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# Agenda

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**Date: 27 January 2016**
**Website: http://www.southoxon.gov.uk**

## A MEETING OF THE

# Cabinet

## WILL BE HELD ON THURSDAY 4 FEBRUARY 2016 AT 6.00 PM

## MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK, MILTON, OX14 4SB

### Members of the Cabinet

| Member | Portfolio |
|---|---|
| Will Hall | Cabinet member for the corporate plan |
| John Cotton (Chairman) | Leader of the Council and Cabinet member for corporate strategy, and strategic policy (including the local plan) |
| Anna Badcock | Cabinet member for leisure, arts, communications, health and well-being, and community safety |
| Elizabeth Gillespie | Cabinet member for development/building control, and housing |
| Tony Harbour | Cabinet member for waste, grounds maintenance, food safety and environmental health |
| Lynn Lloyd | Cabinet member for IT, HR, customer services and the corporate services contract |
| Jane Murphy | Deputy Leader of the Council and Cabinet member for finance, legal and democratic services, and licensing |
| Robert Simister | Cabinet member for property, economic development and technical services |

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## 1 Apologies

## 2 Declaration of disclosable pecuniary interest

## 3 Minutes of the previous meeting (Pages 3 - 6)

To adopt and the chairman to sign as a correct record the minutes of the Cabinet meeting held on 3 December 2015.

## 4 Public participation

**RECOMMENDATIONS TO COUNCIL**

## 5 Community infrastructure levy (Pages 7 - 46)

To consider the head of planning's report.

## 6 Treasury management mid-year monitoring 2015/16 (Pages 47 - 54)

To consider the head of finance's report.

## 7 Treasury management strategy 2016/17 to 2018/19 (Pages 55 - 82)

To consider the head of finance's report.

## 8 Medium term financial strategy (Pages 83 - 91)

To consider the head of finance's report.

## 9 Budget 2016/17 (Pages 92 - 133)

To consider the head of finance's report.

MARGARET REED

Head of Legal and Democratic Services

# Minutes

## OF A MEETING OF THE

# Cabinet

## HELD ON THURSDAY 3 DECEMBER 2015 AT 6.00 PM

## MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK, MILTON, OX14 4SB

### Present:
John Cotton (Chairman), Anna Badcock, Elizabeth Gillespie, Tony Harbour, Lynn Lloyd, Jane Murphy and Robert Simister

### Officers:
John Backley, Steve Bishop, Steve Culliford, Robert Draper, William Jacobs, and Margaret Reed

### Also present:
David Turner and Ian White

## 34 Declaration of disclosable pecuniary interest

None

## 35 Minutes of the previous meeting

**RESOLVED**: to approve the minutes of the meeting held on 13 October 2015 as a correct record and agree that the Chairman signs them as such.

## 36 Public participation

Councillor David Turner had asked to address cabinet on the council tax reduction scheme grant. This is recorded under minute 39 below.

Nick Wright, of Mind the Green Gap, addressed Cabinet on the need to protect the green gap between East Hagbourne and Didcot. He made a presentation on the need for a vision for southern Didcot to plan for any future development and infrastructure. He believed that there was a need to do this urgently to address the policy vacuum which had given rise to developers' speculative planning applications. There was a need to plan for the future to create a mixed development; a place for people to live and enjoy. He pointed to the government's pilot programme offering additional funding for innovative schemes for neighbourhood planning, local planning service redesign, and capacity building.

The leader, Councillor John Cotton, thanked Mr Wright for his presentation. Although Cabinet would not be discussing this at the present meeting, he suggested watching out for a local news announcement on Monday 7 December.

## 37 Car park fees and charges

Cabinet considered the report of the head of HR, IT and technical services. The report reviewed car parking fees and charges and invited Cabinet to consider whether any changes should be made in 2016/17.

Cabinet considered the options: to increase the fees and charges or keep them at the current level. Cabinet also considered whether the council should offer incentives to drivers of zero emission vehicles by reducing parking charges and providing electric charging points.

The Cabinet member with responsibility for car parks believed that as the council's car park fees and charges had not increased since 2007, it was now appropriate to increase them by a modest amount of 10 or 20 pence, as set out in appendix 3 to the report. The charges would remain competitive with neighbouring councils. He also recommended that the council should introduce electric charging points, one each in Wallingford and Henley, and that the council should offer free parking at the charging point for zero emission vehicles or chargeable hybrid vehicles. Cabinet agreed with this view.

**RESOLVED**: to

(a) increase the car park fees from 1 April 2016 by a modest 10 or 20 pence, as shown in appendix 3 to the head of HR, IT and technical services' report to Cabinet on 3 December 2015; and

(b) make available two spaces in car parks to charge electric vehicles, one in Wallingford and one in Henley, and that there is no charge for vehicles whilst they are charging.

