Agenda

Contact Officer: Kathy Fiander

Tel: 01491 823649

E-mail: kathy.fiander@southandvale.gov.uk

Date: 5 February 2014

Website: http://www.southoxon.gov.uk

South Oxfordshire District Council

Listening Learning Leading

A MEETING OF THE

Cabinet

WILL BE HELD ON THURSDAY 13 FEBRUARY 2014 AT 6.00 PM

COUNCIL CHAMBER, COUNCIL OFFICES, CROWMARSH GIFFORD

South Oxfordshire District Council aims to increase access to its public meetings. This meeting will be broadcast live on the council's website and the record archived for future viewing. You can view this broadcast at www.southoxon.gov.uk

Members of the Cabinet

Member	Portfolio
Mrs Ann Ducker, MBE (Chairman)	Leader of the Council - responsible for HR, customer services, legal and democratic (excl. community safety), Didcot, corporate strategy (excl. waste and parks and grants)
Ms Anna Badcock	Cabinet Member for health and housing
Mr David Dodds	Cabinet Member for finance, waste and parks
Mrs Judith Nimmo-Smith	Cabinet Member for economic development, property and technical services
Reverend Angie Paterson	Deputy Leader and Cabinet Member for planning incl. building control) and IT
Mr Bill Service	Cabinet Member for community safety, leisure and grants

1 Apologies

2 Declaration of disclosable pecuniary interest

3 Minutes of the previous meeting, 5 December 2013

4 Public participation

ITEMS TO BE CONSIDERED WITH THE PUBLIC PRESENT

Reports considered with the public present are available on the council's website.

RECOMMENDATIONS TO COUNCIL

5 Office accommodation (Pages 5 - 10)

Purpose: to explain the outcome of recent negotiations between Oxfordshire County Council, South Oxfordshire and Vale of White Horse district councils to make better use of existing council office buildings and to seek the agreement of cabinet to base more shared staff at Crowmarsh offices, with office accommodation costs to be recharged between the councils. The report sets out the financial implications demonstrating that the council will make significant annual financial savings. The report requests a budget virement in this financial year to cover essential refurbishment works.

6 Medium term financial strategy (Pages 11 - 22)

Purpose: to recommend Council approve the medium term financial strategy

7 Treasury management 2013/14 mid-year monitoring report (Pages 23 - 34)

Purpose: to fulfil the legislative requirements to ensure the adequate monitoring of the treasury management activities and that the council's prudential indicators are reported to council mid year. The report provides details of the treasury activities for the first six months of 2013/14 and an update on the current economic conditions with a view to the remainder of the year.

At its meeting on 28 January, the Audit and Corporate Governance Committee resolved

> "that the committee was satisfied that the treasury activities were carried out in accordance with the treasury management strategy and policy with the exception of the investment made outside the treasury management strategy referred to in paragraph 20 on page 8 but noted the reasons for the change.

8 Treasury management strategy 2014/15 to 2016/17 (Pages 35 - 70)

Purpose: to present the council's treasury management strategy (TMS) for 2014/15 to 2016/17 and set out the expected treasury operations for this period. It comprises of four elements required by legislation.

9 Revenue budget 2014/15 and capital programme to 2017/18 (Pages 71 - 138)

Purpose: to recommend a budget to council

MARGARET REED

Head of Legal and Democratic Services

This page is intentionally left blank

Cabinet Report

South Oxfordshire District Council

Listening Learning Leading

Report of the Strategic Director

Author: Steve Bishop

Telephone: 01235 540332

Textphone: 18001 01235 540332

E-mail: steve.bishop@southandvale.gov.uk

Cabinet member responsible: Judith Nimmo-Smith

Tel: 07930 581732

E-mail: councillorjns@btinternet.com

To: CABINET

DATE: 13 February 2014

Office accommodation

Recommendations

(a) Cabinet approves a variation to its section 113 shared services agreement with Vale, whereby the majority of shared council staff will be based at our Crowmarsh offices and Vale of White Horse District Council will pay £175,743 service charges annually to South Oxfordshire District Council for five years until the arrangement is reviewed.

(b) Cabinet authorises the strategic director and the head of legal and democratic services to complete the variation of the section 113 shared services agreement to reflect these changes.

(c) Cabinet recommends to council the approval of a revenue virement for £480,000 from identified underspending budgets this year to cover the refurbishment cost of the Crowmarsh offices.

Purpose of Report

1. This report explains the outcome of recent negotiations between Oxfordshire County Council (the county), South Oxfordshire District Council (South) and Vale of White Horse District Council (Vale) to make better use of existing council office buildings.

2. The report seeks the agreement of cabinet to base more shared staff at Crowmarsh offices, with office accommodation costs to be recharged between the councils.

3. The report sets out the financial implications for South. It demonstrates that the council will make significant annual financial savings. It requests a budget virement in this financial year to cover essential refurbishment works.

Corporate Objectives

4. The greater utilisation of building assets would make a significant contribution to the corporate objective of effective management of resources, as well as make significant financial savings. The co-location of whole service teams has the potential to further the objective of excellent delivery of key services.

Background

5. Following the Vale Cabinet's approval to lease Abbey House space to Oxfordshire County Council, Vale and the county entered into an agreement for lease on 23 December 2013. The county will undertake refurbishment work to its Abbey House space from February 2014. In order to provide vacant possession to the county, the majority of South and Vale staff need to be relocated from Abbey House to Crowmarsh offices.

6. Staff will be relocated in two phases at the end of January and end of February 2014. After these office moves there will be approximately 320 South and Vale staff based at Crowmarsh and 50 staff based in Abbey House, with 40 other staff spread between Cornerstone (Didcot), Wantage Civic Hall, the CCTV control room (Abingdon) and roaming (car park inspectors).

Location of South and Vale council staff

7. Until now, council employees and onsite contractor staff have been spread evenly between Crowmarsh and Abbey House. As a result there has not been the need for the two councils to recharge one another any office accommodation costs.

8. From February 2014 there will be approximately 320 staff based at Crowmarsh and 50 staff based in Abingdon. The office accommodation costs will no longer be borne evenly between South and Vale; instead, South will incur a greater proportion of such costs. The Head of Finance, as both councils' s.151 chief finance officer, has calculated a fair service charge to ensure both councils share office accommodation costs which prevents either council subsidising the other at the expense of taxpayers.

9. The methodology apportions all running costs (e.g., gas, water, electricity, business rates etc) proportional to the time staff spend working for each council. The apportionment has been calculated as 54:46 (South:Vale) as not all staff work 50:50 for both councils. Using this methodology South will recharge Vale for the use of the Crowmarsh offices and Vale will recharge South for the use of

Abbey House. In practice South will recharge Vale the net amount. Using this methodology the net figure would be £168,853 for 2014/15.

10. The recharge could be re-calculated each year or the two councils could agree to apply a fixed inflator to the 2014/15 recharge for a duration to give both councils certainty.

11. South and Vale cabinet members discussed the above at the Joint Cabinet Board meeting on 2 January 2014. All cabinet members agreed with the methodology and expressed a strong desire to fix the recharge for five years. It was also agreed that using an inflation factor of two percent fairly apportioned future risk.

12. An annual recharge of £175,743 is arrived at when inflating the 2014/15 recharge by two percent per annum and smoothing the annual sums out to give a fixed annual recharge for each of the next five years. It is therefore proposed that the annual recharge will be £175,743 for five years, after which it should be reviewed and if necessary renegotiated.

13. Should either council suffer significant unexpected one-off costs relating to their building such costs should be shared between the councils in accordance with an agreement at the time.

14. Subject to cabinet approval, it is proposed that this change would be contractually reflected in a formal variation to the existing section 113 shared services legal agreement which was approved by both councils in 2008 and amended in 2011.

Refurbishment and improvement works

15. The relocation of approximately 135 staff from Abbey House to Crowmarsh requires some refurbishment works to ‘open up’ the building and provide more useable office space. Some offices are being moved and reduced in size and the works include removing partition walls, new walls, re-decoration, etc. The one-off cost of these works is approximately £350,000, which can be funded this year using virements from other underspending council budgets. The annual recharge from the Vale will cover this cost with a payback period of less than 2.5 years.

16. There are a number of other building maintenance works which had not been progressed whilst officers were considering long term plans for the Crowmarsh building. Now that the building looks likely to be fully utilised for the foreseeable future this is an opportunity to carry out these works at the same time as the refurbishment. These works include essential heating system maintenance and addressing over-illumination with energy efficient LED lighting. The one-off cost of these works is approximately £130,000, which can be funded this year using virements from other underspending council budgets.

17. The refurbishment works in paragraph 15 and maintenance works in paragraph 16 total £480,000. The cabinet is requested to recommend to council for approval a revenue virement for this amount. This will create a budget for this amount from other 2013/14 under-spending budgets to enable the necessary works to be completed. This virement will also reduce the council’s overall corporate underspend at the year-end.

18. For several years staff at Crowmarsh have complained about the lack of heating controllability and cold spots in the building during the winter. In preparation for the increase in staff at Crowmarsh a heating consultant has been asked to assess options to resolve the heating problem. In addition to identifying the essential maintenance works referred to in paragraph 16, the consultant has proposed two options to solve the wider heating problem. The lower cost option amounts to £120,000 and offers better value for money than an option to install radiators throughout the building which amounts to £310,000. A growth bid for £120,000 to undertake the heating improvement works is being submitted as part of the 2014/15 budget-setting process.

Financial Implications

19. To provide a fair apportionment of office accommodation costs between the two district councils an annual recharge of £175,743 paid by Vale to South has been proposed from 1 March 2014 has been proposed. For 2013/14 a pro-rata payment will reflect one month's apportionment.

20. Over the minimum five year length of this arrangement the annual recharge provides sufficient funds to cover both the £480,000 of one-off refurbishment works required at Crowmarsh (of which £350,000 is directly attributable to increased staff numbers) and any increase in annual building costs, as well as make a significant surplus for the benefit of South taxpayers.

21. This office accommodation rationalisation project makes a significant contribution to the council's bottom line. All financial implications have been reflected in the necessary virement request and growth bid. All income and expenditure projections have been included in the council's 2014/15 proposed budget and medium term financial plan.

Legal Implications

22. The county council and Vale exchanged an agreement for lease on 23 December 2013. South and Vale cabinet members discussed and agreed the South-Vale recharge methodology and provisional amount at the Joint Cabinet Board meeting on 2 January 2014. This needs to be ratified by each Cabinet and budgetary provision made by each council before it can be incorporated in the s.113 shared services agreement. The cabinet is asked to authorise the strategic director and the head of legal and democratic services to complete the variation of the section 113 shared services agreement to reflect the changes set out in this report.

Risks

23. There are benefits and financial savings for all three councils in sharing offices. The main risk is that the parties fail to agree and fall out before moving in together.

24. South and Vale cabinet members have been regularly briefed by officers throughout the negotiation process in order to ensure the evolving solution was

politically acceptable. The joint cabinet board meeting enabled a mutually agreeable recharge methodology and amount to be agreed informally.

25. The county-Vale lease is assured for at least five years at which point the county could exercise a break clause, however ongoing efforts to accommodate the county's requirements will hopefully retain the county as tenant for considerably longer. This project generates a significant net surplus for South and Vale over the five years so there is little financial risk.

Conclusion

26. Consistent with South's and Vale's pioneering shared service arrangements and joint procurements, the councils have the opportunity to partner the county council in an innovative office rationalisation scheme. This will make further savings for South, make more efficient use of a public asset and co-locate teams to provide further operating efficiencies.

27. Cabinet is requested to approve the South-Vale recharge methodology and amount. Cabinet is also requested to recommend approval of the refurbishment virement to full council. Cabinet is asked to authorise the strategic director and the head of legal and democratic services to complete the variation of the section 113 shared services agreement to reflect the changes set out in this report.

This page is intentionally left blank

Cabinet report

South Oxfordshire District Council

Listening Learning Leading

Report of Head of Finance

Author: William Jacobs

Tel: 01491 823326

E-mail: William.jacobs@southoxon.gov.uk

Cabinet Member responsible: David Dodds

Tel: 01844 297714

E-mail: david.dodds@southoxon.gov.uk

To: CABINET

DATE: 13 February 2014

Medium Term Financial Strategy 2014/15 – 2018/19

Recommendation:

To recommend Council to approve the Medium Term Financial Strategy for 2014/15 – 2018/19 as attached to the report of the head of finance to Cabinet on 13 February 2014.

Purpose of report

1. This report asks Cabinet to consider and recommend Council approve the medium term financial strategy for 2014/15 – 2018/19.

Strategic objectives

2. In order to achieve our strategic objective to manage our business effectively and, specifically, our corporate priorities to keep our share of council tax as low as possible whilst continuing to deliver high quality services we set a sustainable medium term financial strategy. Financial planning within a medium term strategy helps achieve this in a structured way while directing resources to priority areas.

3. Sound financial management is central to the ongoing delivery of all the council's functions and a key part of our governance framework.

Background

4. The medium term financial strategy (MTFS) is reviewed and approved annually. The document sets a stable financial framework within which the council operates and as such should not require significant amendment on an annual basis.

5. Council approved the previous MTFS on 13 December 2012.

The Medium Term Financial Strategy

6. The MTFS for 2014/15 – 2018/19 is attached as appendix one. It sets out the fundamental financial objectives of the council and the principles to be followed in managing the council's finances to achieve its objectives. It helps inform our treasury management strategy that governs how we invest money held in balances.

7. In addition to objectives and principles, a narrative on significant current issues is included in each section.

8. The significant current issues have been updated and one change has been made to the principles and objectives of the MFTS are being proposed.

9. The change will give the council greater flexibility to spend on schemes that generate a return on the money spent. Paragraph 4.2 (a) of the attached MTFS has been amended to read

> 'we invest £50m for the long term. All investments will generate an annual return of certainty. Up to £30m can be used to support capital expenditure that generates a return of certainty. This MTFS definition of an investment is wider than the accounting definition. MTFS capital investments will not be shown on the council's balance sheet as usable balances. MTFS capital investments are likely to be particularly illiquid or may be unrealisable. All MTFS investments must appear in the council's capital programme and each will be classified as a MTFS investment at the point at which Council is asked to approve the scheme for inclusion in the capital programme'.

Financial implications

10. The MTFS provides a framework within which we will prepare annual spending plans. The implications of working within this framework are set out in the strategy. In essence, it creates a rigorous discipline to follow, but one which helps ensure sound financial management.

Legal implications

11. The MTFS will help ensure council sets its budget and council tax requirements and approves its annual statement of accounts within legislative requirements and deadlines.

Conclusion

12. A key target of the council is to keep our share of council tax as low as possible whilst continuing to deliver high quality services and the proposed MTFS 2014/15 – 2018/19 will help achieve this. The MTFS identifies the objectives the council will pursue, and the principles it will follow, in managing its finances.

Background Papers

- MTFS 2013/14 – 2017/18 Council 13 December 2013.

This page is intentionally left blank

APPENDIX ONE

MEDIUM TERM FINANCIAL STRATEGY 2014/15 – 2018/19

1. Section one - revenue budget

1.1 Objectives:

a) To set a balanced revenue budget (prepared in accordance with proper accounting practice), i.e. the estimated income in the year (including that from the Government, the council tax, business rates and use of revenue balances) will equal the estimated expenditure.

b) To set a revenue budget requirement that increases by no more than inflation each year, except where central government places new responsibilities on the council.

c) To ensure the council's five year revenue spending plans match its medium term financial strategy objectives with regards its balances (see section four - balances below).

d) To direct resources to meet council priorities.

e) To continually strive to deliver services in an efficient and effective way.

1.2 In order to achieve our objectives we will follow these principles:

a) We will ensure expenditure budgets are realistic estimates of necessary spend in the year.

b) We will set income budgets at a prudent level, i.e. income will not be anticipated for budget purposes if there is reasonable doubt over its receipt.

c) We will review and determine annually the allocation of interest to fund either revenue or capital expenditure or retain in specific reserves, as part of the budget setting process.

d) We will use our reserves to

- fund revenue expenditure that supports the council's strategic objectives
- help reduce the impact of reductions in government funding on service provision.

e) The head of finance will set an adequate contingency budget sum.

f) We will look for efficiency savings first as a way of meeting unavoidable additional costs or bids for additional expenditure.

g) We will review fees and charges each year to assess if additional income can be generated from them.

h) Bids for additional money will have to be justified by reference to our strategic objectives and priorities.

1.3 Significant current issues:

a) The economic downturn has resulted in a number of adverse pressures on the council's budget:

- Government funding is being significantly reduced over the medium term.
- Interest rates have fallen significantly and remained low; reducing the amount of money we can earn to support revenue spending.

b) The localisation of business rates offers financial opportunities and financial risks which are difficult to quantify as they depend on the future actions of third parties (i.e. all businesses within the district). .

c) New homes bonus rewards the council for net new homes built in the area. Changes to the distribution of NHB could adversely impact on the council.

During the budget setting process the above issues will be considered and prudent forecasts will be built in to budgets where precise estimates are not possible.

2. Section two - capital budget

2.1 Objectives:

a) To set a capital expenditure programme that can be financed from our own resources.

b) To retain our debt-free status, i.e. we will not borrow to fund capital expenditure.

c) To direct capital resources to meet council priorities.

2.2 In order to achieve our objectives we will follow these principles:

a) We will plan capital expenditure over a rolling five year period.

b) Each year we will calculate the amount of uncommitted resources available to fund capital projects not yet included in the approved or provisional capital programme.

c) Except in exceptional situations we will not allocate or use funds invested for the long term to pay for capital expenditure.

d) In planning our capital expenditure we will only take into account future capital receipts and investment income where there is a high degree of certainty about their receipt.

e) We will undertake periodic reviews of our assets to determine if they are still needed to meet our strategic objectives, and dispose of assets that are not required or do not generate a competitive investment return.

f) Bids for additional money will have to be justified by reference to our strategic objectives and corporate priorities.

g) All housing capital receipts otherwise subject to pooling arrangements will be allocated for reinvestment in affordable housing (public or private) or regeneration projects (within the local authority area).

2.3 Significant current issues:

a) The council may have to consider using its own capital resources to fund schemes where government funding is withdrawn or reduced.

b) Income from the sale of the council's assets will fall (as this is a finite resource).

3. Section three - partnership working

3.1 Objective:

a) To take account of the financial implications of significant partnerships in which we are involved

3.2 In order to achieve this objective we will:

a) Assess the financial implications of our commitments to partnership work, including on entering, during and at the exit from partnerships.

b) Take these into account in setting annual budgets and in preparing the medium term financial plan (MTFP).[1]

c) Monitor and report on our financial commitments as a result of partnership working.

3.3 Significant current issues:

a) The government is putting greater emphasis on strong partnership working.

4. Section four - balances

4.1 Objectives:

a) To identify the levels of balances to be held in the short, medium and long term and to review these each year.

[1] The medium term financial plan (MTFP) is a high level, five-year budget projection that is reported as part of the budget setting report to cabinet and council.

b) To identify balances to be used for revenue and capital expenditure.

c) To identify balances that can be invested for the short, medium and long term in accordance with our treasury management strategy to maximise investment returns.

d) To maintain an uncommitted revenue balance of at least £1 m to meet unforeseen or exceptional expenditure; the head of finance will review the amount each year.

e) To ensure the earned interest used to support the revenue account is set at a sustainable level.

