

# Cabinet Agenda



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Date: 28 January 2016  
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## A meeting of the **Cabinet**

will be held on Friday, 5 February 2016 at 10.00 am  
Meeting Room 1, 135 Eastern Avenue, Milton Park, Milton, OX14 4SB

### Cabinet Members:

#### Councillors

Matthew Barber (Chairman)  
Roger Cox (Vice-Chairman)  
Eric Batts  
Charlotte Dickson

Mohinder Kainth  
Sandy Lovatt  
Mike Murray  
Elaine Ware

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A handwritten signature in black ink, appearing to read 'M Reed', written in a cursive style.

Margaret Reed  
Head of Legal and Democratic Services

## Agenda

### Open to the Public including the Press

#### Council's vision

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

## **1. Apologies for absence**

To receive apologies for absence.

## **2. Minutes**

To adopt and sign as a correct record the minutes of the Cabinet meeting held on 18 January 2016 (previously published).

## **3. Declarations of interest**

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

## **4. Urgent business and chairman's announcements**

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

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

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

## **6. Treasury management mid-year monitoring report 2015/16**

(Pages 3 - 10)

To consider the head of finance's report.

## **7. Treasury management and investment strategy 2016/17**

(Pages 11 - 38)

To consider the head of finance's report.

## **8. Budget 2016/17**

(Pages 39 - 75)

To consider the head of finance's report.

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

None

# Joint Audit and Governance Committee



Report of Head of Finance



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

DATE: 25 Jan 16 by Joint Audit and Governance Committee  
4 Feb 16 (S) / 5 Feb 16 (V) by Cabinet  
17 Feb 16 (V) / 18 Feb 16 (S) by Council

## Treasury management mid-year monitoring report 2015/16

### Recommendations

That Joint Audit and Governance committee:

1. notes the treasury management mid-year monitoring report 2015/16, 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 2015/16 and an update on the current economic conditions with a view to the remainder of the year.

## Strategic objectives

- An effective treasury management strategy is required in order to meet our strategic objective of managing our business effectively. Managing the finances of the authority in accordance with the treasury management strategy will help to ensure that appropriate and sufficient resources are available to deliver its services and meet the council's other strategic objectives, whilst allowing surplus funds to be prudently invested to provide a return on investment that contributes to each council's medium term financial plan.

## Background

- 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 2015 to 30 September 2015.
- The 2015/16 treasury management strategy was approved by each council in February 2015. This report summarises the treasury activity and performance for the first six months of 2015/16 against those prudential indicators and benchmarks set for the year. It 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

- The mid-year performance of the two councils is summarised in the table below.

	<b>1 April 2015 to 30 September 2015</b>	<b>South Oxfordshire District Council</b>	<b>Vale of White Horse District Council</b>
1	Average investment balance	£125,148,000	£40,741,769
2	Budgeted investment income	£1,044,000	£205,820
3	Actual investment income	£1,065,000	£266,047
4	Surplus/(deficit)	£21,000	£60,227
5	Rate of return	1.70%	1.31%
6	Benchmark rate of return: 3 month LIBID	0.45%	
7	Borrowing	Nil	Nil

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

	<b>South Oxfordshire District Council</b>	<b>Vale of White Horse District Council</b>
Annual budget as per MTFP	£2,088,000	£411,640
Forecast outturn	£2,386,700	£530,000
Variance against budget	£298,700	£118,360
Borrowing	Nil	Nil

- As a result of the many banking downgrades, there are now fewer financial institutions meeting the council's 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.

### **Performance measurement**

8. A list of current investments as at 30 September is shown 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.

### **Icelandic banks**

#### **SODC – Kaupthing Singer & Friedlander**

9. SODC has now received £2,144,488 in respect of the claim for £2.6 million (£2.5 million investment plus interest) from the investment made with the failed Icelandic bank Kaupthing Singer & Friedlander (KSF).
10. The administrators intend to make further payments at regular intervals. The last dividend was paid on 10 December 2014. The administrators have not advised when the next instalment will be paid. The estimated total amount to be recovered is forecast to be in the range of 85p to 86.5p in the pound. This equates to between £2,236,209 and £2,275,671.

#### **VWHDC – Landsbanki hf**

11. VWHDC disposed of the majority of its claim against the administrators of Landsbanki hf last year. Due to restrictions on repatriating Icelandic Kroner (ISK) back to UK or other tradable currencies, there is a small balance held in an escrow account in Iceland. The current value of this is assessed as £7,822.

### **Treasury management limits on activity**

12. 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.

### **Debt activity during 2015/16**

13. During the first six months of 2015/16 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 annex C 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**

14. Recent economic data has shown continued growth in UK GDP, improving sentiment in the services and construction sectors and falling levels of unemployment. Despite

this, the Bank of England's Monetary Policy Committee continues to take a cautious view on rates and the projection from the council's treasury advisors (Capita Asset Services) is that near zero or negative rates of inflation (CPI) have reduced the likelihood of a rise in official rates before early 2017. 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).

15. SODC. The latest estimate is that income receivable on cash investments will be above budget. This is a result of reprofiling on the capital programme which has deferred expenditure, meaning the council has more funds for investment and allowing investments to be retained longer than originally forecast. It is projected that overall interest receivable will be in the region of £298,700 above budget.
16. VWHDC. The latest estimate is that income receivable on cash investments will be above budget, due to the EZ building foundations for growth funding that was received at the end of last year and has been invested pending disbursement. This means that overall interest receivable by the end of 2015/16 will be in the region of £118,000 above budget.

### **Legal implications**

17. 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**

18. This report provides details of the treasury management activities for the period 1 April 2015 to 30 September 2015 and the mid-year prudential indicators to each respective council.
19. These details confirm that treasury activities at both councils have operated within the agreed parameters set out in their respective approved treasury management strategies, and 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 2015/16
  - SODC – council 19 February 2015
  - VWHDC – council 18 February 2015

## South Oxfordshire District Council

Investments as at 30 September 2015						
Counterparty	Deposit type	Maturity date	Investment duration in days	Principal	Rate	
Close Brothers	Fixed	02/10/2015	365	2,000,000	1.30%	
Close Brothers	Fixed	26/11/2015	364	3,000,000	1.30%	
Progressive Building Society	Fixed	01/10/2015	304	2,000,000	0.90%	
Close Brothers	Fixed	15/12/2015	365	3,000,000	1.30%	
Principality Building Society	Fixed	11/03/2016	365	2,000,000	0.92%	
Skipton Building Society	Fixed	11/03/2016	364	3,000,000	1.00%	
National Counties Building Society	Fixed	16/02/2016	306	1,500,000	0.95%	
National Counties Building Society	Fixed	22/02/2016	308	2,000,000	0.95%	
Progressive Building Society	Fixed	23/02/2016	306	1,000,000	0.95%	
Newcastle Building Society	Fixed	27/04/2016	366	2,000,000	1.10%	
Progressive Building Society	Fixed	01/03/2016	305	2,000,000	1.00%	
Newcastle Building Society	Fixed	03/05/2016	364	2,000,000	1.10%	
Skipton Building Society	Fixed	06/05/2016	364	2,000,000	1.02%	
Newcastle Building Society	Fixed	06/05/2016	364	2,000,000	1.10%	
National Counties Building Society	Fixed	21/03/2016	305	2,000,000	0.92%	
Principality Building Society	Fixed	31/05/2016	364	2,000,000	1.00%	
West Bromwich Building Society	Fixed	13/06/2016	364	3,000,000	1.01%	
Skipton Building Society	Fixed	13/06/2016	364	1,000,000	1.00%	
Goldman Sachs International Bank	Fixed	24/06/2016	364	2,000,000	1.00%	
National Counties Building Society	Fixed	26/04/2016	305	2,000,000	0.96%	
West Bromwich Building Society	Fixed	01/07/2016	365	4,000,000	1.05%	
Skipton Building Society	Fixed	30/06/2016	364	1,500,000	1.00%	
Goldman Sachs International Bank	Fixed	11/07/2016	364	2,000,000	1.00%	
West Bromwich Building Society	Fixed	20/07/2016	364	1,000,000	1.00%	
Goldman Sachs International Bank	Fixed	25/07/2016	364	2,000,000	1.02%	
Progressive Building Society	Fixed	03/06/2016	305	2,000,000	1.00%	
Progressive Building Society	Fixed	03/06/2016	305	1,000,000	0.88%	
Newcastle Building Society	Fixed	30/08/2016	364	2,000,000	1.10%	
Newcastle Building Society	Fixed	01/09/2016	364	2,000,000	1.10%	
National Counties Building Society	Fixed	04/07/2016	305	1,000,000	1.00%	
Progressive Building Society	Fixed	11/06/2016	276	2,000,000	1.00%	
Santander	Call *			8,171,665	0.40%	
Royal Bank of Scotland	Call *			2,329	0.25%	
Royal Bank of Scotland	Call *			95,101	0.25%	
Goldman Sachs	MMF *			4,770,000	0.44%	
Deutsche Bank	MMF *			1,815,000	0.40%	
Blackrock	MMF *			690,000	0.36%	
<b>Total short term cash investments (&lt;1 yr duration)</b>				<b>77,544,095</b>		
Blaenau Gwent County Borough Council	Fixed	08/04/2016	913	3,000,000	1.38%	
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%	
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%	
Close Brothers	Fixed	14/03/2017	547	2,000,000	1.40%	
<b>Total long-term cash investments (&gt;1 yr duration)</b>				<b>18,000,000</b>		
Santander	Corporate Bond	04/01/2017		299,552	11.50%	
<b>Total corporate bond investments</b>				<b>299,552</b>		
CCLA	Property			5,000,000	Variable	
Legal & General Equities	Unit Trust			12,313,780	Variable	
<b>Total Investments</b>				<b>113,157,427</b>		

\* Rates are variable. Returns shown represent prevailing rates at end Q2 2015.

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

**Vale of White Horse District Council**

<b>Investments as at 30 September 2015</b>					
<b>Counterparty</b>	<b>Deposit type</b>	<b>Maturity date</b>	<b>Total investment duration in days</b>	<b>Principal</b>	<b>Rate</b>
Close Brothers Ltd	Fixed	02/10/2015	364	1,500,000	1.35%
Skipton Building Society	Fixed	15/10/2015	183	2,000,000	0.71%
National Counties Building Society	Fixed	16/11/2015	306	1,000,000	0.98%
National Counties Building Society	Fixed	18/01/2016	301	2,000,000	1.00%
Skipton Building Society	Fixed	18/01/2016	201	2,000,000	0.73%
Nottingham Building Society	Fixed	25/01/2016	178	2,000,000	0.71%
Progressive Building Society	Fixed	22/02/2016	297	2,000,000	1.00%
Lloyds Bank Plc	Fixed	15/03/2016	365	3,000,000	1.00%
Progressive Building Society	Fixed	21/03/2016	264	1,000,000	0.90%
Newcastle Building Society	Fixed	21/03/2016	188	2,000,000	0.75%
Lloyds Bank Plc	Fixed	29/03/2016	370	6,000,000	1.00%
LGIM	MMF *			5,600,000	0.46%
Goldman Sachs	MMF *			2,880,000	0.44%
<b>Total short term cash investments (&lt;1 yr duration)</b>				<b>32,980,000</b>	
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%
<b>Total long-term cash investments (&gt;1 yr duration)</b>				<b>4,000,000</b>	
CCLA	Property			2,000,000	variable
<b>Total Investments</b>				<b>38,980,000</b>	

\* Rates are variable. Returns shown represent prevailing rates at end Q2 2015.