## 38 Gambling policy

Cabinet considered the report of the head of legal and democratic services regarding a review of the council's gambling policy. The council was required to review the policy every three years. There had also been a legislative change requiring:

- local area profiles - councils must publish information on their areas with regard to geography, population information and economic data. This would allow operators of gambling businesses to complete risk assessments of their operations
- operator risk assessments - all operators of gambling businesses must complete a risk assessment of their activities and operations on the local area within which they were based

The Licensing Acts Committee had considered the draft policy and was content with it. The committee recommended the draft policy to Cabinet. Cabinet was invited to consider the policy and recommend its adoption to Council.

Cabinet noted that there had only been one response to the public consultation, which requested minor changes but also provided some additional clarification

without impacting upon the council's policy direction and aims. Cabinet believed that the low level of consultation responses demonstrated that the policy could be recommended for adoption subject to the identified responses and minor wording changes set out in the report, which had been incorporated into the policy.

Cabinet supported the draft policy.

**RECOMMENDED**: to Council to:

(a) adopt the proposed Joint Gambling Policy;

(b) authorise the Head of Legal and Democratic Services to make minor editorial changes to the Joint Gambling Policy in consultation with the Licensing Acts Committee chairman; and

(c) authorise the Head of Legal and Democratic Services to publish the Joint Gambling Policy in accordance with the Gambling Act 2005 (Licensing Authority Policy Statement)(England and Wales) Regulations 2006.

## 39 Council tax reduction scheme grant

Cabinet considered the head of finance's report regarding the council tax reduction scheme grant to town and parish councils. The report proposed ceasing the grant in its current form and asking officers to bring forward options to allocate funds through a new grants scheme in 2016.

Councillor David Turner addressed the meeting, raising concerns that the recommendations would leave town and parish councils in a position where they had to set their precepts in December or January without knowing what grant they might receive from the district council. He asked Cabinet to reject the recommendations and to prepare a more detailed plan in 2016. However, if Cabinet was minded to approve the recommendations he asked that it also agreed to revisit its decision *if* the government introduced a cap on increases in town and parish council precepts for the 2016/17 financial year.

The Cabinet member for finance explained that the council tax reduction scheme took the form of a discount on the council tax bill and had the effect of reducing the council's council tax base. If a council's budget requirement remained the same, the amount of council tax charged would increase, or if council tax was not increased the income generated would reduce. This applied to county councils, district councils, and town and parish councils. To mitigate the impact of the reduced council tax base, each year the Government distributed, a non-ring-fenced grant via revenue support grant and the business rates retention scheme. The amount paid to district councils included an amount attributable to town or parish councils. For 2013/14, this amount had been specified by the government but since 2014/15, this funding was no longer been identifiable within revenue support grant.

In reviewing the scheme, Cabinet considered the following options:

1. to continue to distribute the grant applying the methodology used in previous financial years based upon town and parish councils' relative need following the reduction in their respective tax bases
2. to not distribute any grant at all
3. to move from option 1 to option 2 over a fixed time period

4. to cease the current scheme and introduce a new scheme in 2016

The Cabinet member considered that the current scheme was not operating correctly as not all town and parish councils used the grant to reduce their precepts. Cabinet agreed and thereby rejected option 1. Option 2 and 3 were rejected as these would penalise those local councils that had used the grant for its correct purpose: to reduce the council tax base. Cabinet considered that a better grants scheme was needed (option 4) and asked the officers to bring back options to Cabinet in 2016. It was hoped that parish councils would find themselves in a stronger position from these changes.

**RECOMMENDED**: to Council to

(a) bring forward a new scheme of distributing the grant for consideration during 2016;

(b) cease with immediate effect the current methodology for distributing the council tax reduction scheme; and

(c) make £152,000 available for the new grant scheme when Council sets its revenue budget for 2016/17.

## 40 Council tax base

Cabinet considered the head of finance's report on the council tax base for 2016/17. Before the council tax could be set by the council, a calculation had to be made of the council tax base, which was an estimate of the taxable resources for the district as a whole and for each parish area. Cabinet was invited to consider the report and recommend the council tax base to Council. Cabinet agreed to recommend these to Council for adoption.

**RECOMMENDED**: to Council

(a) that the report of the head of finance for the calculation of the council's tax base and the calculation of the tax base for each parish area for 2016/17 be approved;

(b) that, in accordance with The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by South Oxfordshire District Council as its council tax base for the year 2016/17 be 54,965.0; and

(c) that, in accordance with The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by South Oxfordshire District Council as the council tax base for the year 2016/17 for each parish be the amount shown against the name of that parish in Appendix 1 of the report of the head of finance to Cabinet on 3 December 2015.