4.2 In order to achieve our objectives:

a) We invest £50m for the long term. All investments will generate an annual return of certainty. Up to £30m can be used to support capital expenditure that generates a return of certainty. This MTFS definition of an investment is wider than the accounting definition. MTFS capital investments will not be shown on the council's balance sheet as usable balances. MTFS capital investments are likely to be particularly illiquid or may be unrealisable. All MTFS investments must appear in the council's capital programme and each will be classified as a MTFS investment at the point at which Council is asked to approve the scheme for inclusion in the capital programme. These investments will provide regular income which we will use to:

- support revenue expenditure
- provide grants
- fund capital projects.

We will review the allocation of income for these purposes each year as part of the budget process.

b) We will hold around £25 million as medium term balances. We will hold these in a mixture of short and medium term investments and use them to provide regular income for the same purposes as long term investments.

c) Short term balances will be held for the following purposes:

i) to provide cash as and when required for imminent capital works. This includes:

- the capital programme
- developer contributions held to pay for future expenditure
- capital grants to pay for future expenditure.

These balances are invested in the short-term in line with expected programme expenditure cash flows. Up to £12 million is held for these purposes.

ii) in earmarked revenue reserves, including:

- money set aside to fund planned revenue expenditure
- money held in unallocated reserves, such as the enabling fund, that is available to fund one-off revenue expenditure. We invest these balances short-term.

iii) for working capital purposes that relate only to the timing of income and expenditure flows and are held to manage the cash flow. They are not a reserve held on the balance sheet. The amount will vary between nil and £15 million, and it is invested on call and short term in line with known cash flow streams.

d) When we propose any significant changes to the amounts of balances held, the structure of balances (e.g. the split between long, medium and short-term) or how the income earned on balances is used, the head of finance will produce a report on the implications of these changes.

e) We will include estimated future levels of balances in the MTFP

f) In setting its annual budget council will agree the level of earned interest estimated to be used to support revenue spending.

4.3 Significant current issues:

a) The government is encouraging councils to invest in their communities to stimulate business and housing growth. The council should consider what form this might take and how this might impact on the balances it holds.

. Section five - Prudential indicators

5.1 Objectives:

a) To ensure that our capital investment plans are affordable, prudent and sustainable

b) To ensure that our capital investment plans are consistent with and support local strategic planning, local asset management and follow proper option appraisal

c) To set the capital expenditure indicators to meet the objectives of the capital and revenue budget objectives outlined above

5.2 In order to achieve our objectives we will follow these principles:

a) The prudential indicators will be set through the annual budget process and before 1 April each year

b) The indicators will have regard to:

- affordability

- prudence and sustainability
- value for money
- stewardship of assets
- service objectives
- practicality

c) We will set the treasury management indicators in compliance with the CIPFA Code of Practice for Treasury Management in Public Services.

d) We will review and monitor performance against all forward looking indicators, and report any significant deviations or take appropriate action, if required

5.3 Significant current issues:

a) None.

6. Section six – budget planning and monitoring

6.1 Objectives:

a) To produce annual budgets and the MTFP in a timely and accurate manner and linked to corporate and service planning.

b) To produce budgets that are in accordance with the MTFS.

c) To monitor income and expenditure against budgets in a timely manner to highlight where under or overspending is occurring, in order to take corrective action at the earliest opportunity.

d) To monitor progress in achieving efficiency savings.

e) To monitor performance against prudential indicators.

6.2 In order to achieve our objectives we will:

a) Prepare a detailed budget timetable linked to corporate and service planning, and allocate resources accordingly.

b) Incorporate into the timetable scrutiny of the budgets by both officers and members.

c) Produce budget monitoring reports as at the end of September and the end of December in each financial year.

d) Distribute detailed budget monitoring statements to heads of service within one week of the end of the month.

e) Issue budget monitoring reports with the members' information sheet.

f) Review prudential indicators at least quarterly.

6.3 Significant current issues:

a) As a consequence of in-year savings, overly prudent income projections and budget underspends the council has spent significantly below its budget in recent years. Additional budget setting and budget monitoring training has been given to all budget holders.

7. Section seven - closure of the accounts and production of the statement of accounts

7.1 Objectives:

a) To close the accounts and publish the statement of accounts in a timely and accurate manner, within statutory deadlines and in accordance with relevant accounting and audit regulations.

b) To take into account actual expenditure in future years' budgets and the MTFP.

7.2 In order to achieve this objective we will:

a) Prepare a detailed timetable for the closure of the accounts and allocate resources accordingly.

b) Liaise with our external auditors over the closedown timetable.

c) Provide the necessary training to the accountancy staff.

d) Review the actual income and expenditure (outturn) against budgets and use this to inform future spending plans.

e) Assess the impact of outturn figures on the levels of balances predicted in the MTFP.

f) Enable review of the accounts by the Audit and Corporate Governance Committee.

7.3 Significant current issues:

a) None.

8. Section eight - review

This strategy will be reviewed annually.

This page is intentionally left blank

Report to:

South Oxfordshire District Council
Listening Learning Leading

Cabinet

Council

Audit and Corporate Governance Committee

Report of Head of Finance

Author: Emma Creed

Tel: 01491 823551

E-mail: emma.creed@southandvale.gov.uk

Cabinet Member responsible: David Dodds

Tel: 01844 297714

E-mail: david.dodds@southoxon.gov.uk

To: Audit and Corporate Governance Committee on: 28 January 2014
To: Cabinet on: 13 February 2014
To: Council on: 20 February 2014

Treasury management mid year monitoring report 2013/14

Recommendations

That Audit and Corporate Governance committee:

1. notes the treasury management mid year monitoring report 2013/14, and
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy.

That Cabinet:

3. considers any comments from Audit and Corporate 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 the council's prudential

indicators are reported to council mid year. The report provides details of the treasury activities for the first six months of 2013/14 and an update on the current economic conditions with a view to the remainder of the year.

Strategic objectives

2. 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 resources are available to deliver its services and meet the council's other strategic objectives.

Background

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

4. The 2013/14 treasury management strategy was approved by council on 22 February 2013. This report provides details on the treasury activity and performance for the first six months of 2013/14 against prudential indicators and benchmarks set for the year. It is also an opportunity to review and revise the limits if required. Full council is required to approve this report.

The economy and interest rates

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

Icelandic banks – Kaupthing Singer & Friedlander

6. The council has now received £2,078,706 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).

7. The administrators intend to make further payments at regular intervals. The latest information states that it is the administrators' current intention to pay the eleventh dividend by the end of December 2013. The estimated total amount to be recovered is forecast to be in the range of 84p to 86.5p in the pound. This equates to between £2,209,901 and £2,275,671.

Investments

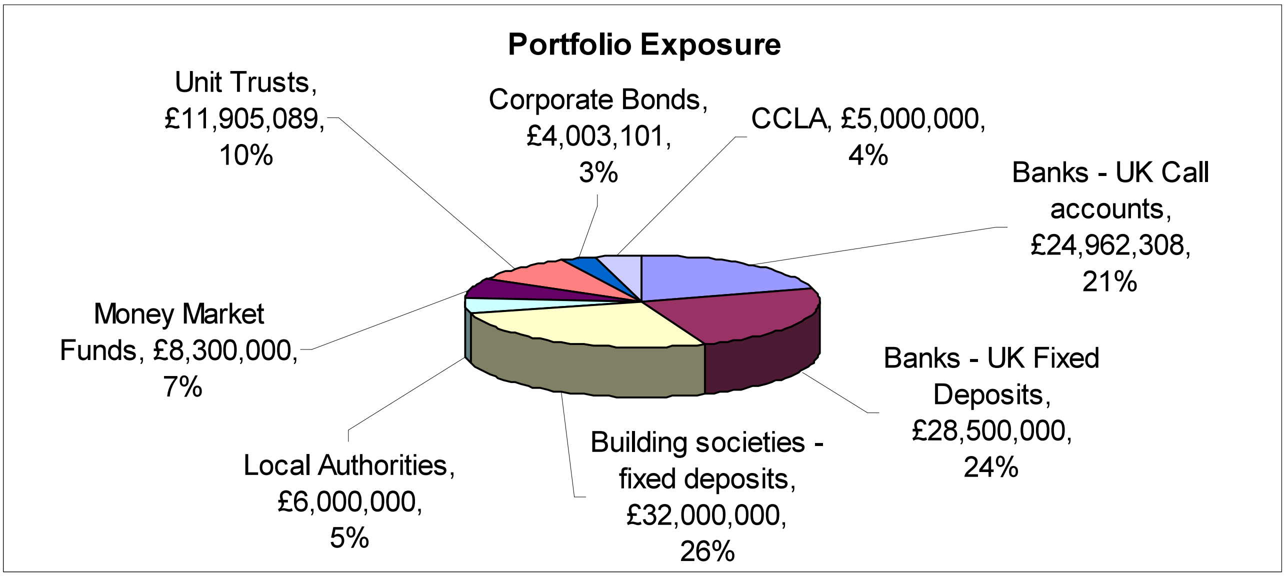
8. In accordance with the Code the council's investment position as at 30 September 2013 is shown in table 1 below.

Table 1: maturity structure of investments at 30 September 2013:	**Total £000's**	**% holding**
Cash deposits:		
Call accounts	24,962	21%
Up to 1 month	4,000	3%
2 Month	8,000	7%
3 Month	9,000	7%
4 Month	6,500	5%
5-6 Month	5,500	5%
7-12 Month	23,500	19%
1 -2 Year	3,000	2%
3-4 Year	2,000	2%
7 year	5,000	4%
Kaupthing Singer & Friedlander	222	1%
Total cash deposits	**91,685**	**77%**
CCLA Property Fund	5,000	4%
Equities	11,905	10%
Corporate bonds	4,003	2%
Money market funds	8,300	7%
Total investments	**120,893**	**100%**

Note: £121 million does not represent uncommitted resource the council has at its disposal. This amount includes council tax receipts held prior to forwarding to Oxfordshire County Council and the Police and Crime Commissioner for the Thames Valley, business rate receipts prior to payment to the government and committed capital and revenue balances. Details of the council's uncommitted balances are provided in the annual budget and council tax setting report.

9. The council currently holds a significant proportion of its investments in the form of cash deposits, the majority of which have been placed for fixed terms with a fixed investment return. 21 per cent of the entire investment portfolio is held on call or in notice accounts, with 77 per cent of the total investment portfolio held in cash deposits.

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



11. Total investment income is forecast to be around £2.1 million in 2013/14 against a budget of £1.9 million. Table 2 shows the interest earned for the first six months.

Table 2: Investment interest earned by investment type Interest Earned April - September 2013				
Investment type	Annual Budget £000's	Actual To date £000's	Profiled Budget £000's	Variation £000's
Call accounts	223	119	112	7
Cash deposits < 1 yr	770	193	385	(192)
Cash deposits > 1 yr	80	456	40	416
MMF	15	14	8	6
Corporate bonds	259	198	130	68
CCLA	300	150	150	-
Equities*	300	205	150	55
	1,947	**1,335**	**975**	**360**

* Interest on equities not included in annual budget as non-distributable

Treasury activity

12. Market rates are significantly lower than they were a year ago. The government's Funding for Lending Scheme (FLS) has lowered the rates at which banks can access funding and has now been extended to building societies. This access to cheaper borrowing is a key factor in the fall in market rates now available to the council.

13. Re-investment opportunities are not nearly as attractive as a year ago, one year rates have dropped by nearly two per cent. There is currently little incentive to reinvest longer term periods. However, in order to widen the

investment portfolio and spread the balance of risk, officers have been seeking longer dated investments with other local authorities.

14. The weighted average maturity period has increased to 264 days from 231 days in 2012/13. 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 with a view to increase the weighted average maturity of the portfolio.

15. The value of the unit trusts has moved from £13.4 million at the start of April down to £11.9 million at the end of September. This movement is due to a sale of £2 million made in May 2013, when the value of the unit trusts reached £14 million. This is the trigger point value at which it was agreed to sell some of the council's holdings and officers continue to monitor the valuations for further possible disposals.

Performance measurement

16. A list of investments as at 30 September is shown in appendix B. All investments were with approved counterparties. The average level of investments held was £110 million and the average return on these investments is shown below in table 3. This shows in summary the performance of the council's investments against the benchmarks set out in the Treasury Management Strategy. These benchmarks are used to assess and monitor the council's investment performance for each type of investment.

Table 3: investment returns achieved against benchmark

	Benchmark return %	Actual return %	Growth (below)/above benchmark %	Benchmarks
Bank & building society deposits - non-managed	0.38%	1.50%	1.12%	3 Month LIBID
Equities	1.89%	1.70%	-0.19%	FTSE all shares index
Corporate bonds	0.50%	5.68%	5.18%	BoE base rate

Note: the benchmark return for equities reflects the movement in capital value. All other benchmarks reflect earnings of investment income.

Treasury management limits on activity

17. The council is required by the Prudential Code to report on the limits set each year in the Treasury Management Strategy. The purpose of these limits is to ensure that the activity of the treasury function remains within certain parameters, thereby mitigating risk and reducing the impact of an adverse

movement in interest rates. However, if these limits are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The limits are shown in appendix C.

Debt activity during 2013/14

18. During the first six months of 2013/14 there has been no need for the council to borrow. The council will continue to take a prudent approach to its debt strategy. The prudential indicators and limits set out in appendix C provide the scope and flexibility for the council to borrow in the short-term up to the maximum limits, if such a need arose within the cash flow management activities of the authority, for the achievement of its service objectives.

Recommended changes to the treasury management strategy

19. Council approved the 2013/14 treasury management strategy on 21 February 2013. There are no proposed changes to the strategy for 2013/14 at this time.

Investments made outside the treasury management strategy

20. During the first six months of 2013/14, officers made a seven-year deal with another local authority. This increases the spread of the portfolio and balances the risk. The treasury management strategy allows lending to local authorities for a maximum five year period. The decision to lend outside the treasury management strategy was taken in consultation with the section 151 officer/Head of Finance as per the council's constitution.

Financial implications

21. This time last year forecasts were that inflationary pressures would mean that interest rates would probably have to start rising towards the end of 2013. This hasn't happened and the current outlook for growth for the UK economy means interest rates are very low and likely to remain so. Investments made early in 2013 should ensure that the interest earned on investments for 2013-14 is around £2.1 million. However from 2014, income may reduce for a year or so until market rates rise. This will be reflected in the council's medium term financial plan.

22. As a result of the agreed expenditure priorities of the council, investments, including working capital, are projected to fall to approximately £90 million by 2015/16. Should investment rates recover to three percent then annual returns will be around £3 million.

Legal implications

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

Conclusion

24. This report provides details of the treasury management activities for the period 1 April 2013 to 30 September 2013 and the mid year prudential indicators to council.

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

Background papers

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

  I. Treasury Management Policy Statement, Treasury Management Practices (cabinet 7 March 2002)
  II. Recommendation of amendment to delegated authority (council 28 October 2004)
  III. Treasury Management Investment Strategy 2013/14(cabinet 14 February 2013, council 21 February 2013)

Appendices

A – Economic update and interest rates
B – List of investments as at 30 September 2013
C – Prudential Indicators

Appendix A

Economic Update and interest rates

A1. UK is in a period of sustained growth in 2013 as the economic recovery since 2008 had been the worst and slowest in recent history. All three main sectors, construction, services and manufacturing contributed to this upturn.

A2. Growth is expected to be strong in the immediate future. One downside is that wage increases continue to remain significantly below CPI inflation so disposable income and living standards are under pressure.

A3. The Euro region returned to growth in 2013, ending seven quarters of recession. However, growth is still weak but the ECB has declared it would do whatever it takes to stabilise the Eurozone including buying unlimited amounts of bonds of countries asking for a bailout.

A4. The government's 'Funding for Lending Scheme' (FLS) has been introduced to improve access to mortgages at lower rates. The FLS certainly seems to be having a positive effect in terms of encouraging house purchases. While there have been concerns that these schemes are creating a bubble in the housing market, the house price increases outside of London and the south-east have been minimal. However bank lending to small and medium enterprises still remains weak as banks continue to repair their balance sheets and anticipating tightening of regulatory requirements.

A5. Investor demand in UK gilts as a 'safe haven' continues to keep yield increases down. Long term rates will eventually rise, mainly due to the fact that high volumes of gilts have been issued already in the UK and also in other major western countries. Increasing investor confidence is also likely to compound the effect.

A6. The Bank of England issued forward guidance in August which said that the Bank will not start to consider raising interest rates until the jobless rate has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years in August, but revised to possibly quarter 4 2014 in November.

A7. Concerns over investment counterparty risk remain because of the volatile economic conditions. However the council's current treasury management policy manages this risk down to a low level.

Interest rates

A8. The Bank of England changed its forecast in the August Inflation report and upgraded growth from 1.2% to 1.6% in 2013 and from 1.7% to 2.8% in 2014.

A9. Bank rate remained unchanged at 0.5% throughout the first half of 2013/14. The earlier forecast of a rate rise in Q4 of 2014 has been postponed until Q2 in 2016

A10. Deposits rates have fluctuated in a very narrow range during the first six months of the financial year. Investment rates have remained flat with a range between 0.5 per cent to around 1.0 per cent for up to a year's maturity. This has dropped significantly as banks and building societies were offered further cheap cash supply via the FLS. The short term rates from one month to six months offer very little differential with six month rates ranging between 0.37 per cent and 0.55 per cent.