**South Oxfordshire District Council**

<b>Prudential indicators as at 30th September 2015</b>		
	<b>2015/16</b>	<b>Actual as at</b>
	<b>Original Estimate</b>	<b>30-Sep</b>
	<b>£m</b>	<b>£m</b>
<b>Debt</b>		
<b>Authorised limit for external debt</b>		
Borrowing	5	0
Other long term liabilities	5	0
	<b>10</b>	<b>0</b>
<b>Operational boundary for external debt</b>		
Borrowing	2	0
Other long term liabilities	3	0
	<b>5</b>	<b>0</b>
<b>Interest rate exposures</b>		
Maximum fixed rate borrowing	100%	0
Maximum variable rate borrowing	100%	0
<b>Investments</b>		
<b>Interest rate exposures</b>		
Limits on fixed interest rates	100	80
Limits on variable interest rates	30	16
<b>Principal sums invested &gt; 364 days</b>		
Upper limit for principal sums invested >364 days	70	18
Limit to be placed on investments to maturity:		
1 - 2 years	70	2
2-5 years	50	7
5 years+	50	9
<b>Investment portfolio spread</b>		
Supranational bonds	15	0
Gilts	15	0
Equities*	10	12
Corporate bonds	10	0
Money market funds	20	7
Pooled bond fund	5	0
Property - direct investments	30	0
Property related pooled funds	20	5
Cash and certificates of deposit	85%	84%
Debt management account deposit facility	100%	0%
*Limit at time of purchase - Actuals shown for equities include accumulated dividends		
Above table excludes £15m SOHA loan		

**Vale of White Horse District Council**

<b>Prudential indicators as at 30th September 2015</b>		
	<b>2015/16 Original estimate £m</b>	<b>Actual as at 30-Sep £m</b>
<b>Debt</b>		
<b>Authorised limit for external debt</b>		
Borrowing	30	0
Other long term liabilities	5	0
	<b>35</b>	<b>0</b>
<b>Operational boundary for external debt</b>		
Borrowing	25	0
Other long term liabilities	0	0
	<b>25</b>	<b>0</b>
<b>Interest rate exposures</b>		
Maximum fixed rate borrowing	100%	0
Maximum variable rate borrowing	100%	0
<b>Investments</b>		
<b>Interest rate exposures</b>		
Limits on fixed interest rates	60	24.5
Limits on variable interest rates	30	8.5
<b>Principal sums invested &gt; 364 days</b>		
Upper limit for principal sums invested >364 days	30	6

## Report to:



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

Report of Head of Finance

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Wards affected: all

Cabinet member responsible: Councillor Matthew Barber

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To:	AUDIT & GOVERNANCE COMMITTEE on	25 January 2016
	CABINET on	5 February 2016
	COUNCIL on	17 February 2016

## **Treasury management and investment strategy 2016/17**

### **Recommendations**

The Joint Audit and Governance Committee recommends to Cabinet and Council:

1. To approve the treasury management strategy 2016/17 set out in appendix A to this report;
2. To approve the prudential indicators and limits for 2016/17 to 2018/19 as set out in table 2, appendix A;
3. To approve the annual investment strategy 2016/17 set out in appendix A (paragraphs 25-61) and the lending criteria detailed in table 5.

That Cabinet:

Considers any comments from the Joint Audit and Governance Committee and recommends Council to approve the report.

## Purpose of report

1. This report presents the council's Treasury Management Strategy (TMS) for 2016/17 to 2018/19. This sets out how the council's treasury service will support capital investment decisions, and how the treasury management operates day to day. It sets out the limitations on treasury management activity governed by the prudential indicators, within which the council's treasury function must operate. The strategy is included as appendix A to the report (paragraphs 1-61). 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 25-61);
  - A statutory duty to approve a minimum revenue provision policy for 2016/17 (paragraphs 55-57).

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

## Strategic objectives

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

## Background

3. 'Treasury management' is the planning of the council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
4. The funding of the council's capital expenditure is also a function of treasury management. The capital programme provides a guide to the funding needs of the council and the long term cash flow plans to ensure that the council can meet its capital spending obligations.
5. The treasury management and annual investment strategy set out the council's policies for managing investments and confirms the council gives priority to the security and liquidity of those investments. It also includes the prudential indicators for the next three years; these demonstrate that the council's capital investment plans are affordable, prudent and sustainable.
6. The council's treasury management strategy 2016/17 to 2018/19 is attached in appendix A. Whilst every attempt has been made to minimise the technical content of this report, it is, by its very nature and the need for compliance with associated

guidance, technical in parts. A glossary of terms in annex 7 should aid with the understanding of some of the technical terms used in the report.

## Recommended changes to the treasury management strategy

- Council approved the 2015/16 treasury management strategy on 18 February 2015. No significant change is being sought to the recommendations approved in the previous strategy report.

## Financial implications and risk assessment

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

<b>Table 1: Medium term investment income forecast</b>					
	2016/17	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's	£000's
Forecast as at January 2016	411	529	662	744	700

- The 2016/17 budget setting report and medium term financial plan will take into account the latest projections of anticipated investment income.

## Legal implications

- 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.
- 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

- This report provides details of the proposed changes to the treasury management strategy and the annual investment strategy for 2016/17 which are appended to this report, together with the prudential indicators for approval to council. These

documents provide the parameters within which officers will operate the council's treasury management function.

### **Background papers**

- CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes (revised 2011)
- CLG Local Government Investment Guidance under Section 15(1)(a) Local Government Act 2003 and CIPFA Prudential Code for Capital Finance.
- Treasury Management Investment Strategy 2015/16 (cabinet 6 February 2015, council 18 February 2015)

### **Appendices**

Appendix A Treasury Management Strategy 2016/17 – 2018/19 - incorporating the following:

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

## **Treasury Management Strategy 2016/17- 2018/19**

### **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 2016/17 to 2018/19**

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.

## Appendix A

6. The council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital expenditure remains within sustainable limits and in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.
7. The Authorised Limit is set on a rolling basis, for the forthcoming financial year and two successive financial years.
8. The following indicators set the parameters within which we manage the overall capital investment and treasury management functions. There are specific treasury activity limits, which aim to contain the activity of the treasury function in order to manage risk and reduce the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The limits are set out in table 2 below.

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

Table 2: Prudential indicators				
	2015/16	2016/17	2017/18	2018/19
<b>Debt</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Authorised limit for external debt</b>				
Borrowing	30	30	30	30
Other long term liabilities	5	5	5	5
	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>
<b>Operational boundary for external debt</b>				
Borrowing	25	25	25	25
Other long term liabilities	.	.	.	.
	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>Interest rate exposures</b>				
Maximum fixed rate borrowing	100%	100%	100%	100%
Maximum variable rate borrowing	100%	100%	100%	100%
<b>Investments</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Interest rate exposures</b>				
Limits on fixed interest rates	60	40	40	40
Limits on variable interest rates	30	30	30	30
<b>Principal sums invested &gt; 364 days</b>				
Upper limit for principal sums invested >364 days	30	30	30	30

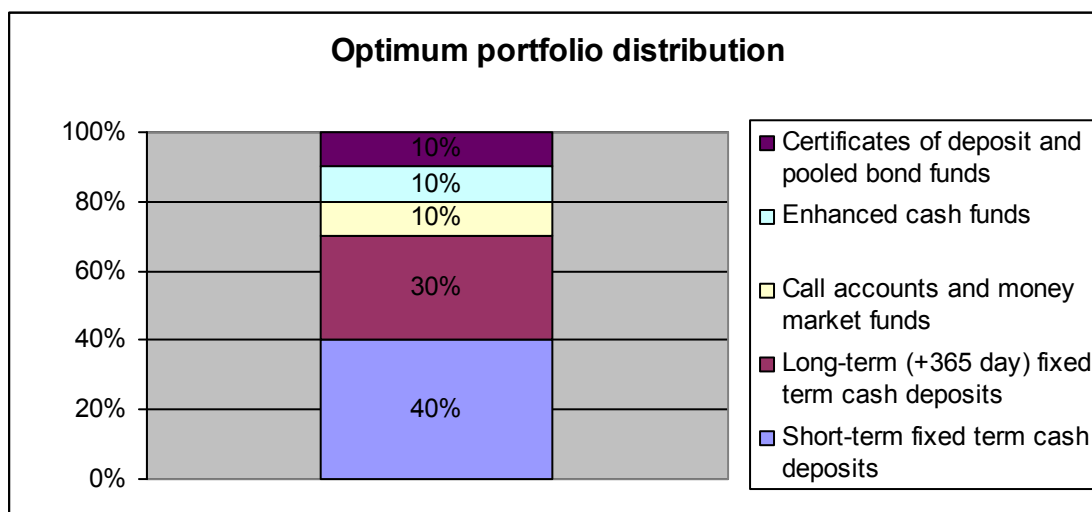
### Current position

9. The maturity structure of the council's investments at 31 December 2015 was as follows:



Table 3: Maturity structure of investments:					
	Classification of investment at deal date			Classification as at 31/12/2015	
	£'000			£'000	
Call	1,500	3%		1,500	3%
Money market fund	16,460	31%		16,460	31%
Less than 6 months	2,000	4%		22,000	41%
6 months to 1 year	26,000	48%		6,000	11%
1 year + (loans to other local authorities)	6,000	11%		6,000	11%
CCLA - property fund	2,000	4%		2,000	4%
<b>Total investments</b>	<b>53,960</b>			<b>53,960</b>	

10. The council currently holds all of its investments in the form of either cash deposits or a managed property fund (£2 million with CCLA), the majority of which have been placed for fixed terms with a fixed investment return.
11. Currently a relatively high percentage of the council's cash investments are held in call or money market accounts. Due to changing, more costly, capital requirements for banks offering call facilities the market rates (and returns) for this type of instrument are falling. Officers will explore alternative investment opportunities within the confines of this treasury strategy to improve the balance of the portfolio mix, so far as market conditions allow.
12. The council's considerations for investment will remain security, liquidity and yield – in that order. Within this framework 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.

**Investment performance for the year to 31 December 2015.**

13. The council's budgeted investment return for 2015/16 is £0.412 million, and the actual interest received to date is shown as follows:

<b>Table 4: Investment interest earned to date and outturn estimate</b>				
<b>Investment type</b>	<b>Interest Earned</b>			
	<b>Annual Budget</b>	<b>Actual to date</b>	<b>Annual Forecast</b>	<b>Forecast Variation</b>
	<b>2015/16</b>	<b>2015/16</b>	<b>2015/16</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Position at end December 2015	412	325	530	118
<b>Total interest</b>	<b>412</b>	<b>325</b>	<b>530</b>	<b>118</b>

### **Borrowing Strategy 2016/17 – 2018/19**

14. The annual treasury management strategy has to set out details of the council's borrowing requirement, any maturing debt which will need to be re-financed, and the effect this will have on the treasury position over the next three years. This council currently has no external debt and external borrowing may only prove necessary depending on the value of new schemes added as part of the 2016/17 budget setting process.
15. 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.

16. 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.
17. The existing capital programme can be financed from internal resources. Additional expenditure committed as part of the 2016/17 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.
18. 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.
19. The latest projection from the council's treasury advisors, Capita Asset Services, is for the Bank of England base rate to remain unchanged at 0.5% until the second quarter of 2016. This does provide a window of opportunity to review the strategy of undertaking external borrowing for new projects.

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20. 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.
21. 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.
22. Any borrowing for capital financing purposes will be assessed by the head of finance to be prudent, sustainable and affordable
23. 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**

24. 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**

25. 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.
26. 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.

## Appendix A

27. 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

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

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

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

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

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

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

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

#### Other Non-specified investment instruments

- Fixed term deposits with variable rate and variable maturities

### Approach to investing

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

## Appendix A

30. 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.
31. 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.
32. 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).
33. 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.
34. The property investment holdings will be kept under review to identify if further investments should be placed in these categories. Property funds will also be looked at in more detail for consideration. In 2013/14 the council invested £2 million in the Churches Charities and Local Authorities pooled property investment fund (CCLA). Further details on the property investment policy are contained in annex 4.
35. 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.
36. 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.
37. 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.
38. One option to offer diversification in the council's investment portfolio would be to make use of enhanced cash funds (see Annex 7). Possible use of such funds would be intended for longer term investments than with traditional money market funds (i.e. for possible investment durations of 3 – 6 months). Investments placed with enhanced cash funds are callable and so offer the option to be withdrawn before maturity, although this is likely to have an adverse impact on the return on the investment.
39. 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.

