**Development and regeneration administrative support**	Recruit one grade 2-3 admin support officer for the whole of Development and Regeneration team	Ongoing	Joint	15,500	15,500	15,500	15,500	15,500
					15,500	**15,500**	**15,500**	**15,500**	**15,500**

FINANCE									
1	**Emergency planning officer**	The purpose of this bid is to increase the current joint staff resource for emergency planning from 0.5FTE to 1FTE. The post is in the establishment list at G5 SCP 27, and the current EPO is seconded from OCC.	Ongoing	Joint	7,671	7,671	7,671	7,671	7,671
					7,671	**7,671**	**7,671**	**7,671**	**7,671**

Vale of White Horse DC - 2017/18 revenue growth bids

No	Title of bid	Summary	One-off or ongoing	Vale only or joint bid?	Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
HR, IT & TECHNICAL									
1	**Strategic advice for key projects**	To ensure that the Vale Council receives the correct strategic property advice and associated external legal advice in respect of the redevelopment of Botley and Charter area in Abingdon, including regeneration review work for Vale holdings in the wider central Abingdon area.	One-off	Vale only	50,000	50,000	0	0	0
2	**Condition survey**	To carry out condition surveys on council properties in order to determine future maintenance needs.	One-off	Joint	48,000	0	0	0	0
					98,000	**50,000**	**0**	**0**	**0**

No	Title of bid	Summary	One-off or ongoing	Vale only or joint bid?	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
PLANNING									
1	**Building Control Surveyor (trainee)**	As part of developing our own staff and to address a gap in the lack of qualified and experienced building control surveyors, the service has a strategy to 'grow our own' staff, support them through training and offer them career potential within the service	Ongoing	Joint	12,000	12,000	12,000	12,000	12,000
	CIL Support officer	We currently have a temporary role for SODC until March 2017 (no budget), who checks all applications at registration stage whether the proposed development is CIL liable including floor space measurements. This has to be agreed with applicants, which is time consuming and challenging as every sqm affects the £ and CIL income. We have piloted work this year to see how we can absorb the additional work, but it is apparent at this stage, with it being new, that it is time consuming and it has taken nearly a full time position. We believe there are efficiencies and a post can achieve this work for the two councils. This work can be funded from CIL admin income applied as part of the CIL charge.	Ongoing	Joint	14,000	14,000	14,000	14,000	14,000
		The cost will be matched by an increase in CIL income	Ongoing	Joint	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)

Page 84

Vale of White Horse DC - 2017/18 revenue growth bids

No	Title of bid	Summary	One-off or ongoing	Vale only or joint bid?	Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
PLANNING continued									
3	**Planning Appeals support**	Both councils have had an increase in planning appeals, albeit at Vale we expect this to reduce once we have an adopted plan, however developers will continue to challenge the plan until we have an adopted LPP2. This is demanding officer time and costs for temp additional resources/witnesses for both councils. We have an appeals officer to assist the professional witnesses and ensure we challenge cost cases. However, we need a planner to assist on some common aspects like the provision of our 5YHLS,working with the monitoring officer (non planner). This is a temp post for 2 years while we experience this intense period of appeals at both councils. This post will take some pressure off experienced planners who need to focus on the important planning arguments in the appeal.	Ongoing	Joint	12,000	12,000	0	0	0
4	**Major application and planning officers (keep existing posts)**	Three years ago we had an influx of major applications which followed our position on 5YHLS, and our income budget has increased. The funding originally secured for these posts fall out 2017/18. The workload and income continues and we anticipate this work to continue in delivering allocated LPP1 and eventually LPP2 development sites. There are 5.5 posts (2.5x majors,1x senior,2x enq officers (latter deal with condition discharges on major apps). These roles mean we can deal with customer applications and maintain our performance that meet Govt. targets.	Ongoing	Vale only	254,000	254,000	254,000	254,000	254,000
		Increase in planning income			(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
5	**S106 Monitoring Officer**	Significant work has been undertaken to capture and monitor all our S106 agreements, secured, receipts and expenditure, with live data online and regular reports (six monthly) to Town & Parishes' and Cabinet/Cabinet member. Current post is funded until 31 March 2017. Some funding exists as an obligation to support the post in most s106 agreements and as the post holder assists with CIL demand notices and the managing of CIL income/expenditure, the post can be part funded by CIL. However 50% of the post needs to be funded elsewhere. (CIL in place at South, generating income, Vale expected to commence April/May 2017) Post is shared 50:50	Ongoing	Joint	18,000	18,000	18,000	18,000	18,000
		The cost will be partly matched by S106 income of £6,000 and an increase in CIL income of £2,000	Ongoing	Joint	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)