The meeting closed at 6.25 pm

Chairman Date

# Cabinet Report

Report of Head of Planning

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Cabinet member responsible: Cllr John Cotton

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To: CABINET

DATE: 4 February 2016

# Community Infrastructure Levy Charging Schedule

## Recommendations

Cabinet is asked to consider this report and the modified South Oxfordshire Community Infrastructure Levy (CIL) Charging Schedule and associated documents, and subject to agreed cabinet changes, refer the CIL charging schedule and associated documents to Council with the following recommendations:

(a) to adopt the modified South Oxfordshire Community Infrastructure Levy (CIL) Charging Schedule with an effective implementation date of 1 April 2016;

(b) to not introduce a policy for Discretionary Relief in Exceptional Circumstances

(c) to approve the following CIL associated documents;
- CIL Regulation 123 Infrastructure List
- CIL Instalment Policy

## Purpose of Report

1. To consider the South Oxfordshire Community Infrastructure Levy (CIL) Charging Schedule and associated documents, listed below, for adoption. The CIL incorporates the modifications recommended by the Examiner. If adopted, CIL would come into effect on 1 April 2016.

   Associated CIL documents include:
   - CIL Regulation 123 Infrastructure List
   - CIL Instalment Policy

## Corporate Objectives

2. Meeting housing need and securing sufficient financial contributions from developments to deliver essential infrastructure is an objective set out in the council's Corporate Plan (2012-2016). The proposed Community Infrastructure Levy Charging Schedule will help to achieve this objective.

## Background

3. On 12 February 2015 Cabinet approved the Draft Charging Schedule together with supporting evidence for consultation and subsequent submission to the Planning Inspectorate for independent examination.

4. A public hearing into the Draft Charging Schedule was held on 29 July 2015. During the hearing the Examiner asked for additional information in relation to housing densities, garage provision in Didcot, residential viability buffer, student accommodation and office development. Officers produced that information and undertook public consultation for a period of four weeks. We received six representations, which were forwarded to the Examiner for consideration.

5. Since previously approved by councillors only minor editorial modifications have been made to the Draft Charging Schedule and Regulation 123 list. These include points of clarification and a modification to the proposed charging zone map to address an error in relation to the Didcot charging zone boundary. We received six representations to the modifications to the charging zone map, which again were forwarded to the Examiner for consideration.

6. The Examiner has taken all matters into account, including the responses to the consultations, and issued her Report (Appendix 1) on the Council's CIL Charging Schedule on 17 December 2015 recommending adoption, subject to the following modifications:
   - Amending the Charging Schedule to specifically exclude student halls of residence from the CIL residential charge
   - Amending the proposed rate for offices (including research and development) from £35 per square metre (psm) to £0 psm
   - Amending the definition of 'small centre retail' development to 'other retail development' for clarification purposes.

7. The modifications are based on matters discussed during the public hearing and do not significantly alter the basis of the council's overall approach.

8. The CIL Charging Schedule has now been amended to incorporate the Inspector's modifications and is included at Appendix 2.

9. The following is a summary of the key points of the Examiner's report:
   - The Examiner agrees with the council's approach for an early review of the Charging Schedule alongside adoption of the new Local Plan 2031. Nevertheless, in the interim period the Core Strategy is sufficiently up to date and provides an appropriate basis to implement CIL.
   - The funding gap is sufficient to demonstrate the need to levy CIL.

- The Examiner considers the Draft Regulation 123 list to be clear with regard to the type of infrastructure that would be supported by CIL, and the use of planning obligations (S106) for the three Core Strategy allocated strategic housing sites.
- Although the Draft Regulation 123 list is generic this would not hinder infrastructure delivery. The legislative requirements on the use of planning obligations, would in themselves, help to ensure they are appropriately applied and that no 'double-dipping' (duplication of contributions from S106 monies and CIL for the same piece of infrastructure) occurs.
- The viability work shows that retirement housing, care homes and student halls of residence would be unable to support CIL charges.
- Whilst retirement housing and care homes were set at a zero CIL rate, the Draft Charging Schedule did not specifically exclude student halls from a residential CIL rate. This form of development is now to be excluded from the residential CIL rate and a footnote should be added.
- With regard to office development the viability testing shows that schemes with a rental value below £20 per square foot (psf) would be unable to support a CIL charge. Further evidence indicates that outside the Henley area, office rental values achieved over the last few years have fallen short of the base level of £20 psf. Therefore office development in many parts of the district where growth is planned would not support the CIL rate. The Examiner recommends a zero rate to be applied for office development, to ensure that the viability of schemes is not compromised and delivery affected.
- The proposed CIL charge of £70 psm for large retail development is reasonable and would not put such development at risk across the district. The Examiner supports the zero charge for small scale retail development but for clarification recommends that the definition is modified to 'Other retail development'.
- The proposed zero CIL rate for hotel and industrial/warehousing development is justified.
- The proposed charging zone (as modified) is reasonable and proportionate, including the amalgamation of three residential charging zones into two.
- The proposed zero CIL rate for the three Core Strategy strategic housing sites is supported by evidence.
- A number of representations suggest that the zero CIL rate should be widened to all strategic sites of 500+ dwellings that come forward. However the council is planning an early review of CIL (in line with the new Local Plan) and strategic sites tend to have a long lead-in time, and in the light of this the Examiner concluded that the proposed zero CIL rate, as applied to only the three strategic sites, is appropriate.
- The viability study shows sizeable buffers above the proposed CIL rates for most typologies (1 to 250 units). In some cases viability may be challenging on brownfield sites in the lower value areas and that some flatted schemes of 25 units may not be viable. However, the council expects the majority of development to come forward on greenfield sites, and involve the provision of houses rather than flats. The Examiner was therefore satisfied that the proposed £85/£150 psm charge would be justified, and would not significantly affect overall housing supply in the district as a whole.
- Overall the viability evidence used to inform the Charging Schedule is reasonable, proportionate and appropriate. The charging rates would not put overall development of the area at risk.