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40. The council does not currently make use of certificates of deposit (Annex 7). Consideration will be given to their use to assist diversification of the investment portfolio. Certificates of deposit have the same level of ranking and security as ordinary fixed term deposits but have the option of being traded before maturity. Certificates of deposit are bought and sold on the stock market and their price can go up or down 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

41. 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.
42. 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.
43. Credit rating information is supplied by Capita Asset Services, our treasury consultants. Any counterparty failing to meet the minimum required criteria (Table 5) would be omitted from the counterparty list. Any rating changes and rating watches (notification of a rating change) are provided to officers almost immediately after they occur and this information is considered before any deal is entered into. Extreme market movements may result in a downgrade of an institution or removal from the council's lending list.
44. Additional requirements under the CIPFA Treasury Management Code comply the council to supplement the credit rating data with operational market information such as credit default swaps (CDS), negative watches and outlooks, which are considered when assessing the security of counterparties. This additional information is used so that the council does not rely solely on the current credit ratings of counterparties.
45. 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

46. 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

47. 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

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requirements are safeguarded. The council will lend to institutions that meet the following criteria:

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

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

### Fund managers

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

### Risk and performance benchmarks

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50. A requirement of the Code is that security and liquidity benchmarks are considered and approved. This is in addition to yield benchmarks which are used to assess performance. The benchmarks are guidelines (not limits) so may be breached depending on the movement in interest rates and counterparty criteria. Their purpose is to allow officers to monitor the current trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with an explanation in the mid year or annual report to audit and corporate governance committee. Detailed information for the assessment of risk is shown in annex 3.
51. Performance indicators are set to assess the adequacy of the treasury function over the year. These are distinct historic performance indicators, as opposed to the predominantly forward looking prudential indicators. The indicators used to assess the performance of the treasury function are:
- Cash investments - 3 month LIBID rate.
  - Property related investments – IPD Balance Property Unit Trust Index.
  - Maximum investment of daily balances (in-house).
  - Maintenance of a balanced portfolio.

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

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

52. The council has a joint contract for treasury management advisors with South Oxfordshire District Council. A two year contract was awarded to Capita Asset Services, a subsidiary of the Capita Group Plc, which covers the period to October 2016. The company provides a range of services which include:
- technical support on treasury matters, capital finance issues, statutory reports;
  - economic forecasts and interest rate analysis;
  - credit ratings / market information service involving the three main credit rating agencies;
  - strategic advice including a review of the investment and borrowing strategies and policy documents.
53. The council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills, resources and up to date market information.

### **Minimum revenue provision (MRP) statement 2016/17**

54. The council is required to assess its MRP requirement for the year in accordance with the guidance of section 21(1A) of the Local Government Act 2003. MRP is only chargeable on outstanding capital liabilities.
55. Currently, the council's MRP liability is nil. This will remain the case unless new capital expenditure is financed by external borrowing.
56. The council's current capital programme can be financed from internal resources. Depending on the conclusion of the 2016/17 budget setting process, new capital growth ideas may require external borrowing. If borrowing is undertaken then the



## Appendix A

council will be required by statute to set aside funds in the annual revenue budget to amortise the principal element of any borrowing – this is the MRP. There will also be a requirement to set aside revenue budget for the interest payments on any borrowing raised. Loans will generally be taken over the life of the assets being financed and amortised accordingly. The Head of Finance will determine the most appropriate repayment method, term of borrowing and duration of borrowing. As a general illustration, Table 6 below gives an example of the annual revenue costs associated with borrowing an amount of £2.5 million over a 50 year period, based on the current district tax base of 48,177 Band D equivalents:

Loan amount	£2,500,000	
Loan duration	50 years	
PWLB interest rate	3.47 per cent	
2016/17 Taxbase	48,177	
	£	£ per band D
MRP element	50,000	1.04
Annual interest cost	86,750	1.80
Total	136,750	2.84

### Councillor and officer training

57. 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 2015. Further training can be provided if required or requested.

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

58.

#### I. Council

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

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

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

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

- Recommending clauses, treasury management policies/practices for approval, review and monitoring compliance;
- Submitting regular treasury management information reports;
- Submitting budgets and budget variations;
- Reviewing the performance of the treasury management function;
- Ensuring adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy of internal audit and liaising with external audit;

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- Approving the selection of external service providers and agreeing terms of appointment.

### Summary

59. 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.
60. 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, growth remains volatile due to recession remaining in the manufacturing sector. Indicators suggest we will still see growth thanks to low unemployment and household spending, coupled with falling energy costs and food prices.
3. Levels of unemployment currently stand at 5.4%, lower than the initial threshold of 7% previously flagged by the MPC as the point before which it would not consider any increase in bank rate. 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. Levels of consumer spending has dropped quite sharply, but wage growth over inflation should support the strength of consumer recovery.
5. Consumer Price Inflation dipped into negative territory in September 2015 at 0.12%. Forward indications are that rates of inflation will remain steady for the year ahead and the 2% target level will not be breached for a while.
6. The latest projection from Capita Asset Services is for a first increase in interest rates to occur around the second quarter of 2016.

#### **Eurozone economy**

7. The Eurozone is maintaining steady growth and low inflation expectations. Consumer confidence is falling, especially in Germany, which is pulling growth lower. With price pressures subdued, it is expected that the ECB will further ease monetary policy, by reducing interest rates or additional QE.

#### **Capita Asset Services forward view**

8. Economic forecasting continues to be difficult given the number of external influences affecting the UK. The interest rate forecasts shown below assume that there will not be a major resurgence of the EZ debt crisis or a breakup of the EZ. Key areas of risk include:
  - Economic uncertainty caused by the ongoing unrest in Eastern Europe, the Middle East and Asia;
  - UK strong economic growth is weaker than we currently anticipate;
  - Weak economic growth or recession in the European Union, the UK's main trading partner;
  - A decline in the economy in China, which will impact worldwide;
  - A resurgence of the Eurozone sovereign debt crisis;

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- Monetary policy action failing to stimulate sustainable growth in western economies especially the Eurozone and Japan;
  - Recapitalisation of European banks requiring more government financial support.
9. The view of Capita Asset Services is that the overall balance of risks to economic recovery in the UK is currently evenly weighted. However, uncertainty remains over how long the period of strong economic growth will last and the UK economy remains exposed to vulnerabilities in a number of key areas.

## Prospects for interest rates

1. The bank base rate is forecast to remain unchanged at 0.5 per cent, rising in Q2 in 2016. Capita Asset Service's central view for bank rate forecasts is shown below:

	Dec-15	Mar-16	Jun-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank of England base rate	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.50	1.50	1.75
PWLB rates										
5 year borrowing	2.30	2.40	2.60	2.70	2.80	2.80	2.90	3.00	3.20	3.30
10 year borrowing	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80
25 year borrowing	3.60	3.70	3.80	3.90	4.00	4.10	4.10	4.20	4.30	4.30
50 year borrowing	3.50	3.60	3.70	3.80	3.90	4.00	4.00	4.10	4.20	4.20

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

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

1. These benchmarks are targets and so may be exceeded from time to time. Any variation will be reported, along with supporting reasons, in the Annual Treasury Report.
2. Yield. The local benchmark currently used to assess the performance of cash investments is the level of returns contrasted against the London Interbank Bid (LIBID) 3 month rate. This is the interest rate a bank would be willing to pay to borrow from another bank for 3 months.  
  
Property related investments are benchmarked against the IPD Balanced Property Unit Trust Index.
3. Liquidity. Liquidity is defined as the council “having adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives” (CIPFA Treasury Management Code of Practice). The in-house team keeps a daily cash-flow forecast and would only have an unseen requirement if (for example) a large receipt was received later than expected. In such a scenario, short term borrowing would be considered to cover the period of delay. In respect of this area the Council seeks to maintain:
  - Bank overdraft – the council does not have a set overdraft, but holds a composite account set. Any overdraft is chargeable, so the daily balance is always set to be in credit.
  - Liquid short term deposits of at least £500,000 available on instant access.
4. The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the weighted average life (WAL) of the portfolio. A shorter WAL would generally embody less risk – ie a lower duration of investments so exposed to risk of default and a lower risk of being unable to switch investments in a rising interest rate environment. However, the converse of this is that shorter duration investments offer lower rates of return and investing for longer durations gives more certainty over returns achievable.
5. Officers will continue to look at options for longer term lending as applicable, with suitable high quality counterparties, such as other local authorities. During 2013/14 the council invested a total of £4 million in seven year investments with Kingston Upon Hull City Council which has had the effect of significantly lengthening the weighted average life of the cash portfolio.  
  
In this respect the proposed benchmark is to be used:
  - WAL benchmark is expected to be **460** days, with a maximum of **500** days.
6. Security of the investments. In the context of benchmarking, assessing security is very much more a subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody’s and Standard and Poor’s). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council’s investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the last 20-30 years.

**Average defaults for differing periods of investment**

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

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

## Property Investment Policy

### **1.0 The case for property**

- 1.1 The Council is restricted in the different investment vehicles it is legally allowed to invest in notwithstanding the over-riding need for prudence. Of the few avenues open, one is property and the returns from investing in property have generally been, and currently are, greater than the limited opportunities in the money markets. The following should be considered in conjunction with the council's published Asset Management Plan 2016-2020.
- 1.2 In broad terms the returns are greater because the risks are greater. Factors to be taken into account when deciding the principle of investing in property include:
- investment will be for the long term since it may not be possible, or wise, to sell quickly,
  - the costs of acquisition and disposal are higher,
  - there are management costs, risk of rent default and failure to honour maintenance agreements,
  - different types of property and different areas carry different risks,
  - generally property tends to appreciate in value, although this will vary by type and area; however, in some cases the value may go down,
  - property can become functionally obsolete necessitating major refurbishment,
  - without regular repair and maintenance the condition will deteriorate and the responsibility for repairs/maintenance may not always rest with the tenant,
  - certain types of property may become less desirable as time goes by; this can make re-letting difficult or attract a lower calibre of tenant.

### **2.0 How much to invest?**

- 2.1 The in-house cash holdings are currently adequate for cash-flow management purposes (operational capital). £21 million is invested in property and £54 million is invested in treasury investments. The investment in property currently represents 39 per cent of the total figure.

**Policy 1. 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.**

### **3.0 What type of property?**

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

i)	shops and offices	good - although may be subject to changing fashions and working practices
ii)	industrial	good but condition can be variable
iii)	leisure	good but may be best avoided since too close to our "core" business



iv)	agricultural	moderate but too risky now
v)	woodland	poor – some is owned for environmental/leisure purposes

3.2 Average Yield Levels ( per cent). In general, property can be categorised as prime, secondary or tertiary in terms of its desirability. ‘Rack-rented’ means that the maximum market rental achievable is being received. Yield derives from both capital 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.

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

**4.0 Where should it be located?**

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

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

**5.0 What level of financial return?**

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

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

**6.0 Review**

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

## Explanation of Prudential Indicators

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

**Capital expenditure** – indicator to consider last year's spending, this year's projected spending and the approved programme until 2018/19.

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

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

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

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

**Incremental impact of capital investment decisions – increase in Council Tax (band D) per annum** – this indicator shows the affect of the latest capital programme report on annual council tax. This indicator is based on the estimated decrease or increase in interest payable to the General Fund each year due to the changed funding of the capital programme in the latest capital report to December 2015 cabinet.

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

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

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

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

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

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

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

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

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

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

The investment policy proposed for the council is:

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

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

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

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

**Non-specified investments**

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

## GLOSSARY OF TERMS

<b>Basis Point (BP)</b>	1/100 <sup>th</sup> of 1%, i.e. 0.01%
<b>Base Rate</b>	Minimum lending rate of a bank or financial institution in the UK.
<b>Benchmark</b>	A measure against which the investment policy or performance of a fund manager can be compared.
<b>Bill of Exchange</b>	A financial instrument financing trade.
<b>Callable Deposit</b>	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.
<b>Cash Fund Management</b>	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.
<b>Certificate of Deposit (CD)</b>	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.
<b>Commercial Paper</b>	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.
<b>Corporate Bond</b>	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.
<b>Counterparty</b>	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)
<b>CDS</b>	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.
<b>CFR</b>	Capital Financing Requirement.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy.
<b>CLG</b>	Department for Communities and Local Government.
<b>Derivative</b>	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.
<b>DMADF</b>	Deposit Account offered by the Debt Management Office, guaranteed by the UK government.
<b>ECB</b>	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 to 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.