Appendix A

A11. Sector's forecast of the expected movement in medium term interest rates:

	NOW	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3 month LIBID	0.39	0.40	0.50	0.50	0.50	0.50	0.50	0.50
6 month LIBID	0.47	0.50	0.60	0.60	0.60	0.60	0.60	0.60
12 month LIBID	0.74	0.80	0.80	0.80	0.80	0.80	0.80	0.80
5 yr PWLB	2.20	2.20	2.50	2.50	2.60	2.70	2.70	2.80
10 yr PWLB	3.40	3.30	3.60	3.60	3.70	3.80	3.80	3.90
25 yr PWLB	4.30	4.20	4.40	4.40	4.50	4.50	4.60	4.60
50 yr PWLB	4.30	4.30	4.40	4.40	4.50	4.50	4.60	4.70
	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
BANK RATE	0.50	0.50	0.50	0.50	0.75	1.00	1.00	1.25
3 month LIBID	0.50	0.50	0.50	0.50	0.60	0.70	0.90	1.30
6 month LIBID	0.60	0.60	0.60	0.70	0.80	1.00	1.20	1.40
12 month LIBID	0.80	1.00	1.20	1.40	1.60	1.80	2.00	2.30
5 yr PWLB	2.80	2.90	3.00	3.10	3.20	3.30	3.40	3.40
10 yr PWLB	3.90	4.00	4.10	4.20	4.30	4.30	4.40	4.50
25 yr PWLB	4.70	4.80	4.90	5.00	5.10	5.10	5.10	5.10
50 yr PWLB	4.80	4.90	5.00	5.10	5.20	5.20	5.20	5.20

Appendix B

Investments as at 30 September 2013 Counterparty	Deposit Type	Principal	Rate
Kaupthing Singer and Friedlander TUK		222,229	6.41%
Barclays Bank plc	Fixed	2,000,000	2.60%
West Bromwich Building Society	Fixed	2,000,000	0.95%
Bank of Scotland	Fixed	3,000,000	2.80%
Barclays Bank plc	Fixed	3,000,000	2.75%
Royal Bank of Scotland	Fixed	2,000,000	1.55%
Royal Bank of Scotland	Fixed	5,000,000	2.82%
Royal Bank of Scotland	Fixed	1,500,000	3.25%
Royal Bank of Scotland	Fixed	1,500,000	3.10%
Marsden Building Society	Fixed	1,000,000	0.60%
National Counties Building Society	Fixed	2,500,000	0.65%
Manchester Building Society	Fixed	2,000,000	0.86%
Manchester Building Society	Fixed	2,000,000	0.90%
Newcastle Building Society	Fixed	2,000,000	0.88%
Newcastle Building Society	Fixed	2,000,000	0.88%
Barclays Bank plc	Fixed	1,500,000	2.60%
Nottingham Building Society	Fixed	2,000,000	0.85%
West Bromwich Building Society	Fixed	2,000,000	1.05%
Skipton Building Society	Fixed	2,000,000	0.86%
West Bromwich Building Society	Fixed	3,000,000	0.95%
National Counties Building Society	Fixed	1,500,000	1.00%
National Counties Building Society	Fixed	2,000,000	1.00%
Bank of Scotland	Fixed	5,000,000	1.01%
National Counties Building Society	Fixed	2,000,000	1.00%
West Bromwich Building Society	Fixed	1,000,000	0.93%
West Bromwich Building Society	Fixed	3,000,000	1.05%
Barclays Bank plc	Fixed	2,000,000	3.75%
Kingston upon Hull City Council	Fixed	1,000,000	1.90%
HSBC	Fixed	2,000,000	1.90%
Kingston upon Hull City Council	Fixed	3,500,000	2.70%
Kingston upon Hull City Council	Fixed	1,500,000	2.70%
Santander	Call	14,960,000	0.90%
Royal Bank of Scotland	Call	10,000,000	1.05%
Royal Bank of Scotland	Call	2,308	0.85%
Goldman Sachs	MMF	3,910,000	Variable
Deutsche Bank	MMF	1,030,000	Variable
Blackrock	MMF	3,360,000	Variable
L&G Equities	Unit Trust	11,905,089	Variable
CCLA	Property Fund	5,000,000	Variable
Royal Bank of Scotland	Corporate Bond	1,642,500.00	9.63%
Halifax	Corporate Bond	2,048,400.00	11.50%
Santander	Corporate Bond	312,201.00	11.50%
GRAND TOTAL		**120,892,727**	

Appendix C

Prudential indicators as at 30th September 2013

	2013/14 Original Estimate £m	Actual as at 30-Sep £m
Debt		
Authorised limit for external debt		
Borrowing	5	0
Other long term liabilities	5	0
	10	**0**
Operational boundary for external debt		
Borrowing	2	0
Other long term liabilities	3	0
	5	**0**
Interest rate exposures		
Maximum fixed rate borrowing	100%	**0**
Maximum variable rate borrowing	100%	**0**
Investments		
Interest rate exposures		
Limits on fixed interest rates	100	100
Limits on variable interest rates	30	21
Principal sums invested > 364 days		
Upper limit for principal sums invested >364 days	70	10
Limit to be placed on investments to maturity:		
1 - 2 years	70	3
2-5 years	50	2
5 years+	50	5
Investment portfolio spread		
Supranational bonds	15	0
Gilts	15	0
Equities*	10	12
Corporate bonds	10	4
Money market funds	20	8
Pooled bond fund	5	0
Property - direct investments	30	16
Property related pooled funds	10	5
External fund manager	20	0
Cash and certificates of deposit	85%	77%
Debt management account deposit facility	100%	0%

*Limit at time of purchase - Equities include accumulated dividends

This page is intentionally left blank

Report to:

Audit and corporate governance committee
Cabinet
Council

Report of Head of Finance

Author: Steve Meers

Tel: 01235 540429 / 01491 823429

E-mail: stephen.meers@southandvale.gov.uk

Cabinet Member responsible: David Dodds

Tel: 01844 297714

E-mail: david.dodds@southoxon.gov.uk

To: Audit & Corporate Governance Committee	28 January 2014
To: Cabinet	13 February 2014
To: Council	20 February 2014

Treasury management strategy 2014/15 to 2016/17

Recommendations:

That audit and corporate governance committee:

1. Scrutinise the treasury management strategy and policy and if required make recommendations for amendment to cabinet.

That cabinet recommends council to approve:

2. The treasury management strategy 2014/15 to 2016/17, incorporating the annual investment strategy, which is contained within appendix A of the report of the head of finance to cabinet on 13 February 2014,

3. The prudential indicators and limits for 2014/15 to 2016/17, which are contained within appendix A of the report of the head of finance to cabinet on 13 February 2014.

Purpose of report

1. This report presents the council's Treasury Management Strategy (TMS) for 2014/15 to 2016/17 and sets out the expected treasury operations for this period. It comprises of four elements required by legislation as follows:

   - The prudential indicators required by the CIPFA Prudential Code for Capital Finance in Local Authorities (paragraph 8, table 2);
   - The treasury management strategy in accordance with the CIPFA Code of Practice on Treasury Management. This sets out how the council's treasury service will support capital investment decisions, and how the treasury management operates day to day. Its sets out the limitations on treasury management activity through prudential indicators, within which the council's treasury function must operate. The strategy is included as appendix A to the report (paragraphs 1-47);
   - 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 20 – 47);
   - A statutory duty to approve a minimum revenue provision policy for 2014/15 (paragraphs 43-44).

   It is a requirement of the CIPFA 2011 Treasury Management Code 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 management 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 could choose to adopt a totally risk adverse strategy and place all its investments in the government's debt management account. Although this would all but eliminate the possibility of repayment default, it would also result in a poor return on investment. The council therefore sets a strategy that takes marginal risk in return for greater reward.

7. The council's treasury management strategy 2014/15 to 2016/17 is attached in appendix A. Whilst every attempt has been made to minimise the technical content of this report, by its very nature and the need for compliance with associated guidance the report is technical in parts. A glossary of terms in annexe 6 should aid members understanding of some technical terms used in the report.

8. The biggest operational challenge for officers is to find suitable counter-parties to lend to. As credit ratings fall across the board so the options available to officers reduce. The larger institutions will not deal in the (relatively) small sums our lending limits impose.

Financial implications and risk assessment

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

10. In the last few years investment income has fallen due to falling interest rates. In the medium term interest rates are expected to rise. The table below gives an estimate of the amounts available for investment, and the investment income achievable for the next four years.

Table 1: Medium term investment forecast					
	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Estimate of average investments	112,979	106,416	98,884	88,141	78,430
Forecast average interest rate	2.00%	2.00%	2.00%	2.25%	2.50%
December 2013 forecast investment income	2,087	2,090	1,980	1,980	1,960

The 2014/15 budget setting report takes into account the latest projections of anticipated investment income.

Legal implications

11. There are no significant legal implications as a result of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services, the ODPM Local Government Investment

Guidance provides assurance that the council's investments are, and will continue to be, within its legal powers.

12. The council must approve any amendment to the treasury management strategy and annual investment strategy in accordance with the Local Government Act 2003 (the Act), the CIPFA Code of Practice for Treasury Management in the Public Services and the ODPM Local Government Investment Guidance under Section 15(1) (a) Local Government Act 2003 and CIPFA Prudential Code for Capital Finance.

Conclusion

13. This report provides details of the treasury management strategy and the annual investment strategy for 2014/15 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)
- ODPM Local Government Investment Guidance under Section 15(1)(a) Local Government Act 2003 and CIPFA Prudential Code for Capital Finance.
- Treasury Management Investment Strategy 2013/14 (cabinet 14 February 2013, council 21 February 2013)

Appendices

Appendix A	Treasury Management Strategy 2014/15 – 2016/17
Annex 1	Economic conditions and prospects for interest rates
Annex 2	Risk and performance benchmarking
Annex 3	Property investment policy
Annex 4	Explanation of prudential indicators
Annex 5	TMP1
Annex 6	Glossary of terms

Appendix A

Treasury Management Strategy 2014/15 to 2016/17

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 (formerly Sector Treasury Services). The strategy covers:
   - Prudential and treasury indicators in force that will limit the treasury risk and activities of the council;
   - Current treasury position
   - 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 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 the strategy 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 2014/15 to 2016/17

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.

Appendix A

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

6. The council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital expenditure remains within sustainable limits and in particular, that the impact upon its future council tax is ‘acceptable’.
7. The Authorised Limit is set on a rolling basis, for the forthcoming financial year and two successive financial years.

Cabinet is asked to recommend council to approve the limits set out in table 2:

Appendix A

Table 2:Prudential Indicators	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Debt	£m	£m	£m	£m
Authorised limit for external debt				
Borrowing	5	5	5	5
Other long term liabilities	5	5	5	5
	10	**10**	**10**	**10**
Operational boundary for external debt				
Borrowing	2	2	2	2
Other long term liabilities	3	3	3	3
	5	**5**	**5**	**5**
Interest rate exposures				
Maximum fixed rate borrowing	100%	100%	100%	100%
Maximum variable rate borrowing	100%	100%	100%	100%
Investments				
Interest rate exposures				
Limits on fixed interest rates	100	100	100	100
Limits on variable interest rates	30	30	30	30
Prinicipal sums invested > 364 days				
Upper limit for principal sums invested > 364 days	70	70	70	70
Limit to be placed on investments to maturity:				
1-2 years	70	70	70	70
2-5 years	50	50	50	50
5 years+	50	50	50	50
Investment portfolio spread - (upper limits)				
Supranational bonds	15	15	15	15
Gilts	15	15	15	15
Equities*	10	10	10	10
Corporate bonds	10	10	10	10
Money market funds	20	20	20	20
Pooled bond fund	5	5	5	5
Property - direct investments	30	30	30	30
Property related pooled funds	20	20	20	20
External fund manager				
Cash and certificates of deposit	85%	85%	85%	85%
Debt management account deposit facility	100%	100%	100%	100%

* Limit at time of purchase - Equities include accumulated dividends

8. The indicators set the parameters within which we manage the overall capital investment and treasury management functions. The specific treasury activity limits 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. Explanations for the indicators can be found in Annex 4 of the report.

Appendix A

Current position

9. The council's investments at 31 December 2013 were as follows:

Table 3 maturity structure of investments at 31 December 2013:	Total £000's	% holding
Cash deposits:		
Call accounts	25,042	19.75%
Notice account	0	0.00%
Up to 1 month	4,000	3.16%
2 month	5,500	4.34%
3 month	2,000	1.58%
4 month	0	0.00%
5-6 month	10,500	8.28%
7-12 month	39,000	30.76%
1-2 year	0	0.00%
2-7 year	11,000	8.68%
Kaupthing Singer & Friedlander	222	0.18%
Total Cash Deposits	97,264	76.73%
Equities	12,566	9.91%
CCLA	5,000	3.94%
Corporate Bonds	3,991	3.15%
Money Market Funds	7,950	6.27%
Total Investments	126,771	100.00%

Note: £126.771 million does not represent uncommitted resource the council has at its disposal. This amount includes council tax receipts held prior to forwarding to Oxfordshire County Council and Thames Valley Police, business rate receipts prior to payment to the government and committed capital and revenue balances. Details of the council's uncommitted balances are provided in the annual budget and council tax setting report.

10. The council currently holds 77 per cent of its investments in the form of cash deposits, 57 per cent is invested for fixed terms with a fixed investment return and 20 per cent is currently held on call accounts, with the remainder held in non cash deposits. Typically the council restricts lending activity to UK institutions and the highest rated counterparties.

Icelandic banks – Kaupthing Singer & Friedlander

11. The council has now received £2,144,487 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).

12. The administrators intend to make further payments at regular intervals. The latest information states that it is the administrators' current intention to pay the

twelfth dividend in approximately six months' time. The estimated total amount to be recovered is forecast to be in the range of 81p to 86p in the pound. This equates to between £2,130,975 and £2,262,517, so in fact we have already exceeded the lower estimate.

Investment performance for the year to 31 December 2013.

13. The council's budgeted investment return for 2013/14 is £1.9 million, and the actual interest earned to date is shown as follows:

Table 4: Investment interest earned by investment type				
	Interest Earned 2013/14			
Investment type	**Annual Budget £000's**	**Actual to date £000's**	**Annual Forecast £000's**	**Variation £000's**
Call accounts	223	119	227	4
Cash deposits < 1yr	770	193	311	-459
Cash deposits > 1yr	80	456	693	613
MMF	15	14	28	13
Corporate bonds	259	198	228	-31
CCLA	300	150	300	0
Equities	300	205	300	0
Total Interest	1,947	1,335	2,087	140

Borrowing Strategy 2014/15 – 2016/17

14. The council has to provide details of its 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 has no external debt and does not expect to borrow long term to finance the current capital programme. 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 finance cash flow in the short-term;
- To fund capital investment over the medium to long term.

15. The prudential indicators and limits for debt are set out in table 2 and provide the scope and flexibility for the council to borrow in the short-term up to a maximum of £10 million, if such a need arose within the cash flow management activities of the authority, for the achievement of its service objectives. The council's capital investment plans do not currently demonstrate a need to borrow, as all projects are fully funded.

16. The bank rate is expected to remain at a historically low level for another year. This does provide a window of opportunity to review the strategy of undertaking external borrowing for new projects.

17. 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.

18. The head of finance would in such instances 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.

Policy on borrowing in advance of need

19. 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 forward 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.

Annual investment strategy

20. The main aim of the council's investment strategy is to maintain the security and liquidity of its investments, although the yield or return on the investment will be a consideration, subject to adequate 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.

21. 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.

22. The 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.

Appendix A

Investment types

23. 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)

- Deposits with banks and building societies
- Deposits with UK local authorities
- UK Government – treasury stock (Gilts) with less than one year to maturity
- Debt Management Agency Deposit Facility (DMADF)
- Money Market Funds (MMF) (AAA rated)
- Pooled Bond funds (AAAf rated)
- Certificates of deposits issued by banks and building societies

Non-specified investment instruments (maturities over one year)

- Bank and building society cash deposits up to 5 years
- Deposits with UK local authorities up to 5 years
- Corporate bonds
- Pooled property, bond funds and UK pooled equity funds
- UK treasury stock (Gilts) up to 10 years
- Supranational bonds up to 10 years
- Direct property investment

Other Non-specified investment instruments

- Fixed term deposits with variable rate and variable maturities
- Investment in Housing Associations

Approach to investing

24. The council currently holds approximately £85 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 carried out. 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 £15 million and £30 million throughout the year and should only be invested short term (under one year). Investments will be made primarily with reference to known cash flow requirements.

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

26. The financial stability of banks is improving, with substantial intervention by the government. Officers will continue to implement an operational strategy which provides tight controls on the investments placed. As a result of a sharp decline in the number of acceptable counterparties, the limits incorporate changes to the council's exposure for both types of investment and time limits. These changes aim to give greater flexibility to improve the spread the investment risk over different types of instruments and sectors, subject to a full assessment of risk and security.

27. 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).

28. The council has the authority to lend to other local authorities at market rates. Whilst these 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.

29. The property investment holdings will also be looked at in more detail for consideration. Further details on the property investment policy are contained in annex 3.

30. There will be no further investment using a fund manager at this time. However, this will be kept under review.

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

Counterparty selection

32. 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 provides the council with credit rating updates from all three ratings agencies – Standard & Poor's, Fitch and Moody's.

33. The council is also required 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.

34. The council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine the creditworthy counterparties. This is because Moody's have become far more aggressive in allocating low ratings than the other two agencies. If followed, this approach would leave the council with so few institutions on its approved lending list it would be unworkable. The information provided by Capita Asset Services uses a wider array of information than just primary ratings and does not give undue weight to

any one agency's ratings. Credit information is updated and monitored weekly, supplemented by daily emails, which are consulted prior to making an investment decision. The council is alerted to any changes from all three agencies through the use of data provided by Capita Asset Services. If a downgrade results in the counterparty no longer meeting the council's minimum criteria, it will not be used for future investments. Movements in CDS and other market data is also reviewed on a weekly basis. Extreme market movements may result in a downgrade of an institution or removal from the council's lending list.

35. 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

36. 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

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

Appendix A

Table 5: Counterparty limits

Counterparty	FITCH or equivalent S/term	FITCH or equivalent L/term	Govt guarantee	Max limit per counterparty £m	Max. Maturity period	Max % of total investments
Specified instrument:						
Institutions with a minimum rating	F1	A-		£15m	1 year	50%
Bank / BS cash deposits(2)			UK Sovereign	£15m	Term of guarantee	Term of guarantee
Bank - part nationalised UK			UK Sovereign	£20m	I year	I year
Money Market Fund	AAA			£5m	liquid	£20m
UK Govt & DMADF	n/a		UK Sovereign	no limit	n/a	100%
Non-specified instrument:						
Building societies - assets > £5,000m	n/a			£15m	12 months	20%
Building societies - assets > £1,000m				£10m	10 months	20%
Building societies - assets > £500m	n/a			£6m	9 months	10%
Building societies - assets > £250m				£4m	6 months	10%
Bond fund		AAA		£15m	variable	40%
Institutions with a minimum rating	F1+	AA-		£15m	4 years	25%
Institutions with a minimum rating	F1+	A+		£15m	3 years	25%
Institutions with a minimum rating	F1	A		£15m	2 years	30%
Bank subsidiary	unconditional guarantee			£15m		as parent
Bank - part nationalised UK			UK Sovereign	£20m	4 years	80%
Pooled property fund				£10m	variable	15%
Housing associations	F1+	A+		£15m	variable	15%
UK equities				£10m	variable	20%
Corporate bonds	F1+	A+		£5m	variable	10%
Property related investments				£30m	variable	80%
Local Authorities / parish councils				£15m	5 years	50%
Supranationals		AAA		£10m	10 years	40%
UK government - gilts			UK Sovereign	£15m	15 years	10%

* Bank subsidiary limits will depend on the relationship between themselves and their parent bank. A subsidiary will only be included on the counterparty list if some form of guarantee exists between it and the parent entity.

38. The criteria for choosing counterparties provides a sound approach to investment in "normal" market circumstances. 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

39. The treasury management strategy allows for a total of up to £15 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.

Appendix A

Risk and performance benchmarks

40. 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 annexe 2.

41. 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:

Table 6: investment benchmarks

Investment category	Benchmark
Bank & building society deposits - non-managed	3 Month LIBID
Equities	FTSE all shares index
Property related investments	IPD balanced Property Unit Trust Index
Corporate bonds	BoE base rate

Performance against these indicators will be reported in both the annual mid-year and year-end treasury reports.

Policy on the use of treasury management advisers

42. The council has a joint contract for treasury management advisors with Vale of White Horse District Council. A three year contract was awarded to Capita Asset Services Limited, a subsidiary of the Capita Group Plc in October 2011. The company provides a range of services which include:

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

Appendix A

43. Following the collapse of the Icelandic banks, and the subsequent local authority exposure to these defaults, the revised CLG investment guidance notes and the CIPFA Treasury Code of Practice requires the council to recognise that responsibility for treasury management decisions remains with the council at all times and to ensure that undue reliance is not placed upon 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 and resources.