Vale of White Horse DC - 2017/18 revenue growth bids

No	Title of bid	Summary	One-off or ongoing	Vale only or joint bid?	Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
PLANNING continued									
6	**Neighbourhood planning support**	To provide planning officer and community engagement officer support to the neighbourhood planning role, dealing with the planning process, updating tool kit and funding regime and assisting external bids for funding.	One-off	Joint	38,000	38,000	38,000	38,000	0
7	**Transport feasibility studies**	Feasibility studies on transport schemes - critical to supporting housing delivery. A programme showing how funds are proposed to be spent this financial year and next is attached. For those studies that are jointly funded, it is recognised that cabinet members will need to be satisfied of measurable outputs before any funds are transferred to the County.	Ongoing	Joint	50,000	50,000	50,000	50,000	50,000
					276,000	**276,000**	**264,000**	**264,000**	**226,000**
	TOTAL				**659,447**	**485,241**	**417,035**	**392,035**	**354,035**

Vale of White Horse DC - 2017/18 revenue savings proposals

No	Title of bid	Summary	One-off or ongoing?	Vale only or joint bid?	Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
CORPORATE STRATEGY AND WASTE									
1	Festival & Event Grant Scheme	This proposal is to reappraise funding given to discretionary events and festivals grants (up to £1,000 per event) to community groups (excluding parish and town councils).	Ongoing	Vale	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
					(5,000)	**(5,000)**	**(5,000)**	**(5,000)**	**(5,000)**
PLANNING									
1	Reduced printing costs	To reduce printing off planning application details to send off to town and parishes and save costs/staffing costs.	Ongoing	Joint	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)
2	Provision of neighbourhood planning training sessions	To provide (chargeable) regular and repeat neighbourhood planning training for councillors/town & parishes outside our organisations about how to start/set up a Neighbourhood Development Plan	Ongoing	Joint	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
3	Provision of back up registration service	Following the sustainable success of registering planning applications within 24hrs, we could provide this back-up service virtually to other councils.	Ongoing	Joint	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
4	Provision of consultancy design service and training	Using our nominated South Urban Design Guide and, Vale's recent Design Guide, we can provide a chargeable service to other councils for developing design guides and (in due course) advise on scheme design/layout to address planning issues for other Local Planning Authorities.	Ongoing	Joint	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
5	Provision of councillor training sessions on planning	To provide chargeable regular and repeat planning training for councillors outside our organisations about the planning application process, material planning considerations and permitted development.	Ongoing	Joint	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
					(42,500)	**(42,500)**	**(42,500)**	**(42,500)**	**(42,500)**
	GRAND TOTAL				**(47,500)**	**(47,500)**	**(47,500)**	**(47,500)**	**(47,500)**

Vale of White Horse DC Service budget analysis 2017/18		
Budget head	**Base Budget £**	**Final Budget £**
Corporate strategy		5,117,230
5 Councils partnership		2,171,864
Development & Housing		1,223,057
Finance		395,679
HR IT & Technical		1,135,662
Legal & democratic services		1,308,135
Planning		1,253,862
Strategic management board		670,733
Managed Vacancy Factor		(177,554)
Contingency		347,980
Net cost of delivering services		**13,446,649**
Gross treasury income		(379,160)
Borrowing costs		63,273
Net expenditure		**13,130,762**
Government grant funding:		
New Homes Bonus	(4,149,782)	
Transfer to reserves		
Election equalisation reserve	40,000	
New Homes Bonus	4,149,782	
Funding from existing resources:		
Use of earmarked reserves	(389,417)	
New home bonus	(1,759,664)	
Contribution to/from General fund balances	(1,885,666)	
		(3,994,747)
Budget funding requirement		**9,136,015**