10. Alongside the CIL Charging Schedule the Council's Regulation 123 List (Appendix 3) and Instalment Policy (Appendix 4) has been subject to public consultation and independent examination. The Regulation 123 List is a list of infrastructure projects and types of infrastructure that may be funded in whole or in part by CIL monies. The list will need to be updated on a regular basis. It should be noted that inclusion on the list does not guarantee that CIL monies will in the future be allocated to the project; however CIL monies cannot be allocated to a project that is not included on the list. The Regulation 123 list has been updated to correspond with the Section 106 Supplementary Planning Document. .

11. The Council is responsible for spending CIL and the final responsibility for CIL spending decisions will rest with Cabinet. Experience from elsewhere suggests that CIL receipts will take some time to build up as CIL is only paid following commencement of development. It is therefore intended to use CIL Year 1 monies (2016-17) to develop arrangements for CIL spending decisions in consultation with infrastructure delivery partners including Oxfordshire County Council. Details of the CIL spending strategy will be the subject to a separate report later this year.

12. The Instalment policy remains unchanged from the draft, except minor changes have been made to clarify when this policy does apply.

<u>Exceptional circumstances relief</u>

13. The CIL Regulations allow for the Council to provide further relief, at their discretion. The Charging Schedule has been designed with safeguards and sufficient buffers. However, there may be exceptional circumstances where a specific scheme (such as brownfield development in the lower land value area or flatted development) would not be viable if it is required to meet the full CIL charge in addition to delivering on-site infrastructure (secured through S106) and providing affordable housing.

14. The Council do not have to offer this relief, but if they choose to do so, they must adopt a discretionary relief policy. The Draft Charging Schedule advised that 'the Council has not made a formal decision on whether it will offer discretionary relief in accordance with the CIL Regulation'. It is recommended not to offer such a policy at this point in time and to review the position at the next CIL review. A Statement to this effect will be published on the website (Appendix 5).

<u>Business as usual</u>

15. CIL Regulation 123 places a limit on the number of S106 planning obligations that can be collected to fund infrastructure. Since April 2015 no more than five S106 obligations can be pooled towards a type of infrastructure or infrastructure project. Without a CIL Charging Schedule in place the council would be limited by the pooling restrictions in funding and providing infrastructure as set out below under the heading of 'Risks'.

## Financial Implications

16. There are no direct resource implications in relation to the adoption of the Charging Schedule. There are likely resource implications for the collection/administration of the levy. Additional resources will be required in the planning registration team as the levy is calculated on floorspace, which will need to be checked/measured in each

case. This additional resource can be funded as part of the CIL administration charge.

## Legal Implications

17. There are no legal implications other than satisfying the CIL Regulations 122 and 123.

## Risks

18. Since April 2015, S106 agreements have to be considered in light of the CIL Regulations, where pooling applies. It is important for the council to implement the CIL Charging Schedule to ensure infrastructure can be provided/funded in the future.

## Other implications

19. In line with our public sector equality duties of the Equality Act 2010, we have reviewed the CIL charging schedule documents. Officers do not believe the charging schedule discriminates against any groups of people by the virtue of their protected characteristic.

## Conclusion

20. The Examiner's concluded that the proposed CIL rates for residential development and large retail (supermarkets, superstores and retail warehouses) are viable. Officers propose to adopt the CIL Charging Schedule which would take effect on 1 April 2016. An Adoption Statement will be published on the website (see Appendix 6).