Minimum revenue provision (MRP) statement 2014/15

44. The council is required to assess its MRP requirement for the year in accordance with the guidance of section 21 of the Act. MRP is a charge made to the revenue account as a proportion of outstanding capital liabilities. The council has no outstanding capital liability and therefore the MRP for 2014/15 is nil.

45. This will remain the case unless new capital expenditure is financed by borrowing.

Councillor and officer training

46. 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 code, the council has provided treasury management training to councillors in July 2013. Further training can be provided if required.

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

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

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

II. **Audit and governance Committee / Cabinet**
   - Approval of /amendments to the organisations adopted clauses, treasury management policy statements and treasury management practices;
   - Receiving and reviewing monitoring reports and acting on recommendations;

III. **Section 151 Officer / Head of Finance**
   - Recommending clauses, treasury management policies/practices for approval, review and monitoring compliance;
   - Submitting regular treasury management information reports;
   - Submitting budgets and budget variations;

- Reviewing the performance of the treasury management function;
- Ensuring adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy of internal audit and liaising with external audit;
- Approving the selection of external service providers and agreeing terms of appointment.

Summary

48. 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 invest the council's surplus fund.

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

Annex 1

Economic conditions and interest rate forecasts

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

Global economy – the sovereign debt crisis has eased in Europe after the Cyprus bailout in spring 2013. Growth is likely to remain weak and so dampen UK growth. There is still the possibility of a Greece or Cyprus bailout. The US has managed to return to growth. The Federal Reserve has continued to provide huge stimulus but the level of support is likely to be tapered down in 2014. Consumer, investor and business confidence levels have improved markedly in 2013.

UK economy:
Economic growth – Until 2013, the economic recovery in the UK since 2008 had been the slowest recovery in recent history. The Bank of England has upgraded growth forecasts in the August and November quarterly Inflation Reports for 2013 from 1.2 per cent to 1.6 per cent and for 2014 from 1.7 per cent to 2.8 per cent, (2015 unchanged at 2.3 per cent). Growth is expected to be strong although the downside is that wage inflation is considerably lower than CPI putting pressure on disposable income. The Bank will not consider raising interest rates until unemployment is at 7 per cent which means that 750,000 jobs needs to be created, this was forecast to take three years in August but has been revised to Q4 2014.

Unemployment – The unemployment rate currently stands at 2.5 million i.e. 7.6 per cent on the LFS / ILO measure. Unemployment has not risen to the levels that would normally be expected in a major recession and that productivity had sunk to 2005 levels. There has, therefore, been a significant level of retention of labour, which will mean that a significant amount of GDP growth can be accommodated without a major reduction in unemployment.

Inflation and Bank rate – CPI Inflation has fallen from a peak of 3.1 per cent in June 2013 to 2.0 per cent in December. It is expected to fall back to reach the 2.0 per cent target level within the MPC's two year time horizon.

AAA rating – the UK recently lost its AAA rating from Fitch and Moody's but this caused little reaction in the markets.

Capita Asset Services forward view

Economic forecasting remains difficult with so many external influences affecting the UK. The interest rate forecasts assumes that there will not be a major resurgence of the Eurozone debt crisis or a breakup of the Eurozone. Key areas of risk include:

- UK strong economic growth is dependent on consumer spending and recovery in the housing market which will not continue beyond 2014 if wage inflation does not overtake CPI inflation as disposable incomes are eroded;
- Prolonged political disagreement over the US Federal budget and a raising of the debt ceiling;
- A resurgence of the Eurozone debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial

viability of one or more countries and in the ability of the European Central Bank and Eurozone governments to deal with the potential size of the crisis;

- Monetary policy action failing to stimulate sustainable growth in western economies especially the Eurozone and Japan;

The overall balance of risks remains weighted to the downside. However the overall balance of risks to economic recovery in the UK is currently evenly weighted.

Prospects for interest rates

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

	Bank of England base rate	PWLB borrowing rates (adjusted for certainty rate)		
		5 yr	25 yr	50 yr
Dec 2013	0.50%	2.50%	4.40%	4.40%
Dec 2014	0.50%	2.70%	4.60%	4.60%
Dec 2015	0.50%	3.00%	4.90%	5.00%

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.

Forecast of long term PWLB rates to September 2016 as provided by Capita Asset Services Ltd at 25 November 2013 are:

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Bank base rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%
3m LIBID	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	0.70%
6m LIBID	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.70%	0.80%	1.00%
12m LIBID	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	1.00%	1.20%	1.40%	1.60%	1.80%
5 yr PWLB rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%
10 yr PWLB rate	3.60%	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%
25 yr PWLB rate	4.40%	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%
50yr PWLB rate	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%

Annex 2

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

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

Yield. Benchmarks are used to assess the performance of investments. The local measures of yield are:

Table 6: investment benchmarks	
Investment category	Benchmark
Bank & building society deposits - non-managed	3 Month LIBID
Equities	FTSE all shares index
Property related investments	IPD balanced Property Unit Trust Index
Corporate bonds	BoE base rate

Security and liquidity benchmarks are intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators.

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). In respect of this area the Council seeks to maintain:

- Bank overdraft – there is an agreed overdraft facility of up to £700,000.
- Liquid short term deposits of at least £10,000,000 available within one weeks notice.

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. In this respect the proposed benchmark is to be used:

- WAL benchmark is expected to be 0.5 years, with a maximum of 3 years**.**

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.

Annex 2

Average defaults for differing periods of investment

Long term rating	1 year	2 years	3 years	4 years	5 years
AAA	0.00%	0.02%	0.06%	0.09%	0.13%
AA	0.02%	0.04%	0.14%	0.28%	0.36%
A	0.09%	0.25%	0.43%	0.60%	0.79%
BBB	0.23%	0.65%	1.13%	1.70%	2.22%
BB	0.93%	2.47%	4.21%	5.81%	7.05%
B	3.31%	7.89%	12.14%	15.50%	17.73%
CCC	23.15%	32.88%	39.50%	42.58%	45.48%

The council’s minimum long term rating criteria is currently “A” meaning the average expectation of default for a one year investment in a counterparty with an “A” long term rating would be 0.09 per cent of the total investment (e.g. for a £1m investment the average loss would be £900). This is only an average - any specific counterparty loss could potentially be higher or lower. These figures act as a proxy benchmark for risk across the portfolio.

The Council’s maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.09%	0.25%	0.43%	0.60%	0.79%

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to members in the both the Investment Mid-Year report and the Investment Annual report. As this data is collated, trends and analysis will be collected and reported. Where a counter party is not credit rated a proxy rating will be applied.

Annex 3

Property Investment Policy

1.0 Direct investment in 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 mentioned earlier. Of the options open one is property and the returns from investing in property can be greater than the opportunities in the money markets.

1.2 In broad terms the returns can be higher 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 <u>How much is invested?</u>

2.1 £16 million is currently held in property and £127 million is invested in treasury investments. The investment in property represents 13 per cent of the overall total.

3.0 <u>What type of property?</u>

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

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

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

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.

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 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. Each proposal will be considered on its merits

6.0 Review

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

Annex 4

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 – shows last year's spending, this year's projected spending and the approved programme until 2015/16.

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

Net borrowing requirement – this demonstrates that no borrowing is planned to fund the capital programme.

In year capital financing requirement – this shows the council 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. The overall CFR is nil , there is no need to borrow.

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 2013 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 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. This has an amount included to allow for cash flow borrowing associated with the canal project.

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.

Annex 4

Adoption of the CIFPA Code of Practice for Treasury Management

The council adopted this code on 25 April 2002 and the strategic director for finance confirms that the authority continues to comply with this.

This indicator in respect of treasury management confirms that the council has adopted the CIPFA code of practice for treasury management in public services. This is to provide assurance that treasury management activities are being carried out in line with best practice.

Annex 5

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. This council adopted the code on 25 March 2002 and will apply its principles to all investment activity. In accordance with the code, the head of finance has produced its treasury management practices (TMPs). This part, TMP1(5), 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 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.

In compliance with the above guidance the Annual investment Strategy is now incorporated within the council's treasury management strategy and includes the following:

- specified investments: these are high security, i.e. having a high credit rating, (although this is defined by the council, and no guidelines are given), and high liquidity investments, in sterling with a maturity of no more than one year.

- non-specified investments: covers all other investments, which may have a maturity of greater than one year or lower security rating or both.

The Annual Investment Strategy within the treasury management strategy is approved by full council.

All limits in the investment strategy apply to both in-house and externally managed funds.

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 low risk assets where the possibility of loss of principal or investment income is negligible. These investments are categorised as:

a) UK Government (such as the Debt Management Office, UK Treasury Bills or gilts with less than one year to maturity)
b) Supranational bonds of less than one year's duration
c) A local authority, parish council or community council
d) An investment scheme that has been awarded a high credit rating by a credit rating agency

Annex 5

e) A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society)

Non-specified Investments

Non-specified investments are any other type of investment (i.e. not defined as specified). These investments are categorized as:

f) Supranational bonds greater than 1 year to maturity.
g) Gilt edged securities.
h) Building societies not meeting the basic security requirements under the specified investments.
i) Any bank or building society that has a minimum long term credit rating as shown in table 5, for deposits with a maturity of greater than one year.
j) Any non-rated subsidiary of a credit rated institution included in the specified investment category.
k) Share capital in a body corporate.
l) Corporate bonds
m) Housing Association investment
n) Property direct property investment
o) Pooled property fund investment

These categories of investment will vary in their levels of risk, and the return that may be expected from them. The identification and rationale supporting the selection investments and the maximum limits to be applied are set out in table 5.

Local Authority Mortgage Scheme (LAMS). This type of investment is classified as a service investment rather than a treasury management investment, it therefore fall outside of the scope of the investment categories above.

Cash deposits

1 The majority of the council's investments are held in cash deposits. These can be made with banks or building societies that meet the credit rating criteria detailed in annexe 1. Any non-rated subsidiary of a credit rated institution can be included as an investment category subject to individual assessment of the relationship between themselves and the parent bank. Where institutions are part of a banking group then the maximum lending criteria will be shared between the group companies. Limits on amounts for each counterparty are determined by credit rating and maturity period.

2. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies that are credit rated. The council may use such building societies which have a minimum asset size of £250 million, but will restrict these types of investments to six months.

3. Cash deposits can be made with UK local authorities up to a period of five years and a maximum of £15 million per authority. Local authorities do not require a credit rating, and are classed as a low risk counterparty due to their funding and income streams.

Annex 5

Gilts

1. Gilts (or 'gilt-edged stocks') are bonds issued by the UK government which pay a fixed rate of interest usually twice a year. They are considered safe investments as the government is unlikely to default on the interest payments. If held to maturity they will return their issue value; if sold before their redemption date the price realised will fluctuate with market conditions. Gilts are bought and sold on the stock market where their price can go up or down. The strategy permits investments of up to £15 million in gilts. The council does not currently hold any gilts, as market conditions have not presented an opportune time to enter the gilt market. This is reviewed frequently.

Government's debt management account deposit facility (DMADF)

1. The DMADF is a deposit account with the Government. The rates are very low, however this is offset by the increased security and facility to improve the portfolio's spread of investments. A maximum limit of 100 per cent of the portfolio is set in the strategy for this facility. The account is only used when it is not possible, or it is outside the council's risk tolerance to place monies elsewhere.

Money market funds (MMFs)

1. MMFs are commercially run, pooled investments. They work rather like unit trusts, but whereas the latter are based upon shares in companies, MMFs rely on loans to companies. As their pooled funds have a high total value better rates of returns can be obtained. Legislation allows authorities to access only those MMFs with the highest possible credit rating (AAA).

2. The maximum limit to be invested in this type of instrument is £20 million. Access and liquidity of these instruments are extremely flexible, as they operate on a similar basis to call deposit accounts in that the funds can be placed or withdrawn with a minimum amount of notice, but tend to achieve better rates than short-term cash deposits placed in the market over similar periods, particularly in a declining or flat interest rate environment.

Certificates of deposit

1. Certificates of deposit are a type of bonds issued by banks. They are classified as non- specified investments. Certificates of deposit are bought and sold on the stock market where their price can go up or down. If held to maturity they will return their issue value; if sold before their redemption date the price realised will fluctuate with market conditions. The council would only consider purchase of these investments to be held until maturity.

Corporate bonds

1. Corporate bonds are issued by companies as a way of raising money to invest in their business. They have 'par' or nominal value' (usually £100), which is the amount that will be returned to the investor on a stated future date (the 'redemption date'). They also pay a stated interest rate each year, usually fixed. Corporate bonds are bought and sold on the stock market and their price can go up or down.

2. The council continues to maintain holdings of corporate bonds previously acquired, on the basis that returns on these securities over their remaining lives should out perform the current bond markets and returns from fund management, given the view that

interest rates and yields are forecast to remain low in the near term. The strategy permits investments of up to £10 million in corporate bonds (measured at the time of purchase). The current value of corporate bonds held is £4.0 million as at 31 December 2013.

3. The remaining bonds are providing an excellent rate of return. As bond prices tend toward par as they approach maturity, there will be an optimum point at which each bond provides the best return versus the deterioration in capital value. Capita Asset Services reviewed the council's current holdings and the analysis shows that in the current interest rate environment they should be held until maturity.

Property – direct investment

1. The council is able to purchase property as an investment, however this is a specialist area and it is necessary to seek external advice on how the council could best diversify its investments by the inclusion of property.

2. The council is reviewing further investment in property in conjunction with the council's property advisors. The treasury management strategy allows for a further investment of up to £20 million in either direct property holdings (as measured at the time of purchase) or indirect property investments.

3. The council currently retain properties for investment purposes. As at the end of March 2013, the latest period for which audited figures are available, these had an aggregate book value of £15.9 million.

Property – indirect investment

1. The council is able to invest in pooled property investment funds. These are pooled investments where units are purchased. The fund invests in a cross section of property ie: commercial, industrial, retail and residential. This type of investment is highly liquid as units can be sold quickly if required. They are also exempt from capital accounting as disposal income does not have to be treated as a capital receipt. This can give greater flexibility in the use of future income. The disadvantage of this type of fund is that they have a high entry fee and annual management charges. The council continues to review investment in this type of product with the assistance of the council's treasury advisors (Capita Asset Services) to assess which products may be suitable. The strategy provides for investment up to £10 million in a property related investment fund.

Bond funds

1. These are pooled investment funds which have been developed to provide investors with access to the bond market, spreading the risk of direct bond holdings by giving access to a portfolio of mixed bonds ranging from UK Gilts, supranational bonds, other government guaranteed issues and corporate bonds of both banks and corporate organisations. Very much like MMFs they are strictly regulated and those that achieve AAAf credit rating must maintain liquidity. Funds can be accessed quickly if required. The maximum limit to be invested in this type of instrument is £5 million.

Annex 5

Equities

1. 'Equity' is an investment in the share capital of a publicly quoted company. Equity is the risk-bearing part of the company's capital and contrasts with debt capital which is usually secured in some way, and which has priority over shareholders if the company becomes insolvent and its assets are distributed.

2. For most companies there are two types of equity: ordinary shares, which have voting rights, and preference shares, which do not. Owners of preference shares rank ahead of ordinary shareholders in a liquidation.

3. The council's investments in equities are liquid investments, which mean they could be sold at any time, from which an investment gain (or loss) could accrue to the council.

4. The council continues to maintain its current equity holdings, on the basis that that although the returns have fluctuated these are intended to be held long-term and they also provide diversity to the portfolio. The strategy permits investments of up to £10 million in equities (measured at the time of purchase).As these investments fluctuate significantly over short periods of time, they are kept under constant review.

Supranational bonds

1. Supranational bonds fall into two main categories – multilateral development bank bonds, or those offered by a financial institution that is guaranteed by the UK Government. The security of interest and principal on maturity is on a par with UK Government bonds and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity. The treasury management strategy permits investment of up to £15 million in supranational bonds (measured at the time of purchase). The council currently does not hold these investments, although they offer excellent security and liquidity. This is reviewed periodically. Given the current low yields it would not be the best time to purchase these to hold for the long term.

Credit and counterparty risk management

The council regards the prime objective of its treasury management activities to secure the principle sums invested, whilst maximising of investment returns, within a level of risk that is acceptable to the council. It will ensure that its counterparties and limits, reflect a prudent attitude towards organisations where funds may be deposited, and will limit its investment activities to the instruments listed below. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

The following counterparties and limits will apply in aggregate to both internally and externally managed funds, as measured at the time of investment:

- *Banks and building society deposits – cash and certificates of deposits.*

  A maximum sum of £15 million can be lent to any one individual bank or building society providing it meets the minimum credit rating criteria set out in the investment strategy.

Annex 5

- *Banks – part nationalised*

  A maximum sum of £20 million can be lent to any one individual bank that is part nationalised.

- *UK government or local authorities*

  A maximum sum of £15 million could be lent to a local authority or UK Government.

- *Supranational bonds*

  The maximum sum that can be invested in supranational bonds is £10 million.

- *Gilt edged securities*

  The maximum investment, excluding investment returns, to be invested in Gilt Edged Securities is £15 million.

- *Corporate bonds*

  The maximum sum that can be invested in United Kingdom Corporate Bonds is £10 million.

- *Equities*

  The maximum sum, excluding investment returns that can be invested in United Kingdom equities is £10 million, but only through the purchase of units of Index Tracking Trusts. As approved by council, the investment returns from the equities are re-invested in this investment instrument.

- *Money Market Funds (MMF)*

  The maximum sum to be invested in MMFs is £20 million. Government legislation restricts authority's access only to those MMFs with the highest possible credit rating (AAA).

- *Bond Funds*

  The maximum to be invested in a pooled bond fund is £5 million and only those that have a AAAf rating should be considered.

- *The government's debt management account deposit facility (DMCDF)*

  The maximum sum to be invested in the government's DMA Deposit Facility is 100 per cent of the total investment portfolio.

- *Pooled Property funds*

  The maximum amount to be invested in property related funds is £10 million. This would be subject to receipt of specialist advice from the council's strategic property advisors and treasury advisors and would be the subject of a separate report to cabinet/council.

- *Property- direct investment*

  The maximum amount to be invested directly in property is £30 million. This would be subject to receipt of specialist advice from the council's strategic property advisors and would be the subject of a separate report to cabinet/council.

Annex 5

Investment spread

As a guideline, it is recommended that the council's investment in any one of the council's approved investment instruments should not exceed the maximum percentage / monetary limits listed below:

Cash and certificates of deposit	85%
Local authorities	50%
Debt management account deposit facility	100%
Supranational bonds	£10m
Gilts	£15m
Equities	£10m
Corporate bonds	£10m
Money market funds	£20m
Pooled Bond Fund	£ 5m
Property - direct investments	£30m
Housing association	£15m
Property pooled fund	£10m
External fund manager	£15m

Annex 6

GLOSSARY OF TERMS

Basis Point (BP)	1/100th of 1%, i.e. 0.01%
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Benchmark	A measure against which the investment policy or performance of a fund manager can be compared.
Bill of Exchange	A financial instrument financing trade.
Callable Deposit	A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.
Cash Fund Management	Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio.
Certificate of Deposit (CD)	Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD.
Commercial Paper	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.
Corporate Bond	Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Counterparty	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)
CDS	Credit Default Swap – a swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.
CFR	Capital Financing Requirement.
CIPFA	Chartered Institute of Public Finance and Accountancy.
CLG	Department for Communities and Local Government.