VALE OF WHITE HORSE DISTRICT COUNCIL
CAPITAL PROGRAMME TO 31 MARCH 2022 LAST UPDATED 23 JANUARY 2017

	2016/17 Original Budget £000	2016/17 Latest Budget £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
APPROVED PROGRAMME							
Strategic Management Board	25	0	113	0	0	0	0
Client Team	1,814	476	1,388	0	0	0	0
Corporate Strategy	5,699	5,055	10,410	5,479	1,499	1,410	1,229
Development and Housing	1,776	263	1,505	0	0	0	0
Finance	224	325	0	0	0	0	0
HR, IT and Technical Services	1,298	914	1,335	1,045	695	45	45
Legal and Democratic Services	55	0	55	0	0	0	0
Planning	32	32	0	0	0	0	0
Contingency	0	1,500	0	0	0	0	0
TOTAL APPROVED PROGRAMME	10,923	8,565	14,806	6,524	2,194	1,455	1,274
Cumulative Total Budget							34,818
CAPITAL FINANCING							
Wallingford St, Wantage		15					
Public arts projects funded by developer contributions	8	0					
Wantage Leisure Facilities, funded from developer contribution	46	0	46				
Chilton Public Art, funded from developer contribution	73	68					
Great Western Park public art, funded from developer contribution	156	156					
Wantage/Grove Leisure Facility			1,250	1,250			
Abingdon Swim & Play		45					
Support development of social housing, funded from developer contributions	305	305					
Mandatory Disabled Facilities Grants, government funding	523	1,113	523	523	523	523	523
Community Safety Partnership grants LAA1 CDRP funding	0	6					
Electronic delivery of planning service PDG	22	22					
Cyclepath Willow Walk, funded from developer contribution		48					
Revenue funding 2016/17	1,143	1,143					
Balance from capital receipts	5,644	5,644	902	0	0	0	0
Balance from borrowing			2,742	4,751	57		
Balance from New Homes Bonus	3,003	0	9,343	0	1,614	932	751
GRAND TOTAL	10,923	8,565	14,806	6,524	2,194	1,455	1,274

S:\Budget Setting\2017-18\VOWH\Cabinet & Council\Appendix D.1 Capital Programme - VALE Budget for COUNCIL 15.2.17.xlsxCapital prog

VALE OF WHITE HORSE DISTRICT COUNCIL
CAPITAL PROGRAMME TO 31 MARCH 2022 LAST UPDATED 23 JANUARY 2017

	2016/17 Original Budget £000	2016/17 Latest Budget £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Capital receipts b/f from previous year		5,467	902	0	0	0	0
projected increase in capital receipts in year		1,079	0	0	0	0	0
capital receipt balance to c/f		902	0	0	0	0	0
Strategic Management Board							
North Hinksey Rail Crossing		0	83				
Fencing at Redbridge Hollow		0	5				
New Website	25	0	25				
	25	0	113	0	0	0	0
Client Team							
Facilities							
Gas Boiler	21	18					
IT Operations							
IT Infrastructure (improvements identified under FftF)	150	26					
Licensing							
Licensing software project		3					
Car Parking							
Car park lighting improvements	60	59	30				
Changes to Rye Farm car park	45	45					
Car Park Signs		15					
Charter Car Park Lift		36					
Car Park Expansion			0				
Renovation Charter Car Park	800	25	775				
Property							
Essential Refurbishment of Operational Property Assets	150	174					
Wallingford St, Wantage		70					
Abingdon Riverbank Repairs	588	5	583				
	1,814	476	1,388	0	0	0	0

S:\Budget Setting\2017-18\VOWH\Cabinet & Council\Appendix D.1 Capital Programme - VALE Budget for COUNCIL 15.2.17.xlsxCapital prog