## Annex 7

<b>Enhanced Cash Funds</b>	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.
<b>Equity</b>	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.
<b>Forward Deal</b>	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.
<b>Forward Deposits</b>	Same as forward dealing (above).
<b>Fiscal Policy</b>	The government policy on taxation and welfare payments.
<b>GDP</b>	Gross Domestic Product.
<b>Gilt</b>	Registered British government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.
<b>Mark to Market Accounting</b>	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.
<b>Minimum Revenue Provision</b>	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.
<b>Money Market Fund</b>	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.
<b>Monetary Policy Committee (MPC)</b>	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.
<b>Other Bond Funds</b>	Pooled funds investing in a wide range of bonds.
<b>PWLB</b>	Public Works Loan Board.
<b>QE</b>	Quantitative Easing.
<b>Retail Price Index</b>	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.
<b>Sovereign Issues (Ex UK Gilts)</b>	Bonds issued or guaranteed by nation states, but excluding UK government bonds.
<b>Supranational Bonds</b>	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.
<b>Treasury Bill</b>	Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.



# **Report to: Cabinet Scrutiny Committee Council**

Report of Head of Finance

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Wards affected: All

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To: CABINET

5 February 2016

To: SCRUTINY COMMITTEE

11 February 2016

To: COUNCIL

17 February 2016

## **Revenue Budget 2016/17 and Capital Programme to 2020/21**

### **RECOMMENDATIONS**

1. That cabinet recommends to council that it:
  - a. sets the revenue budget for 2016/17 as set out in appendix A.1 to this report,
  - b. approves the capital programme for 2016/17 to 2020/21 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 2020/21 as set out in appendix F.1 to this report.
2. That cabinet recommends council to authorise, in consultation with the leader of the council, the head of finance to issue an efficiency statement to government in order to secure a four year settlement, if this is considered to be beneficial to the council.
3. That cabinet agrees that the leader of the council 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 17 February 2016.

1. This report:

- brings together all relevant information to allow cabinet to recommend to council a revenue budget for 2016/17 and a capital programme for 2016/17 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.

## Strategic objectives

2. Setting the budget in accordance with prescribed timetables enables the council to comply with its strategic objective of managing our business effectively.
3. The allocation of financial resources within the revenue and capital budgets needs to match the objectives agreed by the council. The objectives identify where investment, including proposed growth, will take place in order to help the council achieve its corporate plan targets.
4. Where growth proposals (known as growth bids) have been made, each bid sets out how it will help achieve the council's objectives. The leader of the council has chosen to include some growth bids in the budget proposals and these are identified in **appendix B** (revenue) and **appendix D.2** (capital).

## Revenue budget 2016/17

5. **Appendix A.1** summarises the movements in the base budget from £12,483,052 in 2015/16 to £12,178,308 in 2016/17. These movements are detailed below.
6. **Opening budget adjustment reduction £871,120 (appendix A.2)**. This includes the removal of one-off growth items relating to 2015/16 and before, and the realisation of the full-year effect of savings proposals identified in previous years.
7. Additions to the base budget:
  - **inflation, salary increments and other salary adjustments £345,708 (appendix A.3)**. The salary and contract inflation totals £107,234, representing an average increase of 0.9 per cent on the 2015/16 net expenditure budgets. For council employees an overall increase in salary costs of 1.5 per cent is budgeted for 2016/17. Increments payable to council employees not at the top of their salary range total £51,160. The increase of £187,314 in other salary adjustments is higher than in previous years and reflects an increase of three per cent in employers' National Insurance contributions following changes to the Local Government Pension Scheme.
  - **essential growth – one-off £379,750 and ongoing £723,608 (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 2016/17.



8. Deductions from the base budget:

- **base budget savings £260,887 (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.

9. Corporate contract project savings and other related restructures:

- **corporate contract savings £653,333**. These savings are the best estimates available at this time of savings arising from the Corporate Services project, given that contracts have not yet been signed. This figure is a part year saving, the full year saving is estimated to be £980,000. Savings are smoothed which is the only way to show costs, given the information we have at present. This may change as a result of preferred holder discussions.
- **residual client costs £116,291**. This is an estimate based on five per cent of the estimated contract cost of services to be outsourced as part of the corporate services project. This reduces to three per cent when the contract is two years old.
- **management restructure costs £50,000**. Leading on from the corporate services contract project, the senior management structure is being reviewed and reduced. It is estimated that in 2016/17 there will be a net cost to the council of £50,000, but in future years there will be annual savings of £100,000.

10. Other changes to corporate base budgets:

- **reduction in revenue contingency (appendix A.6) £142,378**. This brings the level of revenue contingency up to £502,622. This includes specific provision for certain events should they occur, together with a general contingency amount of £150,000.
- **increase in managed vacancy factor £21,543**, 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.
- **other budget adjustments of £29,160** reflects the changes in net property income which are included within revisions to the base budget.

11. As a result of these changes the council's revised base budget for 2016/17 is **£12,178,308**.

**Revenue growth proposals**

12. A number of revenue growth proposals are being recommended to council for inclusion in the budget for 2016/17. These are detailed in **appendix B** and total **£634,539**. 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.

13. There are also costs in the revenue budget of **£50,000** arising from the capital growth proposals shown in **appendix D.2**. These are discussed later in the report.

### **Net property income**

14. Net property income represents the council's income from its investment property portfolio less expenditure, and for 2016/17 is estimated at **£961,310**.

### **Gross treasury income**

15. Investment returns for 2016/17 are used to finance expenditure in-year. As interest rates are expected to remain low for the short/medium term, it is currently forecast that **£411,000** will be earned in 2016/17.

16. More details of treasury income can be found in the council's Treasury Management Strategy report<sup>1</sup>.

17. Including growth, property and treasury income results in a net expenditure budget for the council of **£11,490,537**.

### **Reserves and other funding**

#### **New Homes Bonus (NHB)**

18. The provisional government allocation for NHB payment for 2016/17 is **£3,929,440**. For 2016/17 £1,375,798 of this will be transferred to reserves with the balance used to support revenue expenditure. This is the first year that NHB will be used to support revenue expenditure in this way. Previously only £100,000 was used to fund the NHB community grants scheme with the remainder transferred to reserves in the year of receipt. Projections of future NHB earnings and how they will be used are detailed later in this report.

#### **Transfers to/ from earmarked reserves**

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

- the transfer of **£40,000** to the election equalisation reserve to help fund the costs of the district council elections in 2019.
- The new leisure services contract that came into force on the 1 September 2014 promised the council enhanced management fee income in exchange for the council funding the capital works agreed within the contract. As a result **£1,142,902** will be used for this purpose.

20. Based on the above use of reserves and other funding, the amount of revenue expenditure to be financed in 2016/17 is **£10,119,797**.

### **Funding**

#### **Local government settlement**

21. On December 17 2015, the government announced the provisional four year local government settlement covering the period 2016/17 to 2019/20. At the time of writing we have not received the final settlement. Officers consider that any changes to the settlement at this stage are unlikely to be material. Table 1 below details the provisional funding outlined for the council for the next four years.

**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
<b>Settlement Funding Assessment</b>	<b>3,251</b>	<b>2,724</b>	<b>2,442</b>	<b>2,350</b>
Tariff/Top-Up adjustment	0	0	0	(224)
<b>Total</b>	<b>3,251</b>	<b>2,724</b>	<b>2,442</b>	<b>2,126</b>

22. The provisional settlement for 2016/17 is 16.5 per cent lower than 2015/16. 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. It should be noted that these figures exclude NHB funding which is discussed later in the report.

23. The government has indicated that where councils submit an efficiency statement - the format of which is yet to be announced - a fixed four year settlement will be made available, based on the figures shown in table 1. There is no indication at this stage what the other implications are for the council in submitting such a statement or indeed of omitting to do so.

24. Cabinet is asked to recommend council to delegate the decision to submit such a statement the head of finance, in consultation with the leader of the council. The decision to submit would be based on analysis of the benefit to the council of doing so.

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

25. As previously agreed by council, the council tax support grant contribution payable to town and parish councils will be **£80,297** for 2016/17. The proposed MTFP shows that this contribution will be phased out after 2017/18.

#### **Business rate retention scheme**

26. For budget setting purposes it has been assumed that the council's share of business rates income after payment of tariff will remain below the safety net. For 2016/17 this shortfall is estimated to **£162,677**. 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.

#### **Collection fund**

27. The surplus on the collection fund in 2015/16 is estimated to be **£287,338**.

28. 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 **£1,202,190** in 2016/17. As this is not sufficient to balance the budget, a further **£2,553,642** is required from NHB.

## Leader of the council’s revenue budget proposal

29. 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 **£8,917,607**. This revenue budget as proposed would result in no change to current band “D” council tax of **£116.69**. **Appendix C** shows the breakdown of the revenue budget.

30. A draft MTFP and proposed growth bids were published on the council’s website in December 2015. No comments on the published MTFP and growth bids have been received by officers or by the leader of the council.

## Capital programme 2016/17 to 2020/21

### Current capital programme

31. 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 2015 plus:-

- slippage (caused by delays to projects) carried forward from 2014/15,
- new schemes approved by council during 2015/16,
- re-profiling of expenditure on schemes from the 2015/16 financial year to future years where delays to schemes have occurred,
- the deletion of previously agreed schemes that have completed or are no longer to be pursued.

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

2015/16 latest estimate £000	2016/17 estimate £000	2017/18 estimate £000	2018/19 estimate £000	2019/20 estimate £000	2020/21 estimate £000
5,554	10,284	8,844	6,394	2,094	1,349

### Cabinet capital programme proposals

32. **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.

### Financing the capital programme

33. 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.

34. At present there is no requirement to borrow to fund the programme in 2016/17.

### **Future pressures on the capital programme**

35. **Appendix D.1** shows how the current capital programme will be financed. As can be seen the councils 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.

36. Based on the officers estimates for future NHB receipts (discussed below), there is a potential need for up to £8.3 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, and ensures the council's earmarked reserves remain above £2 million. The council's MTFP includes provision to repay both the principal and interest element of the borrowing, which itself will be financed from the revenue stream associated with the capital schemes to be financed.

37. It should be noted that no borrowing is required until 2017/18. 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**

38. In setting its revenue and capital budgets for 2016/17, the council must agree prudential indicators in accordance with the prudential code (see below). When recommending its budgets to council, cabinet must also recommend the prudential indicators.

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

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

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

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

- affordability e.g. implications for the precept;

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

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

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

### **The Medium Term Financial Plan (MTFP)**

45. The MTFP provides a forward budget model for the next five years. **Appendix F.1** contains the MTFP for 2016/17 to 2020/21. This is a projection of the revenue budget up to 31 March 2021. The projection allows for budget pressures in later years and assumes that council approves all the budget proposals within this report. With the exception of the corporate services project, 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.

46. 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 2020/21. Ongoing funding after 2019/20 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.

47. In December 2015 government announced a consultation on the future of NHB. The government is proposing a number of changes, aimed at "sharpening the incentive". Proposals include no NHB being payable to councils in the year when a local plan has not been submitted, and reducing the payment term from 6 years to 4 years, or even 2 years. The consultation closes in March, so the impact of the results can only be estimated at this stage. Officers have used indicative figures in the consultation document to estimate future receipts, which may be subject to significant change when the results of the review are known.

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 42). In total the council is expected to have received in excess of £16.7 million during the MTFP period.