## Appendices

Appendix 1 - Examiner's report
Appendix 2 - CIL Charging Schedule
Appendix 3 - Regulation 123 List
Appendix 4 - Instalment policy
Appendix 5 - Discretionary Relief for Exceptional Circumstances Statement
Appendix 6 – Adoption Statement

The Planning Inspectorate

# Report to South Oxfordshire District Council

**by Katie Child BSc (Hons) MA MRTPI**

**an Examiner appointed by the Council**

**Date: 17 December 2015**

PLANNING ACT 2008 (AS AMENDED)

SECTION 212(2)

**REPORT ON THE EXAMINATION OF THE DRAFT SOUTH OXFORDSHIRE COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE**

Charging Schedule submitted for examination on 8 May 2015

Examination hearing held on 29 July 2015

File Ref: PINS/Q3115/429/5

**Non-Technical Summary**

This report concludes that the South Oxfordshire Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in the area. The Council has sufficient evidence to support the schedule and can show that the levy is set at a level that will not put the overall development of the area at risk.

Modifications are needed to meet the statutory requirements. These can be summarised as follows:

- Amend the Charging Schedule to specifically exclude student halls of residence from the CIL residential charge.
- Amend the proposed rate for 'offices (incl. research and development)' from £35 per square metre (psm) to £0 psm.
- Amend the definition of 'small centre retail' development to 'other retail development' for clarification purposes.

The specified modifications recommended in this report are based on matters discussed during the public hearing sessions and do not significantly alter the basis of the Council's overall approach or the appropriate balance achieved.

## Introduction

1. This report contains my assessment of the South Oxfordshire Community Infrastructure Levy (CIL) Charging Schedule in terms of Section 212 of the Planning Act 2008. It considers whether the schedule is compliant in legal terms and whether it is economically viable as well as reasonable, realistic and consistent with national guidance (Community Infrastructure Levy Guidance - June 2014).

2. To comply with the relevant legislation the local charging authority has to submit a charging schedule which sets an appropriate balance between helping to fund necessary new infrastructure and the potential effects on the economic viability of development across the district.

3. Consultation on the Draft Charging Schedule (DCS) took place between 26 February and 26 March 2015 (Examination Document SUB/6), and on a Statement of Modifications between 8 May and 5 June 2015 (SUB/1). Following the hearing session on 29 July 2015, the Council published a further

Statement of Modifications[1] (October 2015) (SUB/17) setting out a proposed boundary change to zones 1 and 2 in the vicinity of Didcot.

4. Consequently, the basis for the examination is the DCS (February 2015) as amended by the two Statements of Modifications. For the avoidance of doubt, any references in this report to the 'DCS as modified' relates to the DCS as amended by both Statements of Modification.

5. Following the hearing, additional evidence and information was produced by the Council and was published for consultation in September 2015 in the 'Response to examiner's letter of 19 August 2015' (SODC/CIL/10) ('the Council's post-hearing work'). I have taken the representations received on both Statements of Modification and the post-hearing work into account in writing this report.

6. The Council proposes three different geographical charging zones for residential development. The DCS as modified includes plans on an Ordnance Survey base which show the proposed charging zones. In summary the proposed residential rates are:

   - Zone 1 District - £150 per square metre (psm)
   - Zone 2 Didcot and Berinsfield - £85 psm
   - Strategic sites (Didcot North-East, Ladygrove East site and Wallingford site B) - £0 psm

7. As an exception to the residential charges in zones 1 and 2, the DCS as modified proposes that retirement housing including extra care incorporating independent living (C3), care homes (C2) and residential development on rural exception sites, will be subject to a nil CIL charge.

8. The Council also proposes a rate of £35 psm for offices (including research and development) and £70 psm for supermarkets, superstores and retail warehouses. Both of these rates would apply across the district.

9. All other uses, including hotels, industrial development and other forms of retail development, would be subject to a nil charge.

**Is the charging schedule supported by background documents containing appropriate available evidence?**

*The development plan*

10. The South Oxfordshire Core Strategy (the 'Core Strategy') was adopted in December 2012 (SUB/14). It sets out the main elements of growth that will need to be supported by further infrastructure in the district in the period up to 2027. The Core Strategy makes provision for a minimum of 11,487 new dwellings between 2006 and 2027 and at least 20 hectares of additional

[1] Statement of Modifications (SUB/17) published for consultation between 23 October and 20 November 2015.

employment land. It includes strategic housing allocations of 2,030 dwellings at Didcot North-East and 555 dwellings at Wallingford site B.