VALE OF WHITE HORSE DISTRICT COUNCIL
CAPITAL PROGRAMME TO 31 MARCH 2022 LAST UPDATED 23 JANUARY 2017

	2016/17 Original Budget £000	2016/17 Latest Budget £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Corporate Strategy							
Waste Services							
New and Upgraded Parks Facilities	15	15	15	15	15	15	15
Additional Wheeled Bins for New Properties	74	74	74	74	74	74	74
Additional Kerbside Recycling		11					
Community Grants							
Community Grants Fund	100	20	100	100	100	100	100
Community Grants 2015/16		105					
Community Grants 2016/17		100					
Parks & Open Spaces							
Wantage Memorial Park		68	9				
Pye Street Play Area		77					
Replacement Play Equipment	30	30	30	30			
Public Sector Housing							
Disabled Facilities Grants	950	1,713	950	950	950	950	950
Home Repairs Target	90	70	90	90	90	90	90
Civic Hall							
Wantage Civic Hall Capital Works	20	24	20	20	20		0
Leisure							
WHLTC Car Park Extension	3	2	10				
Wantage Leisure Facilities	46	0	46				
Leisure Centre Essential Works	440	660	0	0	250	0	0
Wantage leisure centre capital investment		20	94				
WHLTC capital investment	82	135	123			0	
Faringdon leisure centre capital investment	717	42	15				
Wantage/Grove Leisure Facility	610	0	7,730	4,200	0	0	
Abbey Meadows and Gardens Improvements	500	290	210				
Fitness Extension Development WHLC	1,328	1,265	75				
WHLC additional fitness equipment	137	102					
WHLC Gym equipment replacement	246	158					
WHLC gym equipment upgrade						181	
Faringdon LC gym equipment replacement	127	20					

VALE OF WHITE HORSE DISTRICT COUNCIL
CAPITAL PROGRAMME TO 31 MARCH 2022 LAST UPDATED 23 JANUARY 2017

	2016/17 Original Budget £000	2016/17 Latest Budget £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Leisure continued							
Faringdon LC gym equipment upgrade	64	0					
Faringdon LC squash court	75	0	78				
Wantage LC gym equipment replacement							
Abingdon Swim & Play	45	45					
Faringdon Pitch		9	741				
	5,699	5,055	10,410	5,479	1,499	1,410	1,229

Development and Housing

Housing Initiatives							
Housing Association Programme	387	0	387				
Open Market Homebuy Scheme	42	50	26				
Refurbish Abingdon Temporary Accommodation	252	133	17				
Housing Register & Homelessness							
Online Housing Applications		13					
Implementation of Online Housing Advice		13					
Housing Allocations		0	13				
Refurbish Tiverton House	175	39	135				
Housing Abingdon	920	0	920				
Elmside Hostel, Faringdon		15	7				
	1,776	263	1,505	0	0	0	0

VALE OF WHITE HORSE DISTRICT COUNCIL
CAPITAL PROGRAMME TO 31 MARCH 2022 LAST UPDATED 23 JANUARY 2017

	2016/17 Original Budget £000	2016/17 Latest Budget £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Finance							
Fixed Asset System		4					
Arts Development							
Chilton Public Art	68	68					
Great Western Park Public Art	156	156					
Public Arts projects		97					
	224	325	0	0	0	0	0
HR, IT and Technical Services							
Flooding/Drainage/STWs							
Flood Prevention	105	163	45	45	45	45	45
Sewage Works	17	17					
Upgrade of Sewage Treatment Works - Challow & Sparsholt	47	47					
Woodlands watercourse	30	30					
Abingdon Flood Relief	90	350	500	1,000	650		
Sparsholt Sewage Works	200	0	200				
Economic Development							
Wi-fi for Vale Towns	4	4					
Broadband	145	145					
Climate Change							
Energy reduction plan		18					
Mobile Home Parks							
Development of Additional Plots at MHP	440	0	440				
Public Conveniences							
Wantage PC		70					
Abbey Meadows Public Convenience	70	70					
Improvements to Charter WC	150	0	150				
	1,298	914	1,335	1,045	695	45	45

VALE OF WHITE HORSE DISTRICT COUNCIL
CAPITAL PROGRAMME TO 31 MARCH 2022 LAST UPDATED 23 JANUARY 2017

	2016/17 Original Budget £000	2016/17 Latest Budget £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Legal and Democratic Services							
Community Safety/CCTV							
CCTV Capital Works	49	0	49				
Community Safety Partnership Grants	6	0	6				
	55	0	55	0	0	0	0
Planning							
Electronic Delivery of Planning Service	22	22					
Capture Planning Constraints	10	10					
	32	32	0	0	0	0	0
Contingency							
Capital Contingency		1,500					
	0	1,500	0	0	0	0	0