Derivative	A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.
DMADF	Deposit Account offered by the Debt Management Office, guaranteed by the UK government.
ECB	European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is the keep inflation within a band of 0 to 2 per cent. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle.
Equity	A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain.
Forward Deal	The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.
Forward Deposits	Same as forward dealing (above).
Fiscal Policy	The government policy on taxation and welfare payments.
GDP	Gross Domestic Product.
Gilt	Registered British government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.
Money Market Fund	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. It is very similar to a unit trust, however in a MMF.
Monetary Policy Committee (MPC)	Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1 per cent of a central target of 2.5 per cent in two years time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment.
Other Bond Funds	Pooled funds investing in a wide range of bonds.
PWLB	Public Works Loan Board.
QE	Quantitative Easing.
Retail Price Index	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure

	pattern of the average person.
Sovereign Issues (Ex UK Gilts)	Bonds issued or guaranteed by nation states, but excluding UK government bonds.
Supranational Bonds	Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield ("spread") given their relative illiquidity when compared with gilts.
Treasury Bill	Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.

This page is intentionally left blank

Report to:

Cabinet
Scrutiny Committee
Council

Report of Head of Finance

Author: Simon Hewings

Tel: 01491 823583

E-mail: simon.hewings@southandvale.gov.uk

Cabinet Member responsible: David Dodds

Tel: 01844 212981

E-mail: david.dodds@southoxon.gov.uk

To: CABINET	13 February 2014
To: SCRUTINY COMMITTEE	18 February 2014
To: COUNCIL	20 February 2014

Revenue Budget 2014/15 and Capital Programme to 2018/19

RECOMMENDATIONS

1. That cabinet recommends to council that it:

   a. sets the revenue budget for 2014/15 as set out in appendix A.1 to this report,
   b. approves the capital programme for 2014/15 to 2018/19 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 2018/19 as set out in appendix F to this report,
   e. allocates £1,000,000 to fund the Communities Capital Grant Scheme.

2. That cabinet agrees that the cabinet member for finance, in conjunction with the leader, may make minor adjustments to this report and the prudential indicators, in conjunction with the head of finance, should they prove necessary prior to its submission to council on 20 February 2014.

Purpose of report

1. This report:

   - brings together all relevant information to allow cabinet to recommend to council a revenue budget for 2014/15 and a capital programme for 2014/15 to 2018/19;

   - 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 head of finance and 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.

2. This report should be read in conjunction with the Medium Term Financial Strategy (MTFS)[1]. This sets out a number of objectives to be achieved and a set of principles to be followed in the preparation of budgets.

Strategic objectives

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

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

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

Revenue budget 2014/15

Budget target 2014/15

6. The MTFS to be considered by council on 20 February 2014 sets a target within which the revenue budget will be set each year. It is:

   'to set a revenue budget requirement that increases by no more than inflation each year, except where new responsibilities are placed on the council'.

7. To meet this objective the budget must be set within the budget limit for 2014/15. This has been calculated as £12,174,963, representing the budget requirement for 2013/14 (£11,684,623) as adjusted for inflation, and new responsibilities.

[1] Cabinet 13 February 2014, Council 20 February 2014

Budget composition 2014/15

8. **Appendix A.1** summarises the movements in the base budget from £14,858,789 in 2013/14 to £14,076,905 in 2014/15. These movements are detailed below.

9. **Opening budget adjustment reduction £588,830, (appendix A.2)**. This includes the removal of one-off growth items relating to 2013/14 and the realisation of the full-year effect of savings proposals identified in previous years.

10. Additions to the base budget:

- **inflation, salary increments and other salary adjustments £51,967 (appendix A.3).** The salary and contract inflation totals £84,153, representing an average increase of just under one per cent on the 2013/14 net expenditure budgets. For council employees an overall increase in salary of two per cent is budgeted for 2014/15. Increments payable to council employees not at the top of their salary range total £60,977. Other salary adjustments are a reduction of £93,164 representing other minor amendments to salary budgets.

- **essential growth – one-off £429,400 and ongoing £508,562 (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 2014/15

11. Deductions from the base budget:

- **base budget savings £1,241,222 (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, or correction to budgets. These savings do not affect frontline service delivery.

- **office accommodation savings £175,000**. These are the result of the sharing of accommodation at Crowmarsh Gifford with Vale of White Horse District Council.

- **operational reorganisations £55,511 (appendix A.6).** These savings reflect the full year impact of a number of Fit for the Future and other reviews of service costs, aimed at improving efficiency and service to customers.

12. Other changes to corporate base budgets

- **movement in managed vacancy factor £6,725.** In order to recognise a level of establishment vacancies which occur every year, a managed vacancy factor is used. This reduces the employee budgets across the council from the 100 per cent of the establishment list to 98 per cent. The movement in this factor reflects a decrease in salary budgets.

13. A significant change to the way the council budgets for contingency sees **additional revenue contingency** budget of **£228,150** added to the base budget (**appendix A.7**). A review of service budgets identified that, in addition to the central contingency budget, there were also budgets within services that could also be considered contingency budgets. These budgets have now been centralised.

14. The level of the corporate contingency has been assessed based on the likelihood of the individual component budgets being required. The make-up of the corporate contingency budget will be reviewed annually, though for the purposes of medium term financial planning it has been assumed to be at the 2014/15 level throughout the period. It should be noted that this new way of budgeting is not without risk of either under or over spend and future budgets will need to take account of actual demand on the contingency.

15. As these budgets are now held centrally there is a need to ensure that when they are needed by services they can access them easily. This may require a change to the council's financial procedure rules which if needed will be brought forward later in the year.

16. As a result of these changes the council's revised base budget for 2014/15 is **£14,076,905**.

Revenue growth proposals

17. A number of revenue growth proposals have been selected by the cabinet member for finance to be included in the budget for 2014/15. These are detailed in **appendix B** and total **£1,827,597**. 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.

18. There is no impact on the revenue budget of arising from the capital growth proposals shown in **appendix D.2**.

Net property income

19. Net property income represents the council's income from its investment property portfolio less expenditure, and for 2014/15 is estimated at **£1,088,119**.

Gross treasury income

20. Treasury income earned in 2013/14 will be available to finance expenditure in 2014/15 and is currently forecast to be **£2,090,000**, and would be used as follows under current practice:

- £1,790,000 to support the revenue budget for 2014/15; and
- £300,000 reinvested in financial instruments.

21. More details of treasury income can be found in the council's Treasury Management Strategy 2014/15 to 2016/17 report (see Cabinet 13 February 2014, Council 20 February 2014).

22. Including growth, property and treasury income results in a net expenditure budget for the council of **£12,726,383**.

Reserves and other funding

New Homes Bonus (NHB)

23. The provisional government allocations for New Homes Bonus payments for 2014/15 are **£1,906,436**. For 2014/15 this will be transferred to reserves. Projections of future NHB earnings and how they will be used are detailed later in this report.

Council Tax Freeze Grant

24. It is proposed that council tax will be reduced in 2014/15 and as a result of this, the council will be due **£62,594** of council tax freeze grant for 2014/15. This will also be receivable for 2015/16 and equates to the funding the council would have generated by increasing council tax by 1 per cent.

Transfers to/from reserves

25. In addition to the transfer to reserves of the New Homes Bonus payment, the other proposed transfers to / from earmarked reserves reflect:

- Use of the enabling fund for previously agreed one-off growth bids already included in the base budget, and essential growth items that are one-off in nature **£2,096,870**;

- The transfer to reserves of the treasury income earned in year **£2,090,000**; and

- The transfer from reserves of treasury income earmarked to support the revenue account in the previous financial year **£1,697,000**.

Transfer to revenue smoothing reserve

26. As a result of all of these changes, the budget proposal includes a budgeted transfer of **£128,521** to the revenue smoothing reserve to arrive at a budget requirement that reflects the government grant settlement and council tax level which are discussed later in this report.

27. Based on the above use of reserves and other funding, the amount of revenue expenditure to be financed in 2014/15 is **£11,088,440**.

Financing

Final local government settlement

28. On December 18 2013 the government announced the provisional 2014/15 local government settlement together with illustrative figures for 2015/16. At the time of writing we have not received the final settlement. Officers consider that any changes to the settlement at this stage would not be material. Tables 1 below detail the provisional funding outlined for the council for 2014/15 and illustrative settlement for 2015/16.

Table 1a: settlement funding assessment 2014/15 (provisional)

	Provisional 2014/15 settlement funding assessment		
	Revenue support grant	**Baseline funding level**	**Total**
	£	**£**	**£**
Lower tier funding	2,463,452	2,229,815	**4,693,267**
Council tax freeze compensation: • 2011/12 • 2013/14	 100,732 67,536	 69,743 0	 **170,475** **67,536**
Council tax reduction scheme (note 1)	0	0	**0**
Homelessness prevention funding	28,888	20,364	**49,252**
Other: • Efficiency support for services in sparse areas • Returned funding (note 2)	 4,952 6,117	 0 0	 **4,952** **6,117**
Total	**2,671,677**	**2,319,922**	**4,991,599**

Note 1: payments to councils in respect of council tax reduction scheme (which also includes an element for town and parish councils) are no longer separately identified.

Note 2: represents funding reserved centrally by government to pay NHB but returned to councils as no longer required

Table 1b: settlement funding assessment 2015/16 (illustrative)

	Illustrative 2015/16 settlement funding assessment		
	Revenue support grant	**Baseline funding level**	**Total**
	£	**£**	**£**
Lower tier funding	1,636,271	2,291,360	**3,927,631**
Council tax freeze compensation: • 2011/12 • 2013/14	 98,750 67,536	 71,668 0	 **170,418** **67,536**
Homelessness prevention funding	28,310	20,926	**49,236**
Other: • Efficiency support for services in sparse areas	 4,952	 0	 **4,952**
Total	**1,835,819**	**2,383,954**	**4,219,773**

29. The provisional settlement for 2014/15 is 13 per cent lower than 2013/14. The illustrative settlement for 2015/16 would be a further reduction of 15.5 per cent. Whilst the baseline funding element of the settlement is increasing in line with the increase in national non domestic rates, to achieve the overall reduction in funding the government has significantly reduced the revenue support grant element. It should be noted that these figures exclude NHB funding which for 2014/15 which was discussed earlier in the report.

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

30. As agreed by Council on December 12 2013, the council tax support grant contribution payable to town and parish councils will be **£212,252** for 2014/15. The proposed MTFP shows that this contribution will be reducing in line with the reduction in government funding going forward.

Business rate retention scheme

31. The deficit on the NNDR under collection is estimated to be **£173,994**. This is due to the projected NNDR receipts being below the government's safety net. Therefore the council will be in a deficit position.

32. Although there is potential for some business rates growth next year it is not anticipated that this will take the council above safety net.

Collection fund

33. The surplus on the collection fund is estimated to be **£380,150**.

Cabinet member for finance's revenue budget proposal

34. Based on the amendments detailed above, and as shown in **appendix A.1** of this report, the cabinet member's budget proposal, including growth, is for a net revenue budget of **£11,088,440**. This revenue budget as proposed would result in a reduction of 2.5 per cent to current band "D" council tax to £114.68. **Appendix C** shows the breakdown of the revenue budget.

35. The Medium Term Financial Strategy (MTFS) sets a target within which the revenue budget will be set each year, which is that:

    "The net budget requirement (revenue) shall increase by no more than inflation, except where new responsibility is placed on the council".

36. The cabinet member for finance's revenue budget proposal of **£11,088,440** is lower than the previous year's budget requirement and is therefore within the revenue budget target, meeting the requirement laid down in the medium term financial strategy.

37. A draft MTFP and proposed growth bids were published on the council's website in December 2013. No comments on the published MTFP and growth bids have been received by officers or by the cabinet member for finance.

Capital programme 2014/15 to 2018/19

Current capital programme

38. The latest capital programme (before growth) is attached at **appendix D.1** and is summarised in table 2 below. It is the capital programme as set by council in February 2013 plus:-

    - slippage (caused by delays to projects) carried forward from 2012/13
    - new schemes approved by council during 2013/14

- re-profiling of expenditure on schemes from the 2013/14 financial year to future years where delays to schemes have occurred
- cabinet approved movement of schemes from the provisional to the approved capital programme
- the deletion of previously agreed schemes that have completed or are no longer to be pursued.

Table 2: current capital programme (before growth)

	2013/14 latest estimate £000	2014/15 estimate £000	2015/16 estimate £000	2016/17 estimate £000	2017/18 estimate £000	2018/19 estimate £000
Approved programme	18,177	5,535	845	845	845	845
Provisional programme	7,060	5,190	11,414	1,873	1,290	1,000
Total	**25,237**	**10,725**	**12,259**	**2,718**	**2,135**	**1,845**

Cabinet capital programme proposals

39. **Appendix D.2** contains a list of new capital schemes that the cabinet member for finance is putting forward as part of his budget proposals. Officers will amend the provisional capital programme to include the proposals if approved by cabinet and council.

40. The current capital programme contains budget of £1 million for the Local Authority Mortgage Scheme (LAMS). The scheme's aim is to help people on to the housing ladder. Since its inclusion in the programme the government has introduced its help to buy scheme created for the same purpose. For this reason the capital programme proposed by the cabinet member for finance excludes this scheme going forward.

Financing the capital programme

41. **Appendix D.3** contains a schedule identifying how the capital programme will be financed, including the growth proposals, if they are approved. The programme proposed can be fully funded from existing and anticipated capital resources assuming there are no changes to way the government funds local authorities.

42. It must be acknowledged that should there be a change in political balance following the 2015 general election a new administration may change the way the NHB scheme operates or may possibly stop it altogether. Should this happen up to £11.6 million of projected NHB receipts would be 'at risk'. For this reason two capital growth bids as identified in appendix D.2a can only commence following receipt of this 'at risk' money. The head of finance commentary on the adequacy of reserves and balances will be available at full council.

Future pressures on the capital programme

43. Officers advise cabinet not to earmark all available resources in proposing the budget to council, as the prudential code requires local authorities to set

sustainable budgets. By retaining an unallocated balance, cabinet can demonstrate that through a combination of this and future income (that can be expected beyond the period of the budget) it can fund future pressures.

The prudential code and prudential indicators

44. In setting its revenue and capital budgets for 2014/15, 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.

45. 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.

46. 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. Council must approve the indicators through the budget process before 1 April each year, but they can be revised during the year if required.

47. 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.

48. 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.

49. Under the code, the head of finance 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.

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

The Medium Term Financial Plan (MTFP)

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

52. **Appendix F** contains the MTFP for 2014/15 to 2018/19**.** This is a projection of the revenue budget up to 31 March 2019. The projection includes an amount for unknown budget pressures in later years and assumes that council approves all the budget proposals within this report. Officers have made no adjustments for the costs of contracts that will be re-let during this period. These could rise or fall depending on market conditions.

53. The MTFP identifies some significant challenges ahead for the council. It assumes that government grant funding will fall by 38 per cent from 2014/15 to 2018/19. This is only an estimate by officers, and the fall could be greater or less. It also incorporates assumptions on interest income, and other known pressures on the council, such as inflation and salary increments.

54. Estimates of future receipts of new homes bonus are shown in table 3 below, and are also included in the MTFP (detailed in row 39). In total the council is expected to have received in excess of £16 million during the MTFP period.

55. The element of the bonus that relates to the new homes bonus premium (expected to be over £1.2 million by the end of the period) is ring-fenced to support the provision of additional affordable housing.

Table 3: new homes bonus

Year earned	Year of receipt				
	2014/15 budget £000	2015/16 indicative £000	2016/17 indicative £000	2017/18 indicative £000	2018/19 indicative £000
2011/12	260	260	260	0	0
2012/13	347	347	347	347	0
2013/14	537	537	537	537	537
2014/15	763	763	763	763	763
2015/16	0	657	657	657	657
2016/17	0	0	756	756	756
2017/18	0	0	0	854	854
2018/19	0	0	0	0	768
Total	**1,907**	**2,564**	**3,320**	**3,914**	**4,335**

56. Officers consider that the pressures highlighted are manageable in the period covered by the MTFP (in light of the reserves and balances available to the council and our ability to vary budgets and redirect funding). However, it is expected that savings may be required to balance the budget in future years, and this represents a significant challenge. Management team is already looking at ways in which the budget gap in future years can be closed.

57. In summary, at 31 March 2019 the council's total uncommitted balances are projected to be £30 million. This is made up of £11 million uncommitted revenue

balances and £19 million in capital receipts, including investments that will be classified as capital receipts at the point at which they are realised. In addition to this the council will have £15 million loaned to South Oxfordshire Housing Association (SOHA) and £5 million generating a return from Didcot leisure centre. This reflects the £50 million referred to in the council's MTFS as being held long term as referred to in paragraph 4.2a in the report to council. This excludes earmarked revenue reserves, including new homes bonus of £3.8 million.

Communities Capital Grant Scheme

58. On an annual basis, the council considers the amount to be made available for the Community Capital Grant Scheme. It is recommended that a grants budget of £1,000,000 be set.

The robustness of the estimates and the adequacy of reserves

59. The Local Government Act 2003 places a duty on 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.

60. The construction of the budget has been managed by qualified accountants and has been subject to challenge, specifically by strategic management board, the head of finance, other heads of service and cabinet members. Informal meetings of cabinet have considered the budget, and a briefing has been given to members of the council's scrutiny committee. 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.

61. The council's practice is not to use interest in the year it is earned, but in later years. On the basis of the provisional settlement 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. The enabling fund balance as at 31 March 2019 is estimated to be £ nil. In the MTFP the 2018/19 revenue budget is balanced by using NHB receipts.

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

Legal Implications

63. The cabinet needs to make recommendations to council on its spending proposals. Under the Local Government Act 2000 it is council that must agree the revenue and capital spending plans, and then set the council tax. Council will meet on 20 February 2014 in order to set the budget, and the council tax (including amounts set by Oxfordshire County Council and the Thames Valley Police and Crime Commissioner).

64. The requirement placed on council by the Local Government Act 2003 to set prudential indicators and for the 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

65. 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

66. This report provides details of the revenue base budget for 2014/15, the capital programme 2014/15 to 2018/19, government grants (the settlement), uncommitted reserves and balances, the cabinet member for finance's budget proposals and the resulting prudential indicators.