#### **Table 3: New Homes Bonus**

Year earned	Year of receipt				
	2016/17 budget £000	2017/18 indicative £000	2018/19 indicative £000	2019/20 indicative £000	2020/21 indicative £000
2011/12	452	0	0	0	0
2012/13	546	0	0	0	0
2013/14	394	0		0	0
2014/15	713	714	0	0	0
2015/16	718	718	718	0	0
2016/17	1,106	1,106	1,106	1,106	0
2017/18	0	774	774	774	774
2018/19	0	0	798	798	798
2019/20	0	0	0	633	633
2020/21	0	0	0	0	573
<b>Total</b>	<b>3,929</b>	<b>3,312</b>	<b>3,396</b>	<b>3,311</b>	<b>2,778</b>

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 has been given to the council's scrutiny committee members which was 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 a possible change to the NHB scheme. Should this prove less generous for the council a fundamental review of the council's budget may be necessary. Table 4 below shows that £8.5 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
<b>2016/17</b>	<b>5,357</b>	<b>3,929</b>	(2,554)	(1,595)	5,137
<b>2017/18</b>	5,137	3,312	(3,003)	(997)	4,449
<b>2018/19</b>	4,449	3,396	(1,462)	(4,751)	1,632
<b>2019/20</b>	1,632	3,311	(1,031)	(421)	3,491
<b>2020/21</b>	3,491	2,778	(1,231)	(751)	4,287
<b>Total</b>		<b>16,726</b>	<b>(9,281)</b>	<b>(8,515)</b>	

Note that the figures in **bold** represent monies confirmed or received. The closing balance of £4.627 million includes £1.322 million ring fenced for affordable housing

#### Table 4.2 Expenditure at risk

	£000
Total expenditure to be funded from NHB per table 4	(17,796)
NHB funding received or confirmed (2016/17 in bold) table 4	9,286
<b>Expenditure to be funded from NHB not yet received or confirmed</b>	<b>8,510</b>

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

### Legal Implications

55. 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 17 February 2016 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.

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

### Other Implications

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

### Conclusion

58. This report provides details of the revenue base budget for 2016/17, the capital programme 2016/17 to 2020/21, government grants (the settlement), uncommitted reserves and balances, the leader of the council's budget proposals and the resulting prudential indicators.



59. 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 2016/17
Appendix A.2	Opening budget adjustments
Appendix A.3	Inflation, salary increments and other salary adjustments
Appendix A.4	Essential growth
Appendix A.5	Base budget savings
Appendix A.6	Revenue contingency
Appendix B	Revenue growth
Appendix C	Service budget analysis
Appendix D.1	Capital programme before growth
Appendix D.2	Capital growth bids
Appendix E	Prudential indicators
Appendix F.1	Medium term financial plan
Appendix F.2	Earmarked reserves 2016/17 to 2020/21

## **Background Papers**

- Provisional settlement figures (December 2015)
- Council tax base 2016/17 – Cabinet 4 December 2015, Council 16 December 2015
- Treasury Management Strategy – Cabinet 5 February 2016, Council 17 February 2016

## Vale of White Horse DC - revenue budget summary 2016/17

	2015/16 Budget	2016/17 Base	Appendix Ref:
<b>Opening base budget 2016/17</b>		<b>12,483,052</b>	
<b>Revisions to base budget</b>			
Opening budget adjustments		(871,120)	Appendix A.2
Inflation, salary increments and other salary adjustments		345,708	Appendix A.3
Essential growth - one-off		379,750	Appendix A.4
Essential growth - ongoing		723,608	
Base budget savings		(260,887)	Appendix A.5
Reduction in revenue contingency		(142,378)	Appendix A.6
Movement in managed vacancy factor		(21,543)	
Corporate services project savings		(653,333)	
Residual client costs		116,291	
Management restructure savings		50,000	
Changes in property budgets included in ** below		29,160	
<b>Total base budget after revisions</b>	<b>12,483,052</b>	<b>12,178,308</b>	
<b>Growth proposals</b>			
Revenue - one-off		242,000	Appendix B
Revenue - ongoing		392,539	
Capital (revenue consequences of)		50,000	Appendix D.2
Net property income**	(932,150)	(961,310)	
Gross treasury income	(411,640)	(411,000)	
<b>Net expenditure</b>	<b>11,139,262</b>	<b>11,490,537</b>	
<b>Funding</b>			
Funding from reserves	(1,727,804)	(2,572,929)	Appendix C
Budget funding requirement	(9,411,458)	(8,917,607)	
<b>Total Funding</b>	<b>(11,139,262)</b>	<b>(11,490,537)</b>	
<b>Council tax yield required</b>	<b>5,550,138</b>	<b>5,621,762</b>	

## Vale of White Horse DC - 2016/17 budget build changes

## Opening budget adjustments

Year of bid	Summary	Spending profile:				
		2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>ALL SERVICES</b>						
2015/16	Corporate costs	(57,042)	(57,042)	(57,042)	(57,042)	(57,042)
		<b>(57,042)</b>	<b>(57,042)</b>	<b>(57,042)</b>	<b>(57,042)</b>	<b>(57,042)</b>

<b>CORPORATE STRATEGY &amp; WASTE</b>						
2014/15	Increase in properties waste collection costs	13,590	27,180	40,770	40,770	40,770
2015/16	Increase in properties waste collection costs	12,766	25,532	38,298	51,064	51,064
2015/16	Increase in recycling credits payments to Biffa	17,512	35,024	52,536	70,048	70,048
2015/16	Tree works	0	0	(5,000)	(5,000)	(5,000)
2014/15	Thrupp lake / Abbey fishponds	(5,000)	(20,000)	(20,000)	(20,000)	(20,000)
2014/15	Biannual residents survey	(24,000)	0	(24,000)	0	(24,000)
2015/16	Community grants	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
2015/16	Highways verges cutting	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
2015/16	Councilor development programme	(13,500)	(13,500)	(13,500)	(13,500)	(13,500)
2014/15	Reduction in income from recycling credits	50,000	50,000	50,000	50,000	50,000
		<b>(73,632)</b>	<b>(20,764)</b>	<b>(5,896)</b>	<b>48,382</b>	<b>24,382</b>

<b>DEVELOPMENT &amp; HOUSING</b>						
2014/15	Housing refurbishment Abingdon	(30,400)	(30,400)	(30,400)	(30,400)	(30,400)
2015/16	Boundary park running costs	48,000	48,000	48,000	48,000	48,000
		<b>17,600</b>	<b>17,600</b>	<b>17,600</b>	<b>17,600</b>	<b>17,600</b>

<b>ECONOMY LEISURE AND PROPERTY</b>						
2014/15	Emcor house rents void period	(145,000)	(145,000)	(145,000)	(145,000)	(145,000)
2013/14	Additional leisure staff 5 years	11,090	(19,990)	(19,990)	(19,990)	(19,990)
2014/15	Strategic property technical support	4,324	4,324	4,324	4,324	4,324
2015/16	Market town support Faringdon and Wantage	(46,000)	(46,000)	(46,000)	(46,000)	(46,000)
2015/16	Wantage Grove leisure centre feasibility	(16,022)	(16,022)	(16,022)	(16,022)	(16,022)
		<b>(191,608)</b>	<b>(222,688)</b>	<b>(222,688)</b>	<b>(222,688)</b>	<b>(222,688)</b>

## Vale of White Horse DC - 2016/17 budget build changes

## Opening budget adjustments

Year of bid	Summary	Spending profile:				
		2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>FINANCE</b>						
2014/15	Pension costs	31,000	31,000	31,000	31,000	31,000
2014/15	Actuarial fees	0	15,000	0	15,000	0
		<b>31,000</b>	<b>46,000</b>	<b>31,000</b>	<b>46,000</b>	<b>31,000</b>

<b>HR, IT &amp; TECHNICAL</b>						
2015/16	Statutory compliance officer	0	(21,000)	(21,000)	(21,000)	(21,000)
2015/16	Mastering management	0	(9,000)	(9,000)	(9,000)	(9,000)
2015/16	Data capture officer	0	0	(145,000)	(145,000)	(145,000)
2014/15	Pension hidden costs	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
		<b>(9,000)</b>	<b>(39,000)</b>	<b>(184,000)</b>	<b>(184,000)</b>	<b>(184,000)</b>

<b>LEGAL &amp; DEMOCRATIC</b>						
2014/15	2015 parliamentary and local elections	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
2015/16	2015 parliamentary and local elections	(70,000)	(70,000)	(70,000)	(70,000)	(70,000)
2014/15	Restructure in democratic and electoral services	(4,038)	(4,038)	(4,038)	(4,038)	(4,038)
2015/16	Corporate services contract costs	(75,000)	(100,000)	(100,000)	(100,000)	(100,000)
		<b>(249,038)</b>	<b>(274,038)</b>	<b>(274,038)</b>	<b>(274,038)</b>	<b>(274,038)</b>

## Vale of White Horse DC - 2016/17 budget build changes

## Opening budget adjustments

Year of bid	Summary	Spending profile:				
		2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>PLANNING</b>						
2014/15	Community engagement	(22,500)	(70,500)	(70,500)	(70,500)	(70,500)
2014/15	Local plan	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
2014/15	CIL/S106	(38,400)	(38,400)	(38,400)	(38,400)	(38,400)
2014/15	Master planning and SPD work	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
2014/15	Area action planning	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
2014/15	Joint planning policy work	24,000	24,000	24,000	24,000	24,000
2014/15	Major applications	0	(203,000)	(203,000)	(203,000)	(203,000)
2014/15	Pre applications advice	0	(58,000)	(58,000)	(58,000)	(58,000)
2014/15	On-line planning	0	5,000	5,000	5,000	5,000
2015/16	SHMA2	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
2015/16	CIL funding for contract monitoring officer post	0	(20,000)	(20,000)	(20,000)	(20,000)
		<b>(286,900)</b>	<b>(610,900)</b>	<b>(610,900)</b>	<b>(610,900)</b>	<b>(610,900)</b>
<b>STRATEGIC MANAGEMENT BOARD</b>						
2013/14	Enterprise zone - financial software	0	0	(1,800)	(1,800)	(1,800)
2015/16	Change support programme	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)
2014/15	Corporate services contract renewal	(15,000)	(25,000)	(25,000)	(25,000)	(25,000)
		<b>(52,500)</b>	<b>(62,500)</b>	<b>(64,300)</b>	<b>(64,300)</b>	<b>(64,300)</b>
<b>GRAND TOTAL</b>		<b>(871,120)</b>	<b>(1,223,332)</b>	<b>(1,370,264)</b>	<b>(1,300,986)</b>	<b>(1,339,986)</b>

**Vale of White Horse DC - 2016/17 budget build changes**  
**Inflation, salary increments and other salary adjustments**

Detail	Spending profile:				
	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>ALL SERVICES</b>					
Salary inflation	100,952	203,419	307,422	412,986	520,133
Salary increments	51,160	103,087	155,792	209,289	263,588
Other salary adjustments	187,314	187,314	187,314	187,314	187,314
Other inflation	6,282	6,376	6,472	6,569	6,667
<b>Grand total</b>	<b>345,708</b>	<b>500,196</b>	<b>657,001</b>	<b>816,158</b>	<b>977,703</b>

## Vale of White Horse DC - 2016/17 budget build changes

## Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile:				
				2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>CORPORATE STRATEGY AND WASTE</b>								
1	<b>Garden Waste</b>	Net increase in the garden waste service. Additional revenue costs of £85,000 have been partly offset by additional income of £77,000	Ongoing	8,000	8,000	8,000	8,000	8,000
2	<b>OCC Garden waste credits</b>	This is the removal of garden waste credits currently provided by OCC for green waste. They have informed us these credits will stop in April	Ongoing	165,000	165,000	165,000	165,000	165,000
3	<b>Reduction in income for dry recycling credits</b>	This is based on 2014/15 and 2015/16 actuals which have shown a reduction in the amount of dry recycling being collected. The budget had been set based on the 2013/14 actuals.	Ongoing	70,000	70,000	70,000	70,000	70,000
4	<b>Reduction in income from emptying parish dog bins</b>	A change in legislation now allows dog waste to be placed in normal waste bins and does not need to be collected separately. As a result of this a number of the dog bins have now been removed. This is likely to be an ongoing trend in	Ongoing	7,000	7,000	7,000	7,000	7,000
5	<b>Refuse Collection</b>	Net increase in refuse collection service. Increased collection costs of £58,000 have been partly offset by a reduction in the number of clinical waste collectons valued at of £40,000	Ongoing	18,000	18,000	18,000	18,000	18,000
6	<b>OCC Highway Grass Cutting</b>	OCC have reduced their grant for grass cutting. Following discussions at Cabinet briefing they agreed a budget growth of £25,000 as a one-off bid until the grounds maintenance contract is	One-off	25,000	0	0	0	0
7	<b>Grounds Maintenance additional payment</b>	An additional contract payment in accordance with an Individual Cabinet Members Decision. This is to cover the period 1 April to 31 December	One-off	66,750	0	0	0	0
				<b>359,750</b>	<b>268,000</b>	<b>268,000</b>	<b>268,000</b>	<b>268,000</b>