Vale of White Horse DC - 2017/18 capital growth bids

Appendix D.2

No	Title of bid	Summary	One-off or rolling	Vale only or joint bid?	CAPITAL SPEND Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	REVENUE CONSEQUENCES Spending profile: 2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
CORPORATE STRATEGY & WASTE														
1	**Wantage and Grove leisure centre**	To increase the existing capital budget for the new leisure centre serving Wantage and Grove residents.	One-off	Vale Only	0	2,034,385	3,805,840	1,033,288	0					
2	**Leisure Centres Essential Works**	To undertake the priority one and two works identified in recent condition surveys undertaken at our leisure centres. These were completed to establish the structural condition, mechanical, electrical and specialist plant and machinery. These works will maintain the integrity of the buildings and replace and update the plant and machinery in a controlled way rather than having to react once something fails unexpectedly. The leisure facilities are aging and so require increased upkeep.	One-off	Vale Only	450,000	300,000	50,000	300,000	300,000					
3	**Beacon's rolling essential works**	To extend the Beacon's rolling essential works capital programme to 2021/22. We currently have a five year rolling programme and this bid seeks to secure a budget for the fifth year of that programme to ensure continuity of improvements going forward.	Rolling	Vale Only	0	0	0	0	30,000					
4	**Abbey Meadow Outdoor Pool works**	Following the commitment to undertake essential works to Abbey Meadow Outdoor Pool, a capital budget is required to fund this work. The amount requested in the bid is the anticipated sum for the elements of the work to be undertaken during 2017/18.	One-off	Vale Only	1,300,000									
					1,750,000	**2,334,385**	**3,855,840**	**1,333,288**	**330,000**	**0**	**0**	**0**	**0**	**0**
LEGAL & DEMOCRATIC														
1	**Oxfordshire CCTV Hub**	Estimated capital contribution to create an Oxfordshire CCTV control room at Abingdon police station. It is proposed that the control room would monitor approximately 300 cameras for Cherwell, Oxford City, South and Vale, West.	One-off	Joint	50,000									
					50,000	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	GRAND TOTAL				**1,800,000**	**2,334,385**	**3,855,840**	**1,333,288**	**330,000**	**0**	**0**	**0**	**0**	**0**