67. 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 2014/15
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	organisational reorganisations
Appendix A.7	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 D.3	financing of capital programme and growth proposals
Appendix E	prudential indicators
Appendix F	medium term financial plan

Background Papers

- Provisional settlement figures (December 2013)
- Medium term financial strategy 2014/15-2018/19 – cabinet 13 February 2014, council 20 February 2014
- Council tax base 2014/15 – cabinet 5 December 2013, council 12 December 2013
- Council tax reduction scheme grant for town and parish councils – cabinet 5 December 2013, council 12 December 2013
- Treasury management strategy – cabinet 13 February 2014, council 20 February 2014

South Oxfordshire DC - revenue budget summary 2014-15

	2013/14 Budget	2014/15 Budget	Comment
Opening base budget			
Base service budgets 2013/14	14,750,026	14,750,026	
Contingency	291,000	291,000	
Managed vacancy factor	(182,237)	(182,237)	
Total opening base budget	**14,858,789**	**14,858,789**	
Revisions to base budget			
Opening budget adjustments		(588,830)	Appendix A.2
Additions to the base budget:			
Inflation, salary increments and other salary adjustments		51,967	Appendix A.3
Essential growth - one-off		429,400	Appendix A.4
Essential growth - ongoing		508,562	
Deductions from the base budget:			
Base budget savings		(1,241,222)	Appendix A.5
Office accommodation savings		(175,000)	
Operational reorganisations		(55,511)	Appendix A.6
Other changes to corporate base budgets:			
Movement in managed vacancy factor		6,725	
Additional revenue contingency		228,150	Appendix A.7
Changes in property budgets included in ** below		53,876	
Total revised base budget for scrutiny committee	**14,858,789**	**14,076,905**	
Growth proposals			
Revenue - one-off		1,608,600	Appendix B
Revenue - ongoing		218,997	
Capital (revenue consequences of)		0	Appendix D.2
Net property income **	(1,034,243)	(1,088,119)	
Gross treasury income	(1,947,000)	(2,090,000)	
Net expenditure	**11,877,546**	**12,726,383**	
Funding from reserves			
New Homes Bonus	(1,143,231)	(1,906,436)	
Council Tax Freeze grant 13/14	(67,405)	0	
Council Tax Freeze grant 14/15	0	(62,594)	
Efficiency support for services in sparse areas	(19,456)	0	
Transfers to / from reserves	1,037,169	331,087	
Budget funding requirement	**11,684,623**	**11,088,440**	Appendix C
Funded by:			
Settlement funding assessmeny	(5,696,132)	(4,991,599)	
Less - Parish contribution - council tax support funding	245,967	212,252	
+/- estimated NNDR under / (over) collection fund	170,669	173,994	
Collection fund (surplus) / deficit	(217,492)	(380,150)	
Council tax requirement	(6,187,635)	(6,102,937)	
Total Funding	**(11,684,623)**	**(11,088,440)**	
Council tax yield required	**6,187,635**	**6,102,937**	

This page is intentionally left blank

South Oxfordshire DC - 2014/15 budget build changes
Opening budget adjustments

Year of bid	Summary	Spending profile				
		2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Deletion and adjustments to previously agreed one-off growth						
CORPORATE STRATEGY & WASTE						
2013/14	Increase level of street cleansing	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)
2013/14	Joint membership of green deal community interest company	(17,500)	(17,500)	(17,500)	(17,500)	(17,500)
		(107,500)	**(107,500)**	**(107,500)**	**(107,500)**	**(107,500)**
ECONOMY LEISURE AND PROPERTY						
2012/13	Leisure consultancy support	(10,500)	(13,500)	(13,500)	(13,500)	(13,500)
2012/13	Participation co-ordinator	(6,400)	(11,000)	(11,000)	(11,000)	(11,000)
2012/13	Market town co-ordinator	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
2012/13	Athletics community coach	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)
2013/14	Participation co-ordinator	(4,400)	(14,400)	(14,400)	(14,400)	(14,400)
2013/14	Strategic property technical support	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)
2013/14	Berinsfield co-location project	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
2013/14	Town/larger village centre infrastructure	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
2013/14	Enhancement to café area cornerstone	(2,500)	(3,500)	(3,500)	(3,500)	(3,500)
		(188,300)	**(206,900)**	**(206,900)**	**(206,900)**	**(206,900)**
HEALTH & HOUSING						
2012/13	Fly-tipping enforcement officer	(32,080)	(32,080)	(32,080)	(32,080)	(32,080)
2013/14	Didcot and science vale	(34,728)	(34,728)	(34,728)	(34,728)	(34,728)
2013/14	Lettings officer extension to fixed term contract	(16,750)	(16,750)	(16,750)	(16,750)	(16,750)
2013/14	New housing allocations policy	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
		(85,558)	**(85,558)**	**(85,558)**	**(85,558)**	**(85,558)**

South Oxfordshire DC - 2014/15 budget build changes
Opening budget adjustments

Year of bid	Summary	Spending profile				
		2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Deletion and adjustments to previously agreed one-off growth (continued)						
HR, IT & CUSTOMER SERVICES						
2013/14	Enabling mobile websites	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
2013/14	IT infrastructure	(2,400)	(4,200)	(4,200)	(4,200)	(4,200)
		(12,400)	**(14,200)**	**(14,200)**	**(14,200)**	**(14,200)**
LEGAL & DEMOCRATIC						
2012/13	External legal fees re leisure management contract	(7,500)	(12,500)	(12,500)	(12,500)	(12,500)
		(7,500)	**(12,500)**	**(12,500)**	**(12,500)**	**(12,500)**
PLANNING						
2013/14	Up-to date aerial photos	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
2013/14	Planning policy function	(85,500)	(85,500)	(85,500)	(85,500)	(85,500)
2013/14	Updating ancient woodland inventory	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)
2013/14	Assessment of viability reports	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
2013/14	Neighbourhood planning officer	(46,000)	(46,000)	(46,000)	(46,000)	(46,000)
		(226,500)	**(226,500)**	**(226,500)**	**(226,500)**	**(226,500)**
Total one-off growth adjustments		**(627,758)**	**(653,158)**	**(653,158)**	**(653,158)**	**(653,158)**

Agenda Item 9

South Oxfordshire DC - 2014/15 budget build changes
Opening budget adjustments

Year of bid	Summary	Spending profile				
		2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Other changes						
CORPORATE STRATEGY & WASTE						
2013/14	Reduction in landfill diversion credits	50,000	100,000	150,000	200,000	200,000
2014/15	Community right to bid grant funding 2014/15	(7,855)	0	0	0	0
2014/15	Community right to challenge funding 2014/15	(8,547)	0	0	0	0
		33,598	**100,000**	**150,000**	**200,000**	**200,000**
FINANCE						
2013/14	End of payment and performance payments from financial services contractor	5,330	16,000	16,000	16,000	16,000
		5,330	**16,000**	**16,000**	**16,000**	**16,000**
Total other changes		**38,928**	**116,000**	**166,000**	**216,000**	**216,000**
GRAND TOTAL		**(588,830)**	**(537,158)**	**(487,158)**	**(437,158)**	**(437,158)**

$xdb2iniv.xls

This page is intentionally left blank

South Oxfordshire DC - 2014/15 budget build changes
Inflation, salary increments and other salary adjustments

Detail	Spending profile				
	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
ALL SERVICES					
Salary inflation	83,478	261,756	443,600	629,080	818,270
Salary increments	60,977	116,811	176,974	235,957	297,324
Other salary adjustments	(93,164)	(93,164)	(93,164)	(93,164)	(93,164)
Other net inflation	675	109,363	220,226	333,305	448,646
GRAND TOTAL	**51,967**	**394,767**	**747,636**	**1,105,179**	**1,471,077**

This page is intentionally left blank

South Oxfordshire DC - 2014/15 budget build changes

Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
CORPORATE STRATEGY AND WASTE								
CORRE1	**Waste contract - increase in new properties from 2014/15 to 2018/19**	Best estimate based on the last three years growth in properties requiring bin collection services - 212 properties per annum	Ongoing	11,550	23,100	34,650	46,200	57,750
				11,550	**23,100**	**34,650**	**46,200**	**57,750**
ECONOMY, LEISURE AND PROPERTY								
ELPRE1	**Marketing and audience development assistant**	Continuation of the marketing and audience development assistant post at Cornerstone in fulfilment of 18 month initial fixed-term contract.	One-off	24,400	2,050			
				24,400	**2,050**	**0**	**0**	**0**
FINANCE								
FINREG1	**Benefits administration**	Benefits administration change in administration grant awarded	Ongoing	24,590	24,590	24,590	24,590	24,590
FINREG2	**Pension costs**	Increase in lump sum pension payments as a result of actuarial triannual valuation	Ongoing	293,000	325,000	357,000	357,000	357,000
				317,590	**349,590**	**381,590**	**381,590**	**381,590**
HEALTH AND HOUSING								
HAHREG1	**Fly tipping officer 1 FTE**	1 fte to deal with fly tipping cabinet briefing report on 25/9	Ongoing	43,821	43,821	43,821	43,821	43,821
HAHREG2	**Housing needs team**	The post of Didcot project officer was to have been funded from external grants. It has emerged in 2013/14 that this is not possible. This year the post has been funded from existing budgets but this bid is necessary to provide funding from 2014/15 onwards.	Ongoing	45,601	45,601	45,601	45,601	45,601
				89,422	**89,422**	**89,422**	**89,422**	**89,422**

South Oxfordshire DC - 2014/15 budget build changes

Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
HR, IT & CUSTOMER SERVICES								
HICREG1	**New IT Infrastructure**	Revenue consequences of capital investment in infrastructure already approved, includes maintenance, external data storage rentals and fees for a cloud service	Ongoing	90,000	90,000	90,000	90,000	90,000
				90,000	**90,000**	**90,000**	**90,000**	**90,000**

No	Title of bid	Summary	One-off/ Ongoing	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
LEGAL AND DEMOCRATIC								
LEGRE1	**2015 district council elections**	To cover the district council cost of delivery of parliamentary, district and parish council elections in May 2015 - poll cards, postage and stationery for the 2015 elections. (Government funding will cover half of these anticipated £40,000 costs). Also staff, room hire, printing, postage. The bid covers the anticipated district council element - government funding and income from parish council recharges will also contribute to the overall costs	One-off	20,000	100,000			
				20,000	**100,000**	**0**	**0**	**0**

South Oxfordshire DC - 2014/15 budget build changes

Essential growth

No	Title of bid	Summary	One-off/ Ongoing	Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
PLANNING								
PLARE1	**South Core Strategy/Local Plan Part 2, supporting plans and background studies**	Includes legals, study updates, payment of inspector and our experts (reatil/HNA/FRA etc), follow up work after SHMA, Sustainability Appraisals. Background studies on Greenbelt, Duty to Co-operate work; eg transport, landscape, flood risk and biodiversity studies. External support to produce SPDs and master plan and joint plans (Didcot) with the Vale. Will be follow up work in 2015/16	One-off	325,000	160,000			
PLARE2	**CIL examination & s106 SPD**	Includes legals, payment of inspector and our experts (viability) (these CIL costs can be part of 5% administration costs set out in charge schedule) Complimentary to progressing CIL we need to develop our interim guidance into a S106 SPD and a CIL &s106 staff resource	One-off	60,000	10,000			
				385,000	**170,000**	**0**	**0**	**0**
	GRAND TOTAL			**937,962**	**824,162**	**595,662**	**607,212**	**618,762**

This page is intentionally left blank

South Oxfordshire DC - 2014/15 budget build changes
Base budget savings

Item		One-off / ongoing	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
CORPORATE MANAGEMENT TEAM							
1	Reduction in required budgets for printing and food and catering	Ongoing	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
			(3,000)	**(3,000)**	**(3,000)**	**(3,000)**	**(3,000)**

CORPORATE STRATEGY							
2	Waste contract budget - release of budget no longer required	Ongoing	(405,808)	(405,808)	(405,808)	(405,808)	(405,808)
3	Increase in recycling income from brown bins and recycling credits	Ongoing	(72,021)	(72,021)	(72,021)	(72,021)	(72,021)
4	Remove budget for bi-annual residents survey	One-off	(24,000)	0	(24,000)	0	(24,000)
5	Savings on grounds maintenance	Ongoing	(15,910)	(15,910)	(15,910)	(15,910)	(15,910)
6	Other savings and release of budgets no longer required	Ongoing	(25,294)	(25,294)	(25,294)	(25,294)	(25,294)
			(543,033)	**(519,033)**	**(543,033)**	**(519,033)**	**(543,033)**

ECONOMY, LEISURE AND PROPERTY							
7	Increase in pitch commissions receivable Foxhall Manor Park	Ongoing	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
8	Increase in rents receivable from property	Ongoing	(18,500)	(18,500)	(18,500)	(18,500)	(18,500)
9	Reduction in property consultants budgets	Ongoing	(18,065)	(18,065)	(18,065)	(18,065)	(18,065)
10	Revision of NNDR budgets to reflect actual level of costs	Ongoing	(10,413)	(10,413)	(10,413)	(10,413)	(10,413)

South Oxfordshire DC - 2014/15 budget build changes
Base budget savings

Item		One-off / ongoing	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
ECONOMY, LEISURE AND PROPERTY CONTINUED							
11	Reduction in car park services budgets to reflect actual level of costs	Ongoing	(16,669)	(16,669)	(16,669)	(16,669)	(16,669)
12	Other budgets realigned to reflect costs charged in 2012/13	Ongoing	(16,970)	(16,970)	(16,970)	(16,970)	(16,970)
			(90,617)	**(90,617)**	**(90,617)**	**(90,617)**	**(90,617)**

FINANCE							
13	Reduction in additional administration grant element payable to financial services contractor from 2013/14 base levels	Ongoing	(25,290)	(25,290)	(25,290)	(25,290)	(25,290)
14	Reduction in housing benefit budgets	Ongoing	(66,330)	(66,330)	(66,330)	(66,330)	(66,330)
15	Reduction in bank charges due to changes in fee structure and payment mix	Ongoing	(26,120)	(26,120)	(26,120)	(26,120)	(26,120)
16	Saving as no longer use an external treasury fund manager	Ongoing	(19,000)	(19,000)	(19,000)	(19,000)	(19,000)
17	Reduction in past service pension costs	Ongoing	(9,020)	(9,020)	(9,020)	(9,020)	(9,020)
18	Other savings and release of budgets no longer required	Ongoing	(11,898)	(11,898)	(11,898)	(11,898)	(11,898)
			(157,658)	**(157,658)**	**(157,658)**	**(157,658)**	**(157,658)**

HEALTH & HOUSING							
19	Licence income	Ongoing	(19,230)	(19,230)	(19,230)	(19,230)	(19,230)
20	Reduction in subscription budget	Ongoing	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)
21	Private housing professional fees	Ongoing	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
22	Other	Ongoing	(32,188)	(32,188)	(32,188)	(32,188)	(32,188)
			(64,418)	**(64,418)**	**(64,418)**	**(64,418)**	**(64,418)**

South Oxfordshire DC - 2014/15 budget build changes
Base budget savings

Item		One-off / ongoing	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
HR, IT & CUSTOMER							
23	Hidden pesnions costs reduction in budget required	Ongoing	(68,000)	(68,000)	(68,000)	(68,000)	(68,000)
24	Reduction in contractor costs for customer services	Ongoing	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)
25	SOHA contribution to choice based lettings	Ongoing	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
26	Reduction in budget for printers and other devices	Ongoing	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
27	Other budgets no longer required	Ongoing	(4,175)	(4,175)	(4,175)	(4,175)	(4,175)
			(122,175)	**(122,175)**	**(122,175)**	**(122,175)**	**(122,175)**

LEGAL AND DEMOCRATIC							
28	Community safety grants budget no longer required	Ongoing	(16,810)	(16,810)	(16,810)	(16,810)	(16,810)
29	Democratic services budgets no longer required	Ongoing	(24,933)	(24,933)	(24,933)	(24,933)	(24,933)
30	Increase in contributions from towns for CCTV	Ongoing	(5,938)	(5,938)	(5,938)	(5,938)	(5,938)
31	Legal service	Ongoing	(13,306)	(13,306)	(13,306)	(13,306)	(13,306)
32	Other legal budgets no longer required	Ongoing	(11,834)	(6,729)	(6,729)	(6,729)	(6,729)
			(72,821)	**(67,716)**	**(67,716)**	**(67,716)**	**(67,716)**

PLANNING							
33	Expected increase in planning income 2014/15	One-off	(105,000)	0	0	0	0
			(105,000)	**0**	**0**	**0**	**0**

South Oxfordshire DC - 2014/15 budget build changes
Base budget savings

Item		One-off / ongoing	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
CONTINGENCY							
34	Waste contractor bonus contingency provision	Ongoing	(82,500)	(82,500)	(82,500)	(82,500)	(82,500)
			(82,500)	**(82,500)**	**(82,500)**	**(82,500)**	**(82,500)**
Overall total			**(1,241,222)**	**(1,107,117)**	**(1,131,117)**	**(1,107,117)**	**(1,131,117)**

South Oxfordshire DC - 2014/15 budget build changes
Operational restructures

Item		One-off / ongoing	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
HR, IT & CUSTOMER							
1	Restructure of HR and Projects & Performanace Teams	Ongoing	(59,139)	(59,139)	(59,139)	(59,139)	(59,139)
			(59,139)	**(59,139)**	**(59,139)**	**(59,139)**	**(59,139)**
PLANNING							
2	Organisational restructure	Ongoing	(71,618)	(71,618)	(71,618)	(71,618)	(71,618)
			(71,618)	**(71,618)**	**(71,618)**	**(71,618)**	**(71,618)**
CONTINGENCY							
3	Fit for the future savings budgeted within contingency in 2013/14, released to services as part of the budget build 2014/15	Ongoing	75,246	75,246	75,246	75,246	75,246
			75,246	**75,246**	**75,246**	**75,246**	**75,246**
Overall total			**(55,511)**	**(55,511)**	**(55,511)**	**(55,511)**	**(55,511)**

This page is intentionally left blank

South Oxfordshire DC - 2014/15 budget build changes
Contingency

SUMMARY	Provision 2014/15 £
Revenue contingency 2013/14	**291,000**
Movement 2013/14-2014/15	
Unused specific budget release	9,000
General contingency Bfwd	300,000
Uplift to contingency provision 2014/15	228,150
Total revenue contingency budget 2014/15	**528,150**

DETAIL		Worst case liability (£)	Probability (%)	Provision 2014/15
		£	%	£
ALL SERVICES				
1	General contingency	N/A	100	200,000
2	Office move - staff travel costs	N/A	100	25,000
				225,000
CORPORATE STRATEGY				
3	Waste contract inflation costs	123,000	10	12,300
				12,300
ECONOMY, LEISURE AND PROPERTY				
4	Stategic property advice	10,000	10	1,000
5	Sport and activity officer	36,000	10	3,600
6	Civil parking enforcement	22,500	50	11,250
				15,850
FINANCE				
7	Capita P&P - council tax	21,000	100	21,000
8	Capita P&P - benefits	200,000	100	200,000
				221,000
HEALTH & HOUSING				
9	Homelessness nightly paid	124,000	25	31,000
10	Professional advice for private housing	5,000	25	1,250
				32,250
LEGAL AND DEMOCRATIC				
11	External legal costs for leisure management contract and Didcot	25,000	50	12,500
12	External legal costs	13,000	25	3,250
13	By-elections	14,000	25	3,500
14	Code of conduct investigations	10,000	25	2,500
				21,750
Overall total				**528,150**