## Vale of White Horse DC - 2016/17 budget build changes

## Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile:				
				2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>Development and Housing</b>								
1	<b>Temporary accomodation income</b>	To alleviate the volume variance from temporary accomodation income which is projected to be lower than anticapted	Ongoing	41,791	41,791	41,791	41,791	41,791
2	<b>Contribution to growth Board</b>	Each Oxfordshire council has given a commitment to the funding of a joint Oxfordshire programme manager post and to sharing costs	One-off	50,000	50,000	50,000	0	0
				<b>91,791</b>	<b>91,791</b>	<b>91,791</b>	<b>41,791</b>	<b>41,791</b>

<b>ECONOMY, LEISURE AND PROPERTY</b>								
age 56	<b>Additional leisure development post</b>	Agreement has been given for an additional resource to address the additional workload created by the level of community infrastructure required over the coming years. This will be funded from existing budgets during 2015/16 but will need to be reflected in the budget going forwards. It is anticipated that this post will be	Ongoing	20,756	20,756	20,756	20,756	20,756
2	Emcor house	Reduced rental income as a result of sale of investment property	Ongoing	145,000	145,000	145,000	145,000	145,000
				<b>165,756</b>	<b>165,756</b>	<b>165,756</b>	<b>165,756</b>	<b>165,756</b>

<b>FINANCE</b>								
1	<b>Housing benefit</b>	Additional cost of housing benefit provision based on estimates for 2016/17	Ongoing	57,541	57,541	57,541	57,541	57,541
				<b>57,541</b>	<b>57,541</b>	<b>57,541</b>	<b>57,541</b>	<b>57,541</b>



## Vale of White Horse DC - 2016/17 budget build changes

## Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile:				
				2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>LEGAL AND DEMOCRATIC</b>								
1	<b>Restructure of electoral and democratic services.</b>	Establish additional posts in democratic and elections and legal services. This proposal has been approved by Strategic Management Board and implemented.	Ongoing	41,520	41,520	41,520	41,520	41,520
2	<b>Individual electoral registration</b>	To increase the electoral registration printing and postage budgets to ensure the council has sufficient budget to administer Individual Electoral Registration (IER). In this and the previous financial year the council received government grant to cover the increased costs associated with the introduction of IER. No decision has been taken on future government funding	Ongoing	37,000	37,000	37,000	37,000	37,000
				<b>78,520</b>	<b>78,520</b>	<b>78,520</b>	<b>78,520</b>	<b>78,520</b>

## Vale of White Horse DC - 2016/17 budget build changes

## Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile:				
				2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>PLANNING</b>								
1	<b>Income funded resources for development management</b>	Additional resources to address the increase in planning application workload and maintain current levels of customer service. This was approved in April 2015 for 3 years from 2015/16.	One-off	138,000	138,000	0	0	0
2	<b>Local Plan 2031 Part 2 and Oxford City unmet need</b>	To deliver part 2 of the local plan 2031, update on evidence studies, consultation and examination. Statutory responsibility, regain plan led system, demonstrate 5 year housing land supply.	One-off	100,000	100,000	0	0	0
3	<b>Development management salary apportionment</b>	The number of applications at Vale has been increasing more quickly compared to the increase at south. This determines the allocation of employees costs and hence there is an increase of £112,000 in Development Management employee costs at Vale including specialist staff, planning officers, registration staff, development management business support and enforcement. This cost is met by an increase in income at Vale	Ongoing	112,000	112,000	112,000	112,000	112,000
				<b>350,000</b>	<b>350,000</b>	<b>112,000</b>	<b>112,000</b>	<b>112,000</b>
<b>GRAND TOTAL</b>				<b>1,103,358</b>	<b>1,011,608</b>	<b>773,608</b>	<b>723,608</b>	<b>723,608</b>

**Vale of White Horse - 2016/17 budget build changes**

**Base budget savings**

Item		One-off / ongoing	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>CORPORATE STRATEGY</b>							
1	Reduction in partnership grants	Ongoing	(11,500)	(21,500)	(21,500)	(21,500)	(21,500)
			<b>(11,500)</b>	<b>(21,500)</b>	<b>(21,500)</b>	<b>(21,500)</b>	<b>(21,500)</b>
<b>ECONOMY, LEISURE AND PROPERTY</b>							
1	The Beacon - net increase in income	Ongoing	(20,200)	(20,200)	(20,200)	(20,200)	(20,200)
2	Anticipated income from future leisure centre build	Ongoing	0	0	0	(400,000)	(400,000)
3	Other budget savings across service	Ongoing	(19,636)	(19,636)	(19,636)	(19,636)	(19,636)
			<b>(39,836)</b>	<b>(39,836)</b>	<b>(39,836)</b>	<b>(439,836)</b>	<b>(439,836)</b>
<b>HR, IT &amp; TECHNICAL</b>							
1	Hidden pension costs - reduction in budget	Ongoing	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
			<b>(15,000)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>(15,000)</b>
<b>PLANNING</b>							
1	Increase in development management income	Ongoing	(194,551)	(194,551)	(194,551)	(194,551)	(194,551)
			<b>(194,551)</b>	<b>(194,551)</b>	<b>(194,551)</b>	<b>(194,551)</b>	<b>(194,551)</b>
<b>Overall total</b>			<b>(260,887)</b>	<b>(270,887)</b>	<b>(270,887)</b>	<b>(670,887)</b>	<b>(670,887)</b>

**Vale of White Horse DC - 2016/17 budget build changes**  
**Contingency**

<b>SUMMARY</b>				<b>Provision 2016/17 £</b>
<b>Revenue contingency 2015/16</b>				<b>644,000</b>
Movement in contingency provision 2016/17				(142,378)
<b>Total revenue contingency budget 2016/17</b>				<b>501,622</b>
<b>DETAIL</b>		<b>Worst case liability (£)</b>	<b>Probability (%)</b>	<b>Provision 2015/16 £</b>
		<b>£</b>	<b>%</b>	<b>£</b>
<b>ALL SERVICES</b>				
1	General contingency	N/A	100	150,000
				<b>150,000</b>
<b>CORPORATE STRATEGY</b>				
2	Waste contract inflation costs	46,400	95	44,080
3	Grounds maintenance contract tendering	6,500	95	6,175
				<b>50,255</b>
<b>FINANCE</b>				
4	Capita pay and performance mechanism - council tax (4 months)	6,000	95	5,700
5	Capita pay and performance mechanism - benefits (4 months)	53,333	95	50,667
6	Housing benefit bad debt provision	98,000	95	93,000
				<b>149,367</b>
<b>HEALTH &amp; HOUSING</b>				
7	Homelessness preventions payments	85,000	25	21,250
				<b>21,250</b>
<b>HR, IT &amp; CUSTOMER</b>				
8	Increase in recruitment costs	20,000	50	10,000
				<b>10,000</b>
<b>LEGAL AND DEMOCRATIC</b>				
9	External legal costs	150,000	75	112,500
10	By-elections	14,000	50	7,000
11	Code of conduct investigations	5,000	25	1,250
				<b>120,750</b>
<b>Overall total</b>				<b>501,622</b>

## Vale of White Horse DC - 2016/17 revenue growth bids

No	Title of bid	Summary	One-off or ongoing	Spending profile:				
				2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>CORPORATE STRATEGY AND WASTE</b>								
1	<b>Queen's Brithday Celebrations</b>	To create a one-off budget of £30,000 to help support community events taking place next year to celebrate the Queen's 90th birthday.	One-off	30,000	0	0	0	0
2	<b>Deep cleanse trial</b>	To carry out a one year Deep Cleanse trial in the Vale	One-off	60,000	0	0	0	0
3	<b>Garden Waste and Bulky Waste</b>	To enable the cost of the garden waste service and bulky waste service to residents to remain at the current prices.	Ongoing	12,054	12,054	12,054	12,054	12,054
4	<b>Air Quality</b>	Air Quality work is covered by 0.3 FTE. This Air Quality Officer has to carry out monthly air quality monitor and calibration, respond to planning applications on air quality and carry out yearly DEFRA reporting and respond to enquiries. This leaves little time to work on the action plan and currently there is only enough resource to work on one action from the plan per year. If more work is required e.g. work on two actions per year, this would require an additional 0.5 FTE.	Ongoing	22,776	22,776	22,776	22,776	22,776
5	<b>New Homes Bonus grant scheme</b>	To offer grants to voluntary and community organisations who are delivering projects and services that support our objectives or those in need.	One-off	100,000	0	0	0	0
				<b>224,830</b>	<b>34,830</b>	<b>34,830</b>	<b>34,830</b>	<b>34,830</b>

## Vale of White Horse DC - 2016/17 revenue growth bids

No	Title of bid	Summary	One-off or ongoing	Spending profile:				
				2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>DEVELOPMENT AND HOUSING</b>								
1	<b>Studies in inform housing strategies for Vale and South</b>	The council does not have a housing strategy. This is a significant omission. Our local plans draw information from the SHMA and housing waiting lists to inform the local plan and negotiations with developers. We provide a very narrow definition of what constitutes affordable housing and we do not offer or support the wide range of housing products available as we have no evidence on which to base amendments to our current adopted policies. A sound, evidence-based housing strategy is more flexible than an adopted local plan and can be referenced as the source of housing policy within a local plan. A housing strategy will enable a housing Supplementary Planning Document (SPD) to be produced and utilised in section 106 agreements, minimising contention and negotiation challenges.	Ongoing	90,000	15,000	15,000	15,000	15,000
				<b>90,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>

## Vale of White Horse DC - 2016/17 revenue growth bids

No	Title of bid	Summary	One-off or ongoing	Spending profile:				
				2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>ECONOMY, LEISURE AND PROPERTY</b>								
1	<b>Market town support</b>	The purpose of this bid is to provide support for the market towns of Faringdon and Wantage. Over the last two years significant progress has been made in addressing the issues of vibrancy and vitality in the two towns, particularly in relation to the number of empty shops and low footfall. This has been provided through the employment of consultants with specialisms in particular areas, such as marketing, loyalty cards and pop-up shops. This bid is to continue this support for a further two years	One-off	40,000	40,000	0	0	0
2	<b>Business Innovation Strategy</b>	To fund support to provide required expert advice on business innovation strategy	Ongoing	30,000	30,000	30,000	30,000	30,000
	<b>Leisure planning advice</b>	To fund support to provide required expert leisure advice on leisure needs generated from planning applications	Ongoing	10,000	10,000	10,000	10,000	10,000
				<b>80,000</b>	<b>80,000</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>
<b>HR, IT &amp; TECHNICAL</b>								
1	<b>Community Flood Group Grants</b>	This bid proposes an ongoing revenue budget of £10,000 to support community flood groups with financial assistance to maintain the existence of the groups and to encourage further community flood alleviation works to be undertaken.	Ongoing	10,000	10,000	10,000	10,000	10,000
				<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>LEGAL AND DEMOCRATIC</b>								
1	<b>CCTV running costs</b>	This bid is to meet the shortfall in CCTV running costs arising from a reduction in funding for the service from Thames Valley Police (TVP) with effect from 1 April 2016.	Ongoing	7,709	11,042	11,042	11,042	11,042
				<b>7,709</b>	<b>11,042</b>	<b>11,042</b>	<b>11,042</b>	<b>11,042</b>