Medium Term Financial Plan to 2021/22

	A	B	C	D	E	F
1	**Vale of White Horse District Council**	**Budget**	**Indicative**	**Indicative**	**Indicative**	**Indicative**
2		**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
3		**£**	**£**	**£**	**£**	**£**
4	**Base budget**					
5	Corporate strategy	4,991,175	4,991,175	4,991,175	4,991,175	4,991,175
6	5 Councils partnership	1,557,460	1,557,460	1,557,460	1,557,460	1,557,460
7	Development & housing	802,554	802,554	802,554	802,554	802,554
8	Finance	221,596	221,596	221,596	221,596	221,596
9	HR, IT, & technical	1,084,559	1,084,559	1,084,559	1,084,559	1,084,559
10	Legal and democratic	1,267,860	1,267,860	1,267,860	1,267,860	1,267,860
11	Planning	1,199,015	1,199,015	1,199,015	1,199,015	1,199,015
12	Strategic management board	369,930	369,930	369,930	369,930	369,930
13	Managed vacancy factor	(185,210)	(185,210)	(185,210)	(185,210)	(185,210)
14	Contingency	592,598	592,598	592,598	592,598	592,598
15	**Total base budget**	**11,901,537**	**11,901,537**	**11,901,537**	**11,901,537**	**11,901,537**
16	**Revisions to base budget**					
17	Opening budget adjustments	(1,299,053)	(1,770,528)	(1,851,551)	(2,174,551)	(2,165,551)
18	Inflation, salary increments and adjustments	158,917	354,711	533,081	704,128	876,422
19	Essential growth - one-off	614,558	227,421	148,539	23,444	0
20	Essential growth - ongoing	1,798,744	2,425,222	1,721,413	1,657,318	1,553,330
21	Base budget savings	(194,018)	(194,018)	(194,018)	(194,018)	(194,018)
22	Movement in revenue contingency	(153,642)	(153,642)	(153,642)	(153,642)	(153,642)
23	Movement in managed vacancy factor	7,659	7,659	7,659	7,659	7,659
24	**Total revised base budget**	**12,834,702**	**12,798,362**	**12,113,018**	**11,771,875**	**11,825,737**
25	**Growth, savings and other budget adjustments**					
27	Growth ***proposals***					
28	Revenue - one-off	293,412	119,206	63,000	38,000	0
29	Revenue - ongoing	366,035	366,035	354,035	354,035	354,035
30	Capital (revenue consequences of)	0	0	0	0	0
32	Savings ***proposals***	(47,500)	(47,500)	(47,500)	(47,500)	(47,500)
33	Assumed future essential growth	0	500,000	1,000,000	1,500,000	2,000,000
34	**Net cost of services**	**13,446,649**	**13,736,103**	**13,482,553**	**13,616,410**	**14,132,272**
35	Gross treasury income	(379,160)	(304,380)	(331,500)	(360,040)	(355,000)
36	Borrowing cost					
37	Minimum Revenue Provision (MRP)*	0	0	0	445,229	445,229
38	Interest	63,273	224,319	376,091	430,091	430,091
39	**Net expenditure**	**13,130,762**	**13,656,042**	**13,527,144**	**14,131,690**	**14,652,591**
40	New Homes Bonus	(4,149,782)	(4,364,901)	(5,652,257)	(6,405,191)	(6,782,175)
41	Transfers to / (from) earmarked reserves	2,040,701	(105,900)	1,490,330	1,931,774	2,179,048
42	**Amount to be financed**	**11,021,681**	**9,185,241**	**9,365,217**	**9,658,273**	**10,049,464**
43	**Financing**					
44	Revenue support grant	(512,717)	(164,795)	0	0	0
45	Business rates retention scheme	(2,211,688)	(2,276,935)	(2,349,710)	(2,396,704)	(2,444,638)
46	**Total start-up funding allocation**	**(2,724,405)**	**(2,441,730)**	**(2,349,710)**	**(2,396,704)**	**(2,444,638)**
47	Less - Parish share of council tax support grant	40,149	0	0	0	0
48	Less - tariff adjustment	0	0	223,854	228,331	232,898
49	Add - renewable energy	(237,000)	(237,000)	(237,000)	(237,000)	(237,000)
50	+ / - estimated NNDR over/under collection	165,877	170,770	176,228	179,753	183,348
51	Collection fund (surplus)/deficit	(368,419)	(300,000)	(300,000)	(300,000)	(300,000)
52	**Council tax requirement before use of reserves**	**7,897,882**	**6,377,282**	**6,878,589**	**7,132,652**	**7,484,072**
53	Use of general fund balance	(1,885,666)	52,529	(12,890)	60,454	52,091
55	**Council tax requirement after use of reserves**	**6,012,216**	**6,429,811**	**6,865,700**	**7,193,107**	**7,536,162**
56	Tax base	49,406.0	50,752.3	52,135.3	53,556.0	55,015.4
57	Band D Council tax (£)	121.69	126.69	131.69	134.31	136.98
58	Council tax increase from previous year	4.3%	4.1%	3.9%	2.0%	2.0%
59	**Reserves at year end**					
60	opening GFB	(3,198,741)	(1,313,075)	(1,365,604)	(1,352,714)	(1,413,169)
61	General fund balance	(1,313,075)	(1,365,604)	(1,352,714)	(1,413,169)	(1,465,259)
62	Earmarked revenue reserves	(2,482,835)	(2,376,935)	(2,253,265)	(1,920,039)	(3,018,087)
63	* Minimum Revenue Provision (MRP) represents provision for repayment of debt principal					