11. The Council is currently preparing a new Local Plan for the district, and exploring options for new housing sites. The Council has signalled its commitment to an early review of the Charging Schedule alongside adoption of the new Local Plan, which is currently anticipated in 2017. This approach should ensure that any new strategic sites can be adequately tested for viability, and any necessary revisions proposed to the Charging Schedule. Nevertheless, in the interim the Council has decided that the Core Strategy is sufficiently up to date and provides an appropriate basis to implement CIL, and I agree with this position.

12. A number of representors expressed concern that new strategic sites may be developed in advance of Local Plan adoption and the Charging Schedule revision, and therefore be subject to the charges in the DCS which could render them unviable. This issue is explored further in the section below on CIL rates for residential development.

*Infrastructure planning evidence*

13. The Council has prepared an Infrastructure Delivery Plan (IDP) (February 2015) (SUB/11) which identifies key infrastructure likely to be required over the Plan period up to 2027. The IDP takes account of the broad framework for growth in the Core Strategy, and outlines local community requirements and infrastructure needs totalling over £329 million (m). Having regard to current known funding sources, the IDP indicates that a funding gap of about £234m will remain. However, the Council confirms in the Infrastructure Planning and Funding Gap document (SUB/7) that this funding gap can be reduced to about £116.5m, once account is taken of education contributions secured on the three strategic sites, and costs which can be apportioned to the neighbouring district of the Vale of White Horse, for example those relating to strategic transport infrastructure in the Science Vale area.

14. The Council acknowledges that some additional funding may be secured in the future, from infrastructure providers, via Section 106 agreements provided by developers, or from other sources such as business rate retention and grant funding from government. However, there is no evidence to indicate that this additional funding would be anywhere near adequate to deliver the necessary infrastructure over the Plan period.

15. The Council estimates that dwellings liable for CIL could generate about £32 m up to the year 2027[2]. In addition, the Council estimates that the proposed CIL charges on office and retail development could generate some £346,500 and £660,800 respectively[3]. As such, CIL could make a useful contribution to the

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[2] As set out in the Infrastructure Planning and Funding Gap document (February 2015) (SUB/7) and updated in the Council's Response to Examiner's Main Issues and Questions (Question 2d) (July 2015) (ED/3).
[3] As established in the Council's Response to Examiner's Main Issues and Questions (Question 2d) (July 2015) (ED/3).

funding gap for infrastructure. The Council's evidence on infrastructure requirements and funding demonstrates the need to levy CIL in order to help deliver the Core Strategy.

16. The Council's Draft Regulation 123 list (May 2015) (SUB/5) identifies the types of infrastructure to which CIL funds would contribute. These include education, strategic highway/transport improvements, strategic green infrastructure and sports facilities, libraries, recycling facilities and strategic flood protection. Site related provision associated with the three strategic sites of Didcot North-East, Ladygrove East and Wallingford site B is excluded.

17. I consider the Draft Regulation 123 list to be clear with regards to the type of infrastructure that would be supported by CIL, and the Council's proposed use of planning obligations for the three strategic sites. The Council has provided transparency, and the items in the list should clearly assist the delivery of the adopted Core Strategy, as a whole. Additional information on the operation of Section 106 and CIL is included in the Council's draft Supplementary Planning Document on Planning Obligations (September 2015).

18. At this stage the Draft Regulation 123 list is generic rather than scheme specific, but there is no evidence that this would hinder infrastructure delivery. The legislative requirements on the use of planning obligations would, in themselves, help to ensure that planning obligations are appropriately applied and that no 'double-dipping' occurs (e.g. paying for the same infrastructure twice under a Section 106 obligation and CIL).

19. In summary, I conclude that the DCS as modified is supported by detailed evidence of infrastructure needs, which provides a robust and proportionate basis to inform the Charging Schedule.

*Economic viability evidence*

20. The Council commissioned a CIL Viability Study (VS) (SUB/16), dated October 2014, to inform production of the Preliminary Draft Charging Schedule (SUB/13). The VS was updated in February 2015 (the 'VS update') (SUB/10) to incorporate additional testing of retirement housing schemes, and to accompany publication of the DCS.

21. Prior to the hearing the Council also published new appendices 3 and 4 to the VS update. Appendix 3 (SODC/ADI/3) sets out full details of residential appraisal workings, whilst Appendix 4 (SODC/ADI/4) provides the commercial appraisal results in metric form. They both form an integral part of the VS update. In addition, the Council published further viability testing relating to student accommodation (SODC/ADI/5) and the impact of CIL instalments (as set out on page 12 of the Council's Response to Examiner's Main Issues and Questions (SODC/CIL/3)).

22. The Council's post-hearing work also includes additional sensitivity testing relating to alternative residential densities for sites of 50 to 500 units, and further viability evidence relating to the three strategic sites of Didcot North-East, Ladygrove East and Wallingford site B.