This page is intentionally left blank

Appendix B

South Oxfordshire DC - 2014/15 revenue growth bids

No	Title of bid	Summary	Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £
One-off growth bids						
CORPORATE MANAGEMENT TEAM						
CMTR - 1	**Corporate services contract renewal**	Corporate Services Contract renewal preliminary advice.	15,000	25,000	10,000	0
CMTR - 2	**Spatial Planning and Infrastructure Partnership programme manager post**	The Oxfordshire councils between them fund this post, which needs to continue through 2014/15 due to the volume of county-wide working on SHMA and the Strategic Economic Plan, etc. The funding is for one year only.	10,000	0	0	0
CMTR - 3	**Orchard centre**	Feasibility study relating to the development of an additional phase of the Orchard centre, the aim of which is to regenerate this area of the town centre, meet increasing retail demand and accelerate town centre development.	100,000	0	0	0
CMTR - 4	**Didcot town centre**	Didcot town centre housing feasibility study - to achieve regeneration of the town centre the retail and housing components need to be progressed simultaneously.	100,000	0	0	0
CMTR - 5	**Jubilee Way, Didcot**	Jubilee Way, Didcot - remodelling roundabout feasibility study as this roundabout is virtually at capacity and cannot accommodate growth.	300,000	0	0	0
CMTR - 6	**Didcot gateway**	Didcot gateway feasibility study - The Gateway project opposite Didcot station is key to the regeneration of this area.	500,000	0	0	0
			1,025,000	**25,000**	**10,000**	**0**

CORPORATE STRATEGY AND WASTE						
CORR - 1	**Continuation of street cleaning deep cleanse**	To continue with the Deep Cleanse programme for those areas that have not yet been covered.	90,000	0	0	0
			90,000	**0**	**0**	**0**

Agenda Item 9

Appendix B

South Oxfordshire DC - 2014/15 revenue growth bids

No	Title of bid	Summary	Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £
ECONOMY, LEISURE AND PROPERTY						
ELPR - 1	**Market town co-ordinators**	Scrutiny committee will consider a review of the council's activity in the market towns in December 2013. Cabinet will decide on the council's future activity in the towns as part of the 2014/15 budget process. This bid proposes continued funding for co-ordination work and a funding pot for a two year period, and associated action plan funding. The bid is net of an assumed £5,000 contribution from Wallingford Town Council towards the cost of the Wallingford co-ordinator.	31,500	31,500	0	0
ELPR - 2	**Strategic property technical assistant**	Continuation of the strategic property technical assistant post for two years. The creation of this post is enabling significant improvements to the quality and extent of property data held in the new Techforge asset management system. Also, the post holder deals with all Agresso tasks for the team, which has released resources to undertake a regime of necessary ongoing property inspections, particularly relating to health and safety.	4,600	4,600	0	0
ELPR - 3	**Berinsfield leisure centre feasibility studies**	South Oxfordshire District Council (SODC) and Oxfordshire County Council (OCC) are seeking to establish an efficient and effective long-term accommodation solution to service delivery within Berinsfield. They share a common goal to replace their existing accommodation with a new leisure centre that incorporates other public services, to enable them to achieve a reduction in on-going revenue costs whilst providing improved public services. In order to enable the project to proceed further, £150,000 revenue funding is required in order to appoint a design team to conduct the feasibility work. This will enable a future capital growth bid to be submitted based on a fully costed scheme.	150,000	0	0	0
			186,100	**36,100**	**0**	**0**

Agenda Item 9

Appendix B

South Oxfordshire DC - 2014/15 revenue growth bids

No	Title of bid	Summary	Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £
HR, IT & CUSTOMER SERVICES						
HICR - 1	**Training**	To deliver training courses highlighted as corporate priorities in addition to our 'business as usual' training. These additional courses include; 1) all employees to receive compulsory 'compliance training' 2) The continuation of Mastering Management for existing managers and for new managers 3) a contribution from the training budget to support the High Performing Teams work. If the growth bid is not approved, either the training budget will almost certainly be overspent by a minimum of 25%, or we will need to make a decision not to deliver all the commitments listed above.	25,000	0	0	0
			25,000	**0**	**0**	**0**

No	Title of bid	Summary	2014/15 £	2015/16 £	2016/17 £	2017/18 £
PLANNING						
PLAR - 1	**Community Engagement and Development - working with town and parishes**	Additional resource over three years to work with Town & Parish Councils to secure S106 contributions and help deliver infrastructure to accelerate housing growth. (£22,500 potential capacity funding for year 2014/15 subject to government agreement). If we can't secure government funding, net cost to council will be £22,500 higher in 2014/15. In the short term (two years) additional resource to undertake additional consultation and communication with the local community on neighbourhood planning, policy documents, urban design/master plans and CIL consultations. Capacity not available to maintain existing community engagement with this extra demand.	48,000	70,500	48,000	0
PLAR - 2	**Improved Rail Access Study - Didcot**	Feasibility and option development work is required to evidence base the case for significant investment in Didcot rail access from 2018. The 2018 Rail User Strategy is under development and if we are to be successful we need to be making a strong business case by mid 2014	40,000	0	0	0
PLAR - 3	**Section 106 strategic review**	A major project to overhaul the way in which we identify and evidence infrastructure requirements, engage with communities, carry out viability assessments, negotiate with developers, complete s106 agreements, and manage income and expenditure is commencing. We need a range of external expertise for this joint project, which is estimated at £40,000 per council	40,000	0	0	0
PLANNING (continued)						

South Oxfordshire DC - 2014/15 revenue growth bids

No	Title of bid	Summary	Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £
PLAR - 4	**Community Infrastructure Levy (CIL)/S106**	To progress CIL and complete S106 background work required to support CIL. Develop charging schedule. South & Vale progressing CIL at same time no capacity to deliver required work, so temporary post required for 2yrs shared role (20:80). Complete updating of all s106 agreements and obligations, protocols and ensure operational. Temporary shared post (50:50) income funded.	32,500	10,000	0	0
PLAR - 5	**Major Applications**	A resource to help deal with the volume of major planning applications and pre-apps which is increasing and likely to continue and grow next year - implementation of adopted plan; work includes reserved matters, condition discharge and amendments. Several years work required hence 3yr funded post from excess planning fee income.	93,000	93,000	93,000	0
PLAR - 6	**Planning applications and pre-application advice**	A resource to deal with increased planning apps and pre-apps workload. This is likely to be sustained for at least 3yr using following adopted Local Plan (funded from excess planning fee income)	29,000	29,000	29,000	0
			282,500	**202,500**	**170,000**	**0**

	Total one-off	**1,608,600**	**263,600**	**180,000**	**0**

South Oxfordshire DC - 2014/15 revenue growth bids

No	Title of bid	Summary	Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £
Ongoing growth bids						
CORPORATE STRATEGY AND WASTE						
CORR - 2	**Retain garden waste service at current price**	The bid is to maintain the service at a cost of £34 rather than increasing it by 3%.	25,226	25,226	25,226	25,226
			25,226	**25,226**	**25,226**	**25,226**
ECONOMY, LEISURE AND PROPERTY						
ELPR - 4	**Technical Assistant Cornerstone**	Permanent full-time technical assistant at Cornerstone. Cornerstone's technical activity has grown considerably over the five years and is due to increase further. The full-time technical co-ordinator role and occasional casual staff cannot cover all of this increasing demand in a satisfactory way, and a full-time technical assistant will address this issue. We will put £5,500 from the casuals budget towards the cost of this post, which is likely to be grade 2.	15,169	15,169	15,169	15,169
			15,169	**15,169**	**15,169**	**15,169**
HEALTH AND HOUSING						
HAHR -1	**Housing officer**	1 fte to assist with increasing demand for housing advice/homelessness.	17,183	17,183	17,183	17,183
			17,183	**17,183**	**17,183**	**17,183**

Appendix B

South Oxfordshire DC - 2014/15 revenue growth bids

No	Title of bid	Summary	Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £
LEGAL AND DEMOCRATIC						
LEGR - 1	**Funding for Community Safety Partnership (CSP)**	Police and Crime Commissioner is in process of agreeing three year funding for CSP; we anticipate an approx 10% reduction. Oxfordshire County Council (OCC) have indicated that they will not continue to "top up" the funding to home office level next year. Worst case presented i.e. CSP staff would need to be council funded 100% if the CSP only receives a small PCC grant. It is possible that this funding may not be required until 2015/16.	8,000	8,000	8,000	8,000
LEGR - 2	**Restructure of democratic and electoral teams**	Restructure of democratic and electoral services including the implementation of recommendations resulting from the fit for the future review of electoral services.	38,919	34,882	30,844	30,844
			46,919	**42,882**	**38,844**	**38,844**
PLANNING						
PLAR - 7	**Planning Enforcement**	To respond to increased work (approx 20%) following major developments and the work created by the new permitted development regime, additional resource required.	14,500	14,500	14,500	14,500
PLAR - 8	**Joint planning policy work**	Set up a new joint team to deliver an Area Action plan for Didcot and Science Vale. Specific policy work to enable delivery through site briefs and master planning work that sit alongside Local Plans. The work required will provide the detail, including any background work to enable CPOs and to clarify the delivery of the infrastructure for the town and large housing/employment sites (£55,000) with key stakeholders (e.g.OCC, Health Commissioning bodies, Town Council, etc). The team will consist of five staff (two existing Vale funded posts and three new posts of which two can be funded by the potential Govt capacity funding of approx. £100,000 (joint), limited for one year. If we can't secure this funding then the costs will be higher (by £50,000 for 2014/15)). The team will include a project lead, a strategic planner, a transport planner and two policy planners.	100,000	130,000	120,000	100,000
			114,500	**144,500**	**134,500**	**114,500**
	Total ongoing		**218,997**	**244,960**	**230,922**	**210,922**
	GRAND TOTAL		**1,827,597**	**508,560**	**410,922**	**210,922**

2018/19 £
0
0
0
0
0
0
0

0
0

2018/19 £
0
0
0
0

Agenda Item 9

Appendix B

2018/19 £
0
0

0
0
0

2018/19 £
0
0
0
0

0

2018/19 £
25,226
25,226
15,169
15,169
17,183
17,183

Agenda Item 9

2018/19 £
8,000
30,844
38,844

14,500
100,000
114,500

210,922
210,922

South Oxfordshire DC Service budget analysis 2014/15

Budget head	Final Budget £
Corporate management team	1,421,413
Corporate strategy	4,783,928
Econony leisure & property	733,179
Finance	2,620,955
Health & housing	1,633,876
Human resources, IT & customer services	1,464,443
Legal & democratic services	804,757
Planning	2,089,313
Contingency	528,150
Managed vacancy factor	(175,512)
Net cost of delivering services	**15,904,502**
Net property income	(2,090,000)
Gross treasury income	(1,088,119)
Net expenditure	**12,726,383**
Government grant funding:	
Council tax freeze grant	(62,594)
New Homes Bonus	(1,906,436)
Transfer to reserves	
New Homes Bonus	1,906,436
Revenue budget smoothing reserve	128,521
Funding from existing resources:	
Net use of interest	393,000
Enabling fund - one off growth	(2,096,870)
Total net revenue budget	**11,088,440**

This page is intentionally left blank

SOUTH OXFORDSHIRE DISTRICT COUNCIL

CAPITAL PROGRAMME TO 31 MARCH 2019 LAST UPDATED 28 JANUARY 2014

	Spend to 31/03/13 £'000	2013/14 Org Bud £'000	2013/14 Latest £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
APPROVED PROGRAMME								
Corporate Management Team	4,020	1,675	603	1,295	0	0	0	0
Corporate Strategy	642	494	863	1,252	0	0	0	0
Economy, Leisure and Property	33,043	729	705	1,848	0	0	0	0
Finance	8	0	15,060	2	0	0	0	0
HR, IT and Customer Services	N/A	0	48	0	0	0	0	0
Housing and Health	5,176	1,307	878	1,138	845	845	845	845
Legal and Democratic Services	0	4	12	0	0	0	0	0
Planning	457	0	8	0	0	0	0	0
TOTAL APPROVED PROGRAMME	43,346	4,209	18,177	5,535	845	845	845	845
PROVISIONAL PROGRAMME		6,083	7,060	5,190	11,414	1,873	1,290	1,000
GRAND TOTAL	43,346	10,292	25,237	10,725	12,259	2,718	2,135	1,845

Cumulative Total Budget (Approved & Provisional)	54,919

	2013/14 Org Bud	2013/14 Latest	2014/15	2015/16	2016/17	2017/18	2018/19
CAPITAL FINANCING							
New homes bonus	0	405	0	0	0	0	0
Usable capital receipts/revenue reserves	8,342	23,977	8,758	11,779	2,238	1,655	1,365
Other	1,950	855	1,967	480	480	480	480
GRAND TOTAL	**10,292**	**25,237**	**10,725**	**12,259**	**2,718**	**2,135**	**1,845**

Agenda Item 9

GENERAL NOTES

(1) The 2013/14 latest budget figures include:

- unspent provision carried forward from 2012/13;
- budget provision for schemes approved since the original budget was set;
- reductions for schemes that are no longer progressing or which overspent in 2012/13 and
- transfers to 2014/15 where schemes are not expected to complete in 2013/14.

(2) RP = Rolling Programme

(3) DC = Developers Contributions

KEY TO PROJECT MANAGERS

AD	Adrian Duffield	HN	Helen Novelle	SBI	Steve Bishop
AWD	Andrew Down	IRM	Ian Matten	SM	Suzanne Malcolm
BW	Bob Watson	IP	Ian Price	STr	Sally Truman
CK	Clare Kingston	JB	John Backley	TG	Trudy Godfrey
CT	Chris Tyson	Jbo	Jayne Bolton	TW	Toby Warren
CW	Chris Webb	JC	Jeanette Cox	WJ	William Jacobs
ED	Emma Dolman	MR	Margaret Reed		
GT	Gemma Thynne	PH	Paul Holland		

Corporate Management Team

					Approved Programme									
Scheme	No.	Code	RP DC	Project Mgr	Note	Scheme Total £'000	Spend to 31/03/13 £'000	2013/14 Org Bud £'000	2013/14 Latest £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Growth Points	136	A136		TW	(1)	2,172	877	1,300	0	1,295				
Didcot Station Forecourt	207	A207		TW	(1)	811	343	375	468					
Land acquistion a Didcot	254	A254		TW	(1), (2)	2,935	2,800		135					
						5,918	4,020	1,675	603	1,295	0	0	0	0

Notes

(1) 2013/14 Working Budget allocations reflect budget slipped from 2012/13

(2) £1,000k added to budget (council 21/02/13).
£1,935k added to budget, grant received from HCA

Corporate Strategy

Scheme	No.	Code	RP DC	Project Mgr	Note	Scheme Total £'000	Spend to 31/03/13 £'000	2013/14 Org Bud £'000	2013/14 Latest £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
						Approved Programme								
E-consultation programme														
Changing Places Facility	236	A236		STr	(1)	10	0		10					
CIF Grants														
Wallingford Rowing Club	010	A215		Jbo		82	0	82	71	11				
Tetsworth Memorial Hall	010	A216		Jbo	(2)	82	0		82					
CIF Grants - 11/12 Delegated Powers	010	A221		Jbo	(6)	71	71		0					
CIF grants - 12/13 Delegated Powers	010	A232		Jbo	(2)	473	43	412	368	62				
CIF Grants - 13/14 Delegated Powers	010	A257		Jbo	(5)	1,100			175	925				
Other Grants														
Cholsey Parish Council - NHB Grants	010	A218		Jbo	(3)	250	125		125					
Chinnor Parish Council	256	A256		Jbo	(4)	220			0	220				
Waste														
Cigarette Litter Bins	139	A139		IRM	(2)	10	7		0	3				
On Street Recycling Bins	140	A140		IRM	(2)	20	9		0	11				
Open Spaces														
Ladygrove Loop	180	A180		IRM	(2)	439	387		32	20				
						2,757	642	494	863	1,252	0	0	0	0

Notes
(1) £8k transferred from provisional programme (member decision 15/03/13); £2k t/f'd from capital contingency (13/07/13).
(2) 2013/14 Working Budget allocations reflect budget slipped from 2012/13
(3) £250k NHB funding agreed by council 25/10/12. Working Budget allocations reflect budget slipped from 2012/13
(4) £220k transferred from provisional programme. NHB funded. (Cabinet decision 11/04/13).
(5) £1,100k transferred from provisional programme (member decision 28/06/13)
(6) £27k slipped from 2012/13. Budget subsequently removed as unspent grants now expired.

Economy, Leisure and Property

Scheme	No.	Code	RP DC	Project Mgr	Approved Programme Note	Scheme Total £'000	Spend to 31/03/13 £'000	2013/14 Org Bud £'000	2013/14 Latest £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Arts Development														
Cornerstone Capital Works	242	A242		ED	(1)	60			60					
Cornerston Website	238	A238		ED	(10)				5					
Didcot Arts Centre	026	X125		ED	(2)	8,081	8,041		32	8				
Public Art - Orchard Centre	126	X130		ED	(2)	94	13	40	46	35				
Economic Development														
Town Centre Infrastructure	241	A241		TG	(3)	75	0		14	61				
Didcot Town Centre Redevelopment	004	X126		SM		21,495	21,348	147	0	147				
Land Drainage	036	X162	DC	SM	(4)	159	29	130	0	130				
Town Centre Initiatives	111	X197		SM	(2)	300	252	22	13	35				
Leisure														
Riverside Moorings	153	A153		SM	(7)	266	266	1	0					
Carbon Management Programme	176	A176		CW		181	56	125	50	75				
Refurbishment at Thame & Park	187	A187		CW	(11)				10					
Didcot ATP	191	A191		CW	(2)	6	3		3					
Park Sports Centre Gym Equipment	154	A222		CW		377	359	18	17	1				
Riverside Water Feature	193	A224		CW	(2), (11)	156	146	21	10					
Didcot Leisure Centre	227	A227		GT	(2), (8)	1,159	3	40	72	1,084				
Leisure Centre - capital works	078	X155		CW	(2), (5)	1,707	1,489		218					
Technical														
Car Park Resufacing & Improvement	142	A142		JB	(2), (12)		82		73					
Flood Alleviation Schemes	143	A143		JB	(6), (13)	370	280		70	20				
Housing Act Works Refurbishment	103	X170		JB	(2)	779	587	185	1	191				
Improvement to Public Conveniences		X177		JB	(2)	100	89		11					
Riverside Park Link Road	245	A245		JB	(9)				0	61				
						35,365	33,043	729	705	1,848	0	0	0	0

Notes

(1)	£60K transferred from provisional programme (member decision 12/04/13)
(2)	2013/14 Working Budget allocations reflect budget slipped from 2012/13
(3)	£75k transferred from provisional programme (member decision 19/04/13)
(4)	These schemes will be funded from developers contributions, or expenditure may be limited to contributions available.
(5)	£200k transferred from provisional programme (member decision 02/05/13)
(6)	Budget for 2013/14 reflects balance of EA flood grants held
(7)	2013/14 Working Budget allocation removed as scheme complete.
(8)	£1,100k transferred from provisional programme (member decision 22/08/13)
(9)	£61k transferred from provisional programme (member decision 07/11/13)
(10)	£5k transferred from provisional programme (member decision 24/10/13)
(11)	£10k vired to A187 from A224 to A187, approved by Chief Finance Officer Jan 2014
(12)	£45k transferred from provisional programme (member decision 24/01/14)
(13)	£41k transferred from provisional programme (member decision 17/01/14)

Finance

Scheme	No.	Code	RP DC	Project Mgr	Note	Scheme Total £'000	Spend to 31/03/13 £'000	2013/14 Org Bud £'000	2013/14 Latest £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
					Approved Programme									
Fixed Asset System	190	A190		BW	(1)	20	8		10	2				
Wallingford Rowing Club	258	A258		BW	(2)				50					
Loan to SOHA for social housing		TBC		WJ	(3)				15,000					
						20	8	0	15,060	2	0	0	0	0