## Vale of White Horse DC - 2016/17 revenue growth bids

No	Title of bid	Summary	One-off or ongoing	Spending profile:				
				2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>PLANNING</b>								
1	<b>CIL officer</b>	Continue the employment of a CIL Officer 2 years. Post holder supports the adoption and implementation of the South CIL charging schedule and will complete the Vale CIL examination and then implementation of the charging schedule. The Vale CIL examination has been delayed due to the Vale Local Plan 2031 part 1 examination, which had a delayed start and proceedings are taking longer than expected.	One-off	20,000	20,000	0	0	0
		Less funding	One-off	(20,000)	(20,000)	0	0	0
2	<b>Joint landscape study</b>	The last South Landscape Study dates back to 2005. There is no Vale equivalent landscape Study. Such joint study would be an evidence document for each council. It would serve to enable the specialist team and planners to make better use of their resources and time. It would also support the development of planning policies, masterplans and defending appeals.	One-off	35,000	0	0	0	0
	<b>Infrastructure feasibility and design</b>	Both districts need to be proactive and prioritise this work to help enable accelerated housing delivery. Schemes are included within each council's IDP that need to progress, so they are shelf-ready for bids. This funding which will contribute to OCC funding means we can have a role to influence and prioritise work, caveats on participation and delivery will be built in on any contributions.	Ongoing	50,000	50,000	50,000	50,000	50,000



## Vale of White Horse DC - 2016/17 revenue growth bids

No	Title of bid	Summary	One-off or ongoing	Spending profile:				
				2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>PLANNING continued</b>								
4	<b>Housing planning applications - staff</b>	This bid is for two DM Planners. The number of planning applications submitted remains high but stable. However, the number of major apps continue to rise, 47% increase between April to Sept, comparing 2014 to 2015 (32 v 47apps). Planning application income is also currently higher than budgeted by £135K, this excess could be £155K by year end. We expect the application workload to continue to grow over the next few years. To deal with this workload by skilled staff, we seek to retain current temporary posts for three years, reviewed annually.	One-off	74,000	74,000	74,000	0	0
		Less funding	One-off	(74,000)	(74,000)	(74,000)	0	0
5	<b>Studies to support Local Plan Part 2</b>	Joint comprehensive policy off SHLAA including database (South & Vale). Current SHLAAs are not now in line with NPPG as we limit the settlements assessed and take a high level approach. A robust and comprehensive SHLAA including capacity assessment is appropriate and can assist DM and NDP bodies to fully assess available sites.	One-off	75,000	0	0	0	0
6	<b>Recruitment / retention package</b>	As part of a retention and recruitment package for planning staff to offer some senior planning policy and DM posts career development and to take responsibility as a professional planning advisor. Part of a recruitment package to offer a housing allowance to support new senior postholders moving to live within the district and close proximity to the office, and to fund a new Planning policy manager. Cost of packages for three years can be partly met by increased planning budget for fee income 2016/17.	One-off	90,000	90,000	90,000	0	0
		Less funding	One-off	(28,000)	(28,000)	(28,000)	0	0
				<b>222,000</b>	<b>112,000</b>	<b>112,000</b>	<b>50,000</b>	<b>50,000</b>
<b>GRAND TOTAL</b>				<b>634,539</b>	<b>262,872</b>	<b>222,872</b>	<b>160,872</b>	<b>160,872</b>

## Vale of White Horse DC Service budget analysis 2016/17

Budget head	Final Budget £
Corporate strategy	5,817,768
Development & Housing	801,554
Economy leisure & property	(368,303)
Finance	2,160,655
HR IT & Technical	1,931,176
Legal & democratic services	1,126,685
Planning	1,193,015
Strategic management board	370,930
Contingency	501,622
Corporate services project savings	(653,333)
Residual client costs	116,291
Management restructure savings	50,000
Managed Vacancy Factor	(185,211)
<b>Net cost of delivering services</b>	<b>12,862,847</b>
Gross treasury income	(411,000)
Net property income	(961,310)
<b>Net expenditure</b>	<b>11,490,537</b>
<b>Government grant funding:</b>	
New Homes Bonus	(3,929,440)
<b>Transfer to reserves</b>	
Election equalisation reserve	40,000
Affordable homes	228,480
New Homes Bonus	3,700,960
Leisure funding	1,142,901
<b>Funding from existing resources:</b>	
New home bonus	(2,553,642)
Contribution to/from General fund balances	(1,202,190)
<b>Budget funding requirement</b>	<b>8,917,607</b>

**VALE OF WHITE HORSE DISTRICT COUNCIL  
CAPITAL PROGRAMME TO 31 MARCH 2021**

	2015/16 Original Budget £000	2015/16 Latest Budget £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>APPROVED PROGRAMME</b>							
Corporate Strategy	1,360	1,876	1,129	1,129	1,129	1,129	1,129
Development and Housing	1,814	534	1,372	0	0	0	0
Economy, Leisure and Property Finance	5,815	1,904	4,563	7,140	4,220	270	175
HR, IT and Technical Services	1,912	1,139	836	575	1,045	685	45
Legal and Democratic Services	15	50	55	0	0	0	0
Planning	0	32	0	0	0	0	0
Contingency	200	0	2,329	0	0	0	0
<b>TOTAL APPROVED PROGRAMME</b>	<b>11,131</b>	<b>5,554</b>	<b>10,284</b>	<b>8,844</b>	<b>6,394</b>	<b>2,094</b>	<b>1,349</b>
<b>PROVISIONAL PROGRAMME</b>							
<b>GRAND TOTAL</b>	<b>11,131</b>	<b>5,554</b>	<b>10,284</b>	<b>8,844</b>	<b>6,394</b>	<b>2,094</b>	<b>1,349</b>

**Cumulative Total Budget**

**34,519**

**CAPITAL FINANCING**

Public arts projects funded by developer contributions	8	3						
Wantage Leisure Facilities, funded from developer contribution	46	46						
Chilton Public Art, funded from developer contribution	73	83						
Great Western Park public art, funded from developer contribution	156	156						
Marlborough Gardens Play Area, funded from developer contribution		1						
Tower Close Play Area, funded from developer contribution		22						
Wantage leisure centre capital investment direct revenue financing		127						
WHLTC capital investment direct revenue financing		530	939	358				175
Faringdon leisure centre capital investment direct revenue financing		788	203					
Wantage/Grove Leisure Facility					1,250	1,250		
Support development of social housing, funded from developer contributions	305	305	523	523	523	523	523	
Mandatory Disabled Facilities Grants, government funding	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	7,157	711	8,329	796	0	0	0	
Balance from capital receipts	2,841	2,183	290	7,167	4,621	321	651	
Balance from New Homes Bonus/prudential borrowing			10,284	8,844	6,394	2,094	1,349	
<b>GRAND TOTAL</b>	<b>11,131</b>	<b>5,554</b>	<b>10,284</b>	<b>8,844</b>	<b>6,394</b>	<b>2,094</b>	<b>1,349</b>	
Capital receipts b/f from previous year	5,100	5,100	7,625	286	0	0	0	
projected increase in capital receipts in year	2,057	3,236	1,000	500	0	0	0	
capital receipt balance to c/f	0	7,625	296	0	0	0	0	

**VALE OF WHITE HORSE DISTRICT COUNCIL  
CAPITAL PROGRAMME TO 31 MARCH 2021**

	2015/16 Original Budget £000	2015/16 Latest Budget £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>Notes</b>							
<b>Corporate Strategy</b>							
Energy reduction plan	25	43	15	15	15	15	15
New and Upgraded Parks Facilities	15	15	74	74	74	74	74
Additional Wheeled Bins for New Properties	74	74	100	100	100	100	100
Community Grants Fund	141	225					
Marlborough Gardens Play Area		1					
Tower Close Play Area		22					
Wantage Memorial Park	77	77					
Pye Street Play Area	77	77					
Additional Kerbside Recycling	11	11					
Disabled Facilities Grants	850	1,229	850	850	850	850	850
Home Repairs Target	90	90	90	90	90	90	90
IT for Mobile Working in EH	12	12					
	<b>1,360</b>	<b>1,876</b>	<b>1,129</b>	<b>1,129</b>	<b>1,129</b>	<b>1,129</b>	<b>1,129</b>

**Development and Housing**

Support Development of Social Housing	387	387					
Online Housing Applications		13					
Open Market Homebuy Scheme	42	96					
Implementation of Online Housing Advice		25					
Housing Allocations	13	13					
Refurbish Abingdon Temporary Accommodation	252	0	252				
Refurbish Tiverton House	200	0	200				
Housing Abingdon	920	0	920				
	<b>1,814</b>	<b>534</b>	<b>1,372</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**VALE OF WHITE HORSE DISTRICT COUNCIL  
CAPITAL PROGRAMME TO 31 MARCH 2021**

	2015/16 Original Budget £000	2015/16 Latest Budget £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>Economy, Leisure and Property</b>							
Great Coxwell Wall Reinstatement	25	20					
Essential Refurbishment of Operational Property Assets	200	200					
West Way Shopping Centre Refurbishment	50	0					
Refurbishment of Emcor House, Hatfield	150	0					
Public Art Projects (funded by contributions)	8	3					
Maintain Building Fabric - Leisure Facilities	42	41					
Wi-fi for Vale Towns	8	8					
Wantage Civic Hall Capital Works	64	30	20	20	20	20	
WHLTC Car Park Extension	46	36					
Wantage Leisure Facilities	73	46					
Chilton Public Art	139	83					
Great Western Park Public Art	600	156					
Abingdon Riverbank Repairs	500	12	588				
Leisure Centre Essential Works	129	493	250			250	
Wantage leisure centre capital investment	1,960	127	1,600				175
WHLTC capital investment	991	360	900				
Faringdon leisure centre capital investment	30	91	0				
Beacon Capital Works	50	0	0				
Wantage/Grove Leisure Facility	500	610	610	7,120	4,200	0	
Abbey Meadows and Gradens Improvements	250	50	450				
Broadband		148	145				
	5,815	1,904	4,563	7,140	4,220	270	175

**VALE OF WHITE HORSE DISTRICT COUNCIL  
CAPITAL PROGRAMME TO 31 MARCH 2021**

	2015/16 Original Budget £000	2015/16 Latest Budget £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>Finance</b>							
Fixed Asset System		4					
	0	4	0	0	0	0	0
<b>HR, IT and Technical Services</b>							
Flood Prevention	170	170	45	45	45	45	45
Sewage Works	17	17					
MHP - Junct. Box Replacement	47	47					
Upgrade of Sewage Treatment Works - Challow & Sparsholt	836	0	440				
Development of Additional Plots at MHP	90	89					
Hales Meadow Public Convenience	30	30					
Woodlands watercourse	66	66	30	30			
Car park lighting improvements	45	45					
Changes to Rye Farm car park	70	70					
Wantage PC	50	50	300	500	1,000	650	
Abingdon Flood Relief	70	70					
Abbey Meadows Public Convenience	15	15					
Car Park Signs	21	0	21				
Gas Boiler		70					
Charter Car Park Lift		150					
IT Infrastructure investment	135	250					
IT Infrastructure (improvements identified under Ftf)							
	1,912	1,139	836	575	1,045	695	45

**VALE OF WHITE HORSE DISTRICT COUNCIL  
CAPITAL PROGRAMME TO 31 MARCH 2021**

	2015/16 Original Budget £000	2015/16 Latest Budget £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>Legal and Democratic Services</b>							
CCTV Capital Works	15	0	49				
Community Safety Partnership Grants		0	6				
Legal Case Management System		1					
Licensing software project		4					
Polling Booths		45					
	15	50	55	0	0	0	0
<b>Planning</b>							
Electronic Delivery of Planning Service		22					
Capture Planning Constraints		10					
	0	32	0	0	0	0	0
<b>Contingency</b>							
Capital Contingency	200	0	2,329				
	200	0	2,329	0	0	0	0