RESERVES FUNDING

Appendix F.2

Earmarked revenue reserves (ER)	**Budgeted Balance 31.3.16 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.17 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.18 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.19 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.20 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.21 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.22 £**
Building Regulations Trading	0				0				0				0				0				0				0.00
Community Grants Awards	(27,000)				(27,000)				(27,000)				(27,000)				(27,000)				(27,000)				(27,000)
Election Equalisation reserve	0	(40,000)			(40,000)	(40,000)			(80,000)	(40,000)	20,000		(100,000)		100,000		0	(40,000)			(40,000)	(40,000)			(80,000)
Local Development Framework	(153,000)				(153,000)				(153,000)				(153,000)				(153,000)				(153,000)				(153,000)
Rent Deposit Guarantee Scheme	(12,000)				(12,000)				(12,000)				(12,000)				(12,000)				(12,000)				(12,000)
Reservoir reserve	(10,000)				(10,000)				(10,000)				(10,000)				(10,000)				(10,000)				(10,000)
Insurance excess reserve	(49,000)				(49,000)				(49,000)				(49,000)				(49,000)				(49,000)				(49,000)
Cabinet Grant Fund	(50,000)				(50,000)				(50,000)				(50,000)				(50,000)				(50,000)				(50,000)
Besselsleigh Wood management	(1,000)				(1,000)				(1,000)				(1,000)				(1,000)				(1,000)				(1,000)
Essential growth grant funding	(528,500)				(528,500)		389,417		(139,083)		94,083		(45,000)		15,000		(30,000)		15,000		(15,000)		15,000		0.00
Leisure	0	(1,142,902)		1,142,902	0				0				0				0				0				0.00
Total ER	**(830,500)**	**(1,182,902)**	**0**	**1,142,902**	**(870,500)**	**(40,000)**	**389,417**	**0**	**(521,083)**	**(40,000)**	**114,083**	**0**	**(447,000)**	**0**	**115,000**		**(332,000)**	**(40,000)**	**15,000**	**0**	**(357,000)**	**(40,000)**	**15,000**	**0**	**(382,000)**
Revenue Government Grant	**Budgeted Balance 31.3.16 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.17 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.18 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.19 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.20 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.21 £**	Budgeted Contrib to funds £	Budgeted Use of Funds £	Funding to capital £	**Budgeted Balance 31.3.22 £**
New Homes Bonus (NHB)									0				0				0				0				0
Service and Infrastructure reserve	(7,093,076)	(3,700,960)	2,553,642		(8,240,394)	(3,921,022)	1,759,664	9,343,000	(1,058,752)	(4,108,365)	4,396,718	0	(770,399)	(5,296,469)	4,046,927	1,614,000	(405,941)	(5,968,110)	4,498,417	2,265,000	389,366	(6,275,010)	4,628,127	1,081,000	(176,517)
Affordable Homes element	(445,760)	(228,480)			(674,240)	(228,760)			(903,000)	(256,536)			(1,159,536)	(355,788)			(1,515,324)	(437,081)			(1,952,405)	(507,165)			(2,459,570)
Total NHB	**(7,538,836)**	**(3,929,440)**	**2,553,642**	**0**	**(8,914,634)**	**(4,149,782)**	**1,759,664**	**9,343,000**	**(1,961,752)**	**(4,364,901)**	**4,396,718**	**0**	**(1,929,935)**	**(5,652,257)**	**4,046,927**	**1,614,000**	**(1,921,265)**	**(6,405,191)**	**4,498,417**	**2,265,000**	**(1,563,039)**	**(6,782,175)**	**4,628,127**	**1,081,000**	**(2,636,087)**
Overall total	**(8,369,336)**	**(5,112,342)**	**2,553,642**	**1,142,902**	**(9,785,134)**	**(4,189,782)**	**2,149,081**	**9,343,000**	**(2,482,835)**	**(4,404,901)**	**4,510,801**	**0**	**(2,376,935)**	**(5,652,257)**	**4,161,927**	**1,614,000**	**(2,253,265)**	**(6,445,191)**	**4,513,417**	**2,265,000**	**(1,920,039)**	**(6,822,175)**	**4,643,127**	**1,081,000**	**(3,018,087)**

Council Report

Report of Head of HR, IT and Technical Services

Author: Andrew Down

Telephone: 01235 422300

E-mail: andrew.down@southandvale.gov.uk

To: Council

Date: 15 February 2017

Pay policy statement 2017-18

Recommendation

That Council approve the attached statement of pay policy for 2017-18.

Purpose of report

1. The Localism Act 2011 requires the council to produce and publish annually a pay policy statement. By approving the attached statement the council will discharge this responsibility.

Background

2. The purpose of the pay policy statement is to promote transparency on public sector pay, particularly in relation to remuneration of senior officers. Comparisons are also made with the remuneration of the lowest paid employees and with average salaries.

3. The pay policy statement must be approved by 31 March each year, by a meeting of the full council. The pay policy statement may be amended during the year by further resolution of the council.

4. Once approved, the pay policy statement must be published on the council website and by any other means that the council sees fit.