23. The Council's viability work uses a residual valuation approach. This approach involves estimating the value of a completed development and subtracting development costs (with the exception of land purchase) to obtain a residual value. The price which a landowner would be prepared to sell the land (the 'benchmark land value') is then subtracted from the residual value to obtain an 'overage' figure or theoretical maximum CIL charge. The CIL charge may be taken from this figure providing there is an adequate viability buffer.

24. The viability work incorporates modelling of residential development, including specialist housing such as retirement housing[4] and care homes, as well as student accommodation. Commercial development is also modelled, including offices, retail development, hotels and industrial/warehouse development.

Residential viability evidence

25. The VS update includes modelling of nine hypothetical residential sites, ranging between 1 and 500 units and reflecting different densities and mix of house types. These typologies are tested in six different sub-areas within the district and against four land value benchmarks capturing brownfield as well as greenfield land. Further sensitivity testing on densities is also set out in the Council's post-hearing work.

26. A number of representors queried whether this range of testing was sufficient, particularly in relation to densities, gross to net ratios and schemes involving regeneration. However, the Council's evidence on historical densities in the post-hearing work indicates that the range of density testing undertaken is broadly appropriate, whilst the sensitivity testing adds to the evidence base. I also note that different gross to net ratios have been applied according to scheme size, and appears to be reasonable in this regard. Furthermore, in relation to regeneration schemes I note that typology testing incorporates a wide range of Benchmark Land Values (BLVs) and a reasonable contingency rate of 10%. Overall I therefore find that the Council has tested an appropriate range of residential typologies, which relate to the majority of development likely to come forward in the charging area.

27. Representations in response to the DCS and the first Statement of Modifications raised particular concerns regarding a number of other assumptions in the residential appraisals, including sales values; build costs; Section 106 costs; profit levels; phasing of CIL payments; and benchmark land values. These are addressed in turn below.

28. Sales values are based on an assessment of Land Registry data relating to completed sales in 2014 in the district. The assessment took account of prices actually achieved. There is no clear evidence before me to indicate that the sales values in the VS update are inappropriate or that alternative figures

[4] Defined in the footnote in the DCS as modified, as 'all types of housing designed for older people which provides for continued independent living which is self-contained such as, but not limited to, Extra Care Housing, Enhanced Sheltered Housing in independent living within a Care Village.'

should apply.

29. Residential build costs are based on RICS[5] Building Cost Information Service localised figures, derived from 2014. Evidence indicates that build costs have risen since the viability work was carried out. However, I consider this is also likely to be the case for other variables, including house prices. It would skew the findings of the viability work if certain data only were to be updated, and it therefore makes sense to have a common base date for all assumptions made.

30. The build costs used in the VS update vary between houses and flats, but do not differentiate in terms of scheme size, or between private and affordable housing. However, I consider that the Council's approach of using average build costs in this regard to be proportionate and pragmatic. The average figures have been informed by local evidence on build costs in the district. The VS update is also, by necessity, a high level assessment and cannot capture all eventualities.

31. The build costs do not appear to include the cost of constructing garages. Nonetheless, the evidence in the Council's post-hearing work indicates that off-street parking is often provided in the form of spaces rather than garages. Taking account of this, and the high level nature of the assessment, I am satisfied that the average build cost figures in the viability assessment are appropriate.

32. The VS update includes a Section 106/Section 278 assumption of £1,000 per dwelling for typologies numbers 1 to 8. This rate has been informed by evidence on historical Section 106 agreements for sites less than 200 dwellings, taking account of the fact that some aspects normally subject to contributions under the Section 106 regime would no longer be relevant if CIL is adopted[6]. The Council also indicated at the hearing that commuted maintenance payments for public open space should be markedly lower in the future as they now negotiate with developers for open space to be taken on by management companies and funded through householder payments. On the basis of the evidence before me, the £1,000 Section 106/Section 278 assumption appears to be reasonable.

33. An allowance of £10,000 is included for the 500 unit scheme under typology number 9, with an additional costing of £15,000 for on-site infrastructure such as roads. Strategic schemes are likely, by their very nature, to exhibit markedly different infrastructure requirements and costs between sites. However, based on the evidence submitted by the Council on the three strategic sites[7], I consider that the Council's estimated costs of £10,000 plus £15,000 to be broadly reasonable. No substantive evidence was submitted by other parties to demonstrate that different average rates should apply. The Section 106/Section 278 assumption for strategic schemes therefore appears

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[5] Royal Institution of Chartered Surveyors
[6] As set out in Appendix 2 in the Council's Response to Boyer Planning Representation REP-847154-001 (SODC/CIL/7).
[7] As set out in Appendix 2 of the Council's Response to Examiners Main Issues and Questions (SODC/CIL/5).

to be reasonable.