Notes

(1) 2013/14 Working Budget allocations reflect budget slipped from 2012/13

(2) £50k supplementary estimate (member decision 12/04/13) - loan to Wallingford Rowing Club for new gym

(3) £15 million added as per Council 24/10/13

HR, IT and Customer Services

Scheme	No.	Code	RP DC	Project Mgr	Note	Scheme Total £'000	Spend to 31/03/13 £'000	2013/14 Org Bud £'000	2013/14 Latest £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
					Approved Programme									
Information and Communications Technology														
Upgrade GIS	088	A088		AWD	(1)	20	15		5					
PCs - new and upgrades	016	X116	RP	AWD		N/A	N/A		12					
File servers, central h'ware, s'ware & equipment	017	X117	RP	AWD		N/A	N/A							
Desktop Software Upgrades	019	X119	RP	AWD		N/A	N/A							
Communications and Network Equipment	021	X121	RP	AWD		N/A	N/A							
E-Government Rolling Programme	023	X123	RP	AWD		N/A	N/A							
IT Infrastructure	251	A251		AWD					31					
						N/A	N/A	0	48	0	0	0	0	0

Notes
(1) 2013/14 Working Budget allocations reflect budget slipped from 2012/13

Health and Housing

Scheme	No.	Code	RP DC	Project Mgr	Note	Scheme Total £'000	Spend to 31/03/13 £'000	2013/14 Org Bud £'000	2013/14 Latest £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
					Approved Programme									
Private housing renovation														
Mandatory disabled facilities grants	011	X108	RP	PH	(1)	N/A	N/A	950	682	800	800	800	800	800
Discretionary assistance	012	X109	RP	PH		N/A	N/A	45	45	45	45	45	45	45
Social Housing Initiatives	057	X110		HN	(1)	5,620	5,176	312	151	293				
						5,620	5,176	1,307	878	1,138	845	845	845	845

Notes
(1) 2013/14 Working Budget allocations reflect budget slipped from 2012/13

Legal and Democratic Services

Scheme	No.	Code	RP DC	Project Mgr	Approved Programme									
					Note	Scheme Total £'000	Spend to 31/03/13 £'000	2013/14 Org Bud £'000	2013/14 Latest £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Legal Case Management System	025	X124		IP	(1)	12	0	4	12					
						12	0	4	12	0	0	0	0	0

Notes
(1) £8k transferred from provisional programme (member decision 18/07/13)

Planning

Scheme	No.	Code	RP DC	Project Mgr	Note	Scheme Total £'000	Spend to 31/03/13 £'000	2013/14 Org Bud £'000	2013/14 Latest £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
					Approved Programme									
Planning Delivery Grant - capital works	112	X168		AD	(1)	465	457		8					
						465	457	0	8	0	0	0	0	0

Notes

(1) 2013/14 Working Budget allocations reflect budget slipped from 2012/13

Provisional Capital Programme

Scheme	No.	RP DC	Project Mgr	Note	Date Added	Spend to 31/03/13 £'000	2013/14 Org Bud £'000	2013/14 Latest £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
						Provisional Programme							
CORPORATE MANAGEMENT TEAM													
Town Centre Boost	234		JC	(13)	13/14			250					
Capital Contingency	235		SBI	(13)	13/14			1,993					
CORPORATE STRATEGY													
On Street Litter Bins for Recycling	140		CK	(2)	08/09			35					
Replacement Waste Containers	192		CK	(4)	10/11		63	113	63				
NHB Capital Grants	233		CK	(12), (13)	12/13			280					
Changing Places Facility - Cornerstone	236		CK	(13)	13/14			0					
Energy Grant Scheme	237		CK	(13)	13/14			15	15	15			
Communities Capital Grants Scheme	009, 010	RP	CK	(5)			500	8	1,000	1,000	1,000	1,000	1,000
ECONOMY, LEISURE & PROPERTY													
Wallingford cemetery - additional land	069		CT	(1)	-		35	35					
Car Park Resurfacing & Improvement	142		CT	(13)	13/14			0	45	45	45	45	
HAW Moulsford	194		CT	(4)	10/11			20					
Ladygrove - land east of Abingdon Road	063	DC	CT	(7)	?			155					
Didcot Town Centre Development	150		CT	(2)	08/09			500					
Park / Thame Leisure Centres - capital investment	154		CT	(2)	08/09			250					
New Gym Equipment for Leisure Centres	155		CT	(2)	08/09			30					
Leisure Centres Essential Works	173	RP	CT	(3)	09/10		200	160	200	220	220	220	
Didcot Artificial Turf Pitch (ATP)	191		CT	(4)	10/11			194					
Leisure Projects	193		CT	(4)	10/11			35					
FMP plot development	226		CT	(11)	12/13		40	120					
Didcot Leisure Centre	227		CT	(11)	12/13		5,000	0	3,148	10,109	583		
Cornerstone's Website	238		CT	(13)	13/14			27					
Refurbishment of Changing Facilities	239		CT	(13)	13/14			25					
Improvements to WCs in Henley	240		CT	(13)	13/14			100					
Town Centre Infrastructure	241		CT	(13)	13/14			0	75				
Cornerstone Capital Works	242	RP	CT	(13)	13/14			0	25	25	25	25	
Signage at Cornerstone	243		CT	(13)	13/14			18					
Cornerstone Café	244		CT	(13)	13/14			74					
Riverside Link Road	245	DC	CT	(13)	13/14			0					
Flood Alleviation Wheatley	246		CT	(13)	13/14			29					
Public Art - Chinnor cement works	247	DC	CT	(13)	13/14			25					
Public Art - Great Western Park	248	DC	CT	(13)	13/14			14	14				
Car Park Furniture	249		CT	(13)	13/14			95					
Broadband Fund	250		CT	(13)	13/14			500	500				
Building Emergency Fund	059		CT	(8)	-			45					

Provisional Capital Programme Continued

Scheme	No.	RP DC	Project Mgr	Provisional Programme Note	Date Added	Spend to 31/03/13 £'000	2013/14 Org Bud £'000	2013/14 Latest £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
FINANCE													
HR, IT AND CUSTOMER SERVICES													
Rolling Programme		RP	AWD		-			0					
Transforming the Website	178		AWD	(3)	09/10			8					
IT Investment Plan	211		AWD	(10)	11/12		145	210	70				
IT Infrastructure	251		AWD	(13)	13/14			184	35				
HOUSING AND HEALTH													
Social Housing Initiatives (Affordable Housing New Build)	057	RP	PS	(9)	04/05			160					
Contaminated land	212		PS		08/09		100	250					
Online Housing Advice	228		PS	(11)	12/13			25					
Housing Allocations Policy	252		PS	(13)	13/14			13					
Local Authority Mortgage Scheme	253		PS	(13)	13/14			1,000					
LEGAL AND DEMOCRATIC SERVICES													
On-Line Register of Electors Project	089		MR	(6)	05/06			22					
CCTV Control Room DVR System Upgrade	209		MR	(10)	11/12			6					
Case Management System	229		MR	(11)	12/13			0					
PLANNING													
Parking for Wallingford Cemetery & Castle Meadows	172		AD	(3)	09/10			37					
							6,083	7,060	5,190	11,414	1,873	1,290	1,000
											27,827		

Agenda Item 9

Notes

(1)	Growth bid for preliminary works regarding the purchase of additional burial land to meet future needs.
(2)	Additions to capital programme approved by cabinet 08/02/08.
(3)	Addition to capital programme approved by cabinet 05/02/09
(4)	Additions to capital programme approved by cabinet 08/02/10
(5)	Grants awarded under the Communities Capital Grants Scheme
(6)	Additions to capital programme approved by cabinet 10/02/05.
	Scheme 084 budget removed - no longer required (06/01/09)
(7)	This land is to be acquired using the land equalisation fund (a Developers Contribution). Tentative estimates have been made for cycleways, open spaces and landscaping. No estimates have been made at this stage for drainage and play area works.
(8)	Emergency Building Fund set up to deal with unprogrammed works.
(9)	Growth bids approved by council on 24/2/04.
	Additions to capital programme approved by cabinet 08/02/07.
(10)	Additions to capital programme approved by cabinet 14/02/11
(11)	Additions to capital programme approved by cabinet 13/02/12
(12)	Addition to capital programme approved by council 25/10/12
(13)	Additions to capital programme approved by council 21/02/13

South Oxfordshire DC - 2014/15 capital growth bids

No	Title of bid	Summary	One-off or rolling	CAPITAL SPEND Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	REVENUE CONSEQUENCES Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
ECONOMY LEISURE AND PROPERTY													
ELPC - 1	Essential works - leisure centres	Essential capital works at the leisure centres for 2018/19 - rolling prgramme already agreed to 2017/18	Rolling	0	0	0	0	250,000	0	0	0	0	0
ELPC - 2	New changing room lockers at Henley Leisure Centre and Thame Leisure Centre	Provide new changing lockers and cubicles at both Henley Leisure Centre (damaged and need replacing) and Thame Leisure Centre (tired, as 11 years old)	One-off	150,000	0	0	0	0	0	0	0	0	0
ELPC - 3	New sports hall floor at Thame Leisure Centre	This is to replace the sports hall floors at Thame Leisure Centre (original floor from 1970s and worn out). The cost should be shared with Oxfordshire County Council (OCC) in accordance with the joint use agreements and, therefore, the ability to proceed with the works will be down to OCC agreeing to fund its contribution.	One-off	275,000	0	0	0	0	0	0	0	0	0
ELPC - 4	Essential works - Cornerstone	Essential capital works at Cornerstone for 2018/19 - rolling programme already agreed to 2017/18. The items we anticipate will need replacing or upgrading are listed in a detailed spreadsheet and include various kitchen items, roller shutter doors, security panel and detectors, fire detection systems, cctv and furniture items.	Rolling	0	0	0	0	70,000	0	0	0	0	0
ELPC - 5	Flood alleviation works at Wheatley	Further flood alleviation work in Wheatley West. To regulate water flows from flood water into the village from Shotover and Littleworth. Potential FDGiA bid, but Environment Agency is now expecting contributions from bidders.	One-off	30,000	0	0	0	0	0	0	0	0	0
ELPC - 6	Refurbishment of council-owned cemeteries at Kidmore End and Wallingford	Refurbish areas of the council-owned cemeteries at Kidmore End and Wallingford, including resurfacing of paths, repairing gates and replacing benches. This was a revenue bid requested by corporate strategy for 2013/14, which was moved to capital after discussion, but was not approved. However, the works still need to be carried out.	One-off	40,000	0	0	0	0	0	0	0	0	0
ELPC - 7	Replacement uninterrupted power supply unit at Council Offices	To replace the UPS (uninterrupted power supply) to the computer room at South on behalf of the IT service. This is following failure of the UPS in July 2013 and an indication from the supplier that due to the age of the system, parts will only be available until 2015. It will be more cost effective to replace the unit, than to spend out now on replacement batteries and other 'life cycle' parts. Increased to £25,000 as unsure of IT requirements.	One-off	25,000	0	0	0	0	0	0	0	0	0

South Oxfordshire DC - 2014/15 capital growth bids

No	Title of bid	Summary	One-off or rolling	CAPITAL SPEND Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	REVENUE CONSEQUENCES Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
ECONOMY LEISURE AND PROPERTY (continued)													
ELPC - 8	**Didcot Leisure Centre**	We wish to increase the project budget for the new Didcot leisure facility from £15,200,000 million to £22,560,000 based on a scope of works and high-level general arrangement drawings by LA Architects and Faithful+Gould's (cost consultants) RIBA Stage B cost plan.	One-off			2,000,000	5,360,000						
ELPC - 9	**Heating system refurbishment, Crowmarsh**	This bid is to retrofit new heating controls to the existing convector heaters around the perimeter of the Crowmarsh offices. This will extend the life of the existing ststem (20 years) and improve its efficiency in opration	One-off	120,000									
				640,000	**0**	**2,000,000**	**5,360,000**	**320,000**	**0**	**0**	**0**	**0**	**0**
HEALTH AND HOUSING													
HAHC - 1	**Land purchase**	The council may have to make a number of land purchases to bring forward housing development or relocate existing businesses. These would be investments to kick start development and the investment would be recovered on sale of land or properties	One-off	2,000,000	0	0							
HAHC - 2	**Orchard centre**	Development of an additional phase of the Orchard centre will regenerate this area of the town centre, meet increasing retail demand and accelerate town centre development through additional council investment in a retail scheme, with a return on investment. Funding for this project is dependent on future receipts of NHB.	One-off	0	0	4,800,000	700,000						
HAHC - 3	**Didcot town centre**	To achieve regeneration of the town centre the retail and housing components need to be progressed simultaneously. There is a need to deal with land assembly prior to bringing a housing partner on board. By investing in this scheme the council will accelerate the development and get a return on its investment. Funding for this project is dependent on future receipts of NHB.	One-off	0	0	3,200,000	700,000						
				2,000,000	**0**	**8,000,000**	**1,400,000**	**0**	**0**	**0**	**0**	**0**	**0**

Agenda Item 9

Appendix D.2a

South Oxfordshire DC - 2014/15 capital growth bids

No	Title of bid	Summary	One-off or rolling	CAPITAL SPEND Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	REVENUE CONSEQUENCES Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
LEGAL & DEMOCRATIC													
LEGC - 1	Replacement CCTV cameras	South CCTV cameras are obsolete. Contractor recommends a phased replacement which is costed at £3,000 per camera (58 cameras = £174,000). Pending the result of the TVP strategic review of CCTV this bid is for the replacement of up to 10 cameras in the interim.	One-off	30,000	0	0	0	0	0	0	0	0	0
				30,000	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	GRAND TOTAL			2,670,000	0	10,000,000	6,760,000	320,000	0	0	0	0	0

Agenda Item 9

South Oxfordshire DC - 2014/15 Authority to spend fully funded capital bids

No	Title of bid	Summary	One-off or rolling	CAPITAL SPEND Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	REVENUE CONSEQUENCES Spending profile: 2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Funded from developers contributions recieved (Section 106 agreements)													
ECONOMY LEISURE AND PROPERTY													
ELPCF - 1	Public Art	Great Western Park public art fully funded from s106 contributions	Rolling	128,000	0	0	0	0	0	0	0	0	0
				128,000	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	GRAND TOTAL			**128,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Financing of capital programme and growth proposals

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Capital programme before growth						
- approved	18,177	5,535	845	845	845	845
- provisional (excluding LAMS scheme)	6,060	5,190	11,414	1,873	1,290	1,000
	24,237	**10,725**	**12,259**	**2,718**	**2,135**	**1,845**
Cabinet capital growth proposals	0	2,798	0	10,000	6,760	320
Total expenditure	**24,237**	**13,523**	**12,259**	**12,718**	**8,895**	**2,165**
Financing						
New homes bonus	405	0	0	8,000	1,400	0
Usable capital receipts/revenue reserves	22,977	11,428	11,779	2,238	6,857	1,685
Other	855	2,095	480	2,480	638	480
Total financing	**24,237**	**13,523**	**12,259**	**12,718**	**8,895**	**2,165**

Estimated balances as at 31 March 2019 (excluding balances referred to in paragraph 57)	**£000**
Usable capital receipts	897
Enabling fund	0
New homes bonus	3,789
of which ring fenced affordable homes element:	1,216

This page is intentionally left blank

APPENDIX F

Medium Term Financial Plan to 2018/19

	A	H	I	J	K	L
1	**South Oxfordshire District Council**	**Budget**	**Indicative**	**Indicative**	**Indicative**	**Indicative**
2		**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
3		**£000**	**£000**	**£000**	**£000**	**£000**
4	**Base budget**					
5	Corporate management	429	429	429	429	429
6	Corporate strategy	5,249	5,249	5,249	5,249	5,249
7	Economy, leisure and property	976	976	976	976	976
8	Finance	2,326	2,326	2,326	2,326	2,326
9	Housing and health	1,756	1,756	1,756	1,756	1,756
10	HR, IT, customer	1,591	1,591	1,591	1,591	1,591
11	Legal and democratic	817	817	817	817	817
12	Planning	1,660	1,660	1,660	1,660	1,660
13	Managed vacancy factor	(182)	(182)	(182)	(182)	(182)
14	Contingency	291	291	291	291	291
15	**Total base budget**	**14,913**	**14,913**	**14,913**	**14,913**	**14,913**
16	**Revisions to base budget**					
17	Opening budget adjustments	(589)	(537)	(487)	(437)	(437)
18	Inflation, salary increments and adjustments	52	395	748	1,105	1,471
19	Essential growth - one-off	429	272	0	0	0
20	Essential growth - ongoing	509	552	596	607	619
21	Base budget savings	(1,241)	(1,107)	(1,131)	(1,107)	(1,131)
22	Operational restructures	(56)	(56)	(56)	(56)	(56)
23	Movement in managed vacancy factor	7	7	7	7	7
24	Additional revenue contingency	228	228	228	228	228
25	Office accommodation savings	(175)	(175)	(175)	(175)	(175)
26	**Total revised base budget**	**14,077**	**14,492**	**14,642**	**15,085**	**15,439**
27	**Growth, savings and other budget adjustments**					
29	Growth ***proposals***					
30	Revenue - one-off	1,609	264	180	0	0
31	Revenue - ongoing	219	245	231	211	211
32	Capital (revenue consequences of)	0	0	0	0	0
33	Other budget adjustments	0	200	400	600	800
35	**Net cost of services**	**15,905**	**15,201**	**15,453**	**15,896**	**16,450**
36	Net property income	(1,088)	(1,088)	(1,088)	(1,088)	(1,088)
37	Gross treasury income	(2,090)	(1,980)	(1,980)	(1,960)	(1,960)
38	**Net expenditure**	**12,726**	**12,132**	**12,385**	**12,848**	**13,401**
39	New Homes Bonus	(1,906)	(2,564)	(3,320)	(3,915)	(4,336)
40	CT freeze grant 2014/15 tranche	(63)	(63)	0	0	0
41	Transfers to / from earmarked reserves	203	2,218	3,440	4,195	4,636
42	**Amount to be financed**	**10,960**	**11,724**	**12,505**	**13,128**	**13,701**
43	**Financing**					
44	Revenue support grant	(2,672)	(1,836)	(1,366)	(938)	(546)
45	Business rates retention scheme	(2,320)	(2,384)	(2,432)	(2,480)	(2,530)
46	**Total start-up funding allocation**	**(4,992)**	**(4,220)**	**(3,798)**	**(3,418)**	**(3,076)**
47	Less - Parish share of council tax support grant	212	179	161	145	131
48	+ / - estimated NNDR over/under baseline	174	179	182	186	190
49	Collection fund surplus/deficit	(380)	(250)	(250)	(250)	(250)
50	**Council tax requirement before use of reserves**	**5,974**	**7,612**	**8,801**	**9,791**	**10,696**
51	Use of reserves to balance budget	(129)	1,612	2,742	3,667	4,512
52	**Council tax requirement after use of reserves**	**6,103**	**6,001**	**6,059**	**6,125**	**6,184**
53	Tax base	53,217.1	53,667.1	54,187.1	54,777.1	55,307.1
54	Band D Council tax	114.68	111.81	111.81	111.81	111.81
55	**Cumulative use of reserves (total row 51)**	**(129)**	**1,483**	**4,225**	**7,892**	**12,403**

This page is intentionally left blank