5. Because officers of each council are placed at the disposal of the other and their costs are shared, the pay policy statement attached has been drafted jointly with South Oxfordshire District Council.

Recommendation

6. Council is asked to approve the pay policy statement for 2017-18.

Background papers

None

Pay Policy Statement for 2017-18

INTRODUCTION

1. This is a joint statement of South Oxfordshire and Vale of White Horse District Councils.

2. The Localism Act 2011 requires each council to produce and publish annually a pay policy statement. The statement must be approved by 31 March each year, by a meeting of the full council, and must then be published on the council's website. The pay policy statement may be amended during the year by further resolution of the council.

3. The pay policy statement must as a minimum include details of the council's policy on:

    - the remuneration of its chief officers

    - the remuneration of its lowest-paid employees

    - the relationship between the remuneration of its chief officers and other officers.

4. For the purposes of the Localism Act 2011 and this statement, the term "chief officers" is defined by Section 2 of the Local Government and Housing Act 1989. For these councils, the term "chief officers" refers to the chief executive and heads of service.

5. Chief officers may be employed by either council, and are placed at the disposal of the other by means of an agreement made under Section 113 of the Local Government Act 1972.

MANAGEMENT STRUCTURE

6. It is likely that a new management structure will be proposed during 2017-18. This may require changes to the pay policy statement, to be detailed in a report when the time comes.

REMUNERATION OF CHIEF OFFICERS

7. Chief officers are paid a spot salary. The spot salaries which apply for the whole of 2017-18 are increased by 1.3 per cent from the 2016-17 salaries, and are as follows:

- chief executive: £141,820
- heads of service: £79,601.

8. Where heads of service have previously received additional allowances for the responsibilities of monitoring officer or Section 151 officer, their total salaries may be protected at a higher level.

9. Chief officers do not receive any performance-related pay or bonuses.

10. The chief executive has been appointed as the councils' returning officer. In this role he receives additional remuneration, which varies from year to year. He may also employ other chief officers to support him in his work. Fees payable for district and parish council elections have been agreed by each council. Fees for other types of election are agreed and payable by the government or other bodies such as Oxfordshire County Council.

11. Chief officers do not receive essential car user allowances, overtime, on-call or stand-by payments.

12. On recruitment of a new head of service within the current management structure, the gross base salary on recruitment will be the spot salary stated in paragraph 7, though this may be varied if an interim appointment is made.

13. On recruitment of a new chief executive, the gross base salary will be determined by the Joint Staff Committee.

14. In the event of a chief officer's post becoming redundant, any severance payment will be made on the same basis as to any other employee, according to the councils' organisational change policy. Other than any pension to which they are statutorily entitled, no other payments will be made to chief officers on their ceasing to be employees of the council unless in settlement of any dispute.

15. Chief officers' contributions to the Local Government Pension Scheme (LGPS) are determined by their salary and by the rules of the scheme. For those who are members of the LGPS and paying contributions on the whole of their salary, heads of service currently pay 9.9 per cent of their salary into the scheme, while the chief executive pays 11.4 per cent.

16. No enhancements will normally be paid to chief officers' pensions other than in the event of a chief officer being offered early retirement on efficiency grounds, and only then with the approval of the Joint Audit and Governance Committee.

17. The councils will not re-employ a chief officer who has left their employment and is now drawing a local government pension, unless there are exceptional circumstances.

LOWEST-PAID EMPLOYEES

18. The lowest salary paid for 2017-18 to staff currently on the payroll will be £14,071. The chief executive's salary is thus 10.1 times the salary of the lowest-paid member of staff.

REMUNERATION OF CHIEF OFFICERS COMPARED WITH OTHER OFFICERS

19. Employees who are not chief officers are paid according to locally agreed pay scales, with annual increments paid until the employee reaches the top of the scale. These pay scales will increase by 1.3 per cent with effect from 1 April 2017.

20. The Department for Communities and Local Government (DCLG) published in February 2015 a code of recommended practice for local authorities on data transparency. This code of practice recommends publishing the "pay multiple", the ratio between the highest paid salary and the median average salary of the whole of the authority's workforce. For these councils the median salary during 2017-18 will be £33,225 (based on current data). The pay multiple defined above is thus 4.27.