No	Title of bid	Summary	CAPITAL SPEND					REVENUE CONSEQUENCES				
			Spending profile:					Spending profile:				
			2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
<b>CORPORATE STRATEGY &amp; WASTE</b>												
1	Disabled Facility Grant	The current £850,000 budget is under pressure because of increased demand for DFG adaptations and higher building costs. If the current demand is maintained or increases next year the time for completion of the low priority cases will increase and may mean that the council will not meet its statutory requirements.	100,000	100,000	100,000	100,000	100,000	0	0	0	0	0
2	Replacement of play equipment	Replace play equipment that is reaching the end of its serviceable life. The selection of equipment to be replaced has been based on the 2015 annual safety inspection by RoSPA.	30,000	30,000	30,000	0	0	0	0	0	0	0
3	New website	We need to upgrade the content management system that drives our websites for security reasons. Websites have a shelf life of about 4-5 years and ours are now four years old. Tackling the security issue without giving them a fresh new look and improving the navigation would be a significant missed opportunity given the cost of just upgrading the content management system	25,000	0	0	0	0	0	0	0	0	0
			<b>155,000</b>	<b>130,000</b>	<b>130,000</b>	<b>100,000</b>	<b>100,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>HR, IT&amp; TECHNICAL</b>												
	Improvements to public conveniences at the Charter	To redesign and renovate the public conveniences at Charter multi-storey car park Abingdon, to provide four individual unisex cubicles plus one for use by the disabled	150,000	0	0	0	0	0	0	0	0	0
	Car park expansion	To increase car park capacity within the district.	0	2,000,000	0	0	0	50,000	0	0	0	0
3	Renovation charter car park	To carry out renovations of Charter (multi-storey) car park Abingdon, to transform appearance and extend its serviceable life.	800,000	0	0	0	0	0	0	0	0	0
4	Sparsholt Sewage Treatment Works	Sparsholt Sewage Treatment Works was constructed in the early 1950's to receive and treat sewage effluent from Council owned properties on the western side of the village. The council maintains the works, but despite improvements and refurbishment of equipment over recent years, the final effluent has breached its consent standards three times in the last seven months. Such failure to comply with consent is an offence under the Environmental Permitting Regulations 2010 and could result in the council being prosecuted by the Environment Agency. Works are required to reduce the still significant ingress of water thought to be from the lateral connections.	200,000	0	0	0	0	0	0	0	0	0
			<b>1,150,000</b>	<b>2,000,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GRAND TOTAL</b>			<b>1,305,000</b>	<b>2,130,000</b>	<b>130,000</b>	<b>100,000</b>	<b>100,000</b>	<b>50,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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	A	B	C	D	E	F
1	Vale of White Horse District Council	Budget	Indicative	Indicative	Indicative	Indicative
2		2016/17	2017/18	2018/19	2019/20	2020/21
3		£	£	£	£	£
4	<b>Base budget</b>					
5	Corporate strategy	5,267,148	5,267,148	5,267,148	5,267,148	5,267,148
6	Development & Housing	586,673	586,673	586,673	586,673	586,673
7	Economy, leisure and property	(409,760)	(409,760)	(409,760)	(409,760)	(409,760)
8	Finance	2,033,330	2,033,330	2,033,330	2,033,330	2,033,330
9	HR, IT, & technical	1,840,225	1,840,225	1,840,225	1,840,225	1,840,225
10	Legal and democratic	1,289,311	1,289,311	1,289,311	1,289,311	1,289,311
11	Planning	1,005,037	1,005,037	1,005,037	1,005,037	1,005,037
12	Strategic management board	390,756	390,756	390,756	390,756	390,756
13	Managed vacancy factor	(163,667)	(163,667)	(163,667)	(163,667)	(163,667)
14	Contingency	644,000	644,000	644,000	644,000	644,000
15	<b>Total base budget</b>	<b>12,483,052</b>	<b>12,483,052</b>	<b>12,483,052</b>	<b>12,483,052</b>	<b>12,483,052</b>
16	<b>Revisions to base budget</b>					
17	Opening budget adjustments	(871,120)	(1,223,332)	(1,370,264)	(1,300,986)	(1,339,986)
18	Inflation, salary increments and adjustments	345,708	500,196	657,001	816,158	977,703
19	Essential growth - on-off	379,750	288,000	50,000	0	0
20	Essential growth - ongoing	723,608	723,608	723,608	723,608	723,608
21	Base budget savings	(260,887)	(270,887)	(270,887)	(670,887)	(670,887)
22	Movement in revenue contingency	(142,378)	(142,378)	(142,378)	(142,378)	(142,378)
23	Movement in managed vacancy factor	(21,543)	(21,543)	(21,543)	(21,543)	(21,543)
24	Corporate contract savings	(653,333)	(980,000)	(980,000)	(980,000)	(980,000)
25	Residual client costs	116,291	174,534	127,991	104,720	104,720
26	Management restructure savings	50,000	(100,000)	(100,000)	(100,000)	(100,000)
27	Other budget adjustments	29,160	29,160	29,160	29,160	29,160
28	<b>Total revised base budget</b>	<b>12,178,308</b>	<b>11,460,410</b>	<b>11,185,740</b>	<b>10,940,904</b>	<b>11,063,449</b>
29	<b>Growth, savings and other budget adjustments</b>					
31	<b>Growth proposals</b>					
32	Revenue - one-off	242,000	102,000	62,000	0	0
33	Revenue - ongoing	392,539	160,872	160,872	160,872	160,872
34	Capital (revenue consequences of)	50,000	0	0	0	0
35	Assumed future essential growth	0	100,000	200,000	300,000	400,000
37	<b>Net cost of services</b>	<b>12,862,847</b>	<b>11,823,282</b>	<b>11,608,612</b>	<b>11,401,776</b>	<b>11,624,321</b>
38	Net property income	(961,310)	(961,310)	(961,310)	(961,310)	(961,310)
39	Gross treasury income	(411,000)	(529,000)	(661,500)	(744,000)	(700,000)
40	Capital financing costs	0	351,920	351,920	351,920	351,920
41	<b>Net expenditure</b>	<b>11,490,537</b>	<b>10,684,892</b>	<b>10,337,722</b>	<b>10,048,386</b>	<b>10,314,931</b>
42	New Homes Bonus	(3,929,440)	(3,311,602)	(3,396,249)	(3,310,926)	(2,777,960)
43	Transfers to / (from) earmarked reserves	2,558,700	1,449,915	1,953,914	2,180,044	1,587,291
44	<b>Amount to be financed</b>	<b>10,119,797</b>	<b>8,823,205</b>	<b>8,895,387</b>	<b>8,917,504</b>	<b>9,124,262</b>
45	<b>Financing</b>					
46	Revenue support grant	(1,082,454)	(512,717)	(164,795)	0	0
47	Business rates retention scheme	(2,169,027)	(2,211,688)	(2,276,935)	(2,349,710)	(2,396,704)
48	<b>Total start-up funding allocation</b>	<b>(3,251,481)</b>	<b>(2,724,405)</b>	<b>(2,441,730)</b>	<b>(2,349,710)</b>	<b>(2,396,704)</b>
49	Less - Parish share of council tax support grant	80,297	40,149	0	0	0
50	Less - tariff adjustment	0	0	0	223,854	228,331
51	+ / - estimated NNDR over/under collection	162,677	165,876	170,767	176,228	179,753
52	Collection fund (surplus)/deficit	(287,338)	(250,000)	(250,000)	(250,000)	(250,000)
	<b>Council tax requirement before use of reserves</b>	<b>6,823,952</b>	<b>6,054,825</b>	<b>6,374,424</b>	<b>6,717,876</b>	<b>6,885,642</b>
53						
54	Use of general fund balance	(1,202,190)	(80,564)	(34,717)	(28,933)	26,655
56	<b>Council tax requirement after use of reserves</b>	<b>5,621,762</b>	<b>5,974,261</b>	<b>6,339,707</b>	<b>6,688,943</b>	<b>6,912,296</b>
57	Tax base	48,176.9	49,094.1	50,041.1	50,793.1	51,465.0
58	Band D Council tax (£)	116.69	121.69	126.69	131.69	134.31
59	Council tax increase from previous year	0.0%	4.3%	4.1%	3.9%	2.0%
60	<b>Reserves at year end</b>					
61	opening GFB	(2,351,243)	(1,149,053)	(1,068,490)	(1,033,772)	(1,004,839)
62	General fund balance	(1,149,053)	(1,068,490)	(1,033,772)	(1,004,839)	(1,031,494)
63	Earmarked revenue reserves	(5,548,326)	(4,900,205)	(2,103,119)	(3,862,163)	(4,698,454)

RESERVES FUNDING

Earmarked revenue reserves (ER)	Budgeted Balance 31.3.15	Budgeted Contrib to funds	Budgeted Use of Funds	Funding to capital	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
Building Regulations Trading	(69,000)				(69,000)				(69,000)				(69,000)				(69,000)				(69,000)				(69,000)
Community Grants Awards	(27,000)				(27,000)				(27,000)				(27,000)				(27,000)				(27,000)				(27,000)
Election Equalisation reserve	(100,000)		100,000		0	(40,000)			(40,000)	(40,000)			(80,000)	(40,000)	20,000		(100,000)		100,000		0	(40,000)			(40,000)
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)
Capacity grant funding	0				0				0				0				0				0				0
Leisure	0	(1,142,902)		1,142,902	0	(1,142,902)		1,142,902	0	(1,101,036)		1,101,036	0				0				0				0
<b>Total ER</b>	<b>(471,000)</b>	<b>(1,142,902)</b>	<b>100,000</b>	<b>1,142,902</b>	<b>(371,000)</b>	<b>(1,182,902)</b>	<b>0</b>	<b>1,142,902</b>	<b>(411,000)</b>	<b>(1,141,036)</b>	<b>0</b>	<b>1,101,036</b>	<b>(451,000)</b>	<b>(40,000)</b>	<b>20,000</b>		<b>(471,000)</b>	<b>0</b>	<b>100,000</b>	<b>0</b>	<b>(371,000)</b>	<b>(40,000)</b>	<b>0</b>	<b>0</b>	<b>(411,000)</b>
Revenue Government Grant	Budgeted Balance 31.3.15	Budgeted Contrib to funds	Budgeted Use of Funds	Funding to capital	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
<b>New Homes Bonus (NHB)</b>									0				0				0				0				0
Service and Infrastructure reserve	(4,527,753)	(2,666,015)	100,000	2,087,000	(5,006,768)	(3,700,960)	2,553,642	1,595,000	(4,559,086)	(3,119,047)	3,002,723	997,000	(3,678,410)	(3,198,772)	1,462,335	4,751,000	(663,847)	(3,118,410)	1,030,882	421,000	(2,330,375)	(2,616,434)	1,230,669	751,000	(2,965,140)
Affordable Homes element	(288,680)	(157,080)		96,000	(349,760)	(228,480)			(578,240)	(192,555)			(770,795)	(197,477)			(968,272)	(192,516)			(1,160,788)	(161,526)			(1,322,314)
<b>Total NHB</b>	<b>(4,816,433)</b>	<b>(2,823,095)</b>	<b>100,000</b>	<b>2,183,000</b>	<b>(5,356,528)</b>	<b>(3,929,440)</b>	<b>2,553,642</b>	<b>1,595,000</b>	<b>(5,137,326)</b>	<b>(3,311,602)</b>	<b>3,002,723</b>	<b>997,000</b>	<b>(4,449,205)</b>	<b>(3,396,249)</b>	<b>1,462,335</b>	<b>4,751,000</b>	<b>(1,632,119)</b>	<b>(3,310,926)</b>	<b>1,030,882</b>	<b>421,000</b>	<b>(3,491,163)</b>	<b>(2,777,960)</b>	<b>1,230,669</b>	<b>751,000</b>	<b>(4,287,454)</b>
<b>Overall total</b>	<b>(5,287,433)</b>	<b>(3,965,997)</b>	<b>200,000</b>	<b>3,325,902</b>	<b>(5,727,528)</b>	<b>(5,112,342)</b>	<b>2,553,642</b>	<b>2,737,902</b>	<b>(5,548,326)</b>	<b>(4,452,638)</b>	<b>3,002,723</b>	<b>2,098,036</b>	<b>(4,900,205)</b>	<b>(3,436,249)</b>	<b>1,482,335</b>	<b>4,751,000</b>	<b>(2,103,119)</b>	<b>(3,310,926)</b>	<b>1,130,882</b>	<b>421,000</b>	<b>(3,862,163)</b>	<b>(2,817,960)</b>	<b>1,230,669</b>	<b>751,000</b>	<b>(4,698,454)</b>

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