34. The Council's viability work incorporates the provision of 40% affordable housing on sites of three or more dwellings, in line with Policy CSH3 in the Core Strategy. Representors queried whether this approach, and the Council's uniform CIL charge for all scheme sizes, accorded with Government policy on planning obligations. Government policy at the time of submission, as set out in the Planning Practice Guidance (PPG), was that affordable housing should only be sought from schemes of 11 or more units[8]. However, following the High Court judgement of 31 July 2015[9] the Council's viability work remains in line with current Government guidance on planning obligations, as set out in the PPG.

35. The VS update includes cost allowances for other elements, including professional fees, Code Level 4[10], external works and contingencies. The applied rates accord with industry norms, and no substantive evidence has been submitted to justify alternative figures or lead me to conclude that the average figures used are unreasonable. Furthermore, although the Code for Sustainable Homes has now been withdrawn[11], the Government has indicated that increased building standards will apply in the future under the Building Regulations and be broadly similar to Code Level 4.

36. The VS update assumes a 20% profit on Gross Development Value (GDV) for private housing and 6% profit on GDV for affordable housing. These rates have been disputed as being too low by some representors. However, the profit figures in the VS update conform with industry standards, and no substantive evidence has been submitted to demonstrate that alternative figures should apply.

37. The viability modelling was undertaken with an instalments policy, whereby the payment of CIL takes place in phases. This approach was questioned by one representor on the basis that an instalment policy could be withdrawn or varied by the Council at any time. However, the Council has submitted evidence which demonstrates that, if no instalments policy is adopted, the impact on residual land value would be minimal, ranging from 0.39% to 2.29% decrease[12] for the different typologies. Accordingly I consider that the Council's viability work provides a reasonable basis for assessing viability.

38. The VS update uses BLVs which range from £500,000 to £750,000 per hectare (gross) for previously developed land, and £325,000 to £375,000 per hectare (gross) for greenfield sites. The two figures for each type reflect the different

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[8] Paragraphs 012-030 in the planning obligations section of the Planning Policy Guidance, following the publication of a Written Ministerial Statement dated 28 November 2014.
[9] Following the High Court judgement of 31 July 2015: West Berkshire District Council and Reading Borough Council v Secretary of State of Communities and Local Government [2015] EWHC 2222.
[10] Level 4 of the Code for Sustainable Homes.
[11] As set out in the Written Ministerial Statement on Planning Update, dated 25 March 2015 (DCLG).
[12] As set out on page 12 of the Council's Response to the Examiner's Main Issues and Questions (SODC/CIL/3).

land values within the district. One representor has suggested that these figures are too low. However, the figures have been derived from limited transactional information from South Oxfordshire and the surrounding area, and represent averages. I consider that the Council's approach has been proportionate in this regard, and accords with guidance in the Harman Report[13]. Furthermore, no substantive evidence has been submitted to justify the use of alternative values.

39. The viability work also includes modelling of retirement housing, care homes and student accommodation. The modelling assumptions used appear to be reasonable, and have not been significantly challenged.

40. Separate viability testing of the three strategic sites is set out in the Council's post-hearing work. This work sets out a high level assessment of broad viability, taking account of the estimated Section 106 costs to provide necessary infrastructure associated with each site, and appears to be an appropriate approach.

41. Viability testing of specific sites is limited to the three strategic sites, and does not include other large sites which may come forward, including those proposed by representors. However, whilst this may have been desirable in order to provide a cross-check with the results in the VS update, I consider that its absence is not critical in the context of the reasonable assumptions and sound methodology adopted in the Council's viability work.

42. In summary, for residential development I conclude that the DCS as modified is supported by viability studies of an appropriate range of development typologies and applying reasonable assumptions. On this basis the viability evidence used to inform the Charging Schedule is reasonable, proportionate and appropriate.

<u>Office viability evidence</u>

43. The VS update includes a commercial development appraisal based on a 30,000 square foot (sqf) generic office scheme (B1) in a non-specific location in the district. Although only one scale of scheme has been tested, the Council indicated at the hearing that the viability results would be broadly similar for larger and smaller schemes, with assumptions scaled up and down. No alternative evidence has been submitted to dispute this position. The testing also incorporates sensitivity analyses which model rents above and below the base level, and against three different current use values. This approach should capture a wide range of office development in the district, including different forms of B1 development or locations which may attract lower rental values. Overall I therefore consider that the range of testing is appropriate and represents a proportionate approach.

44. One representor has queried whether the base rental level of £20 per square foot (psf) is too high. However, the VS update and evidence in the Council's

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[13] Harman Report (June 2012) – Viability Testing Local Plans: Advice for planning practitioners

post-hearing work indicates that a wide range of rental rates are achieved across the district, with some lower and some higher than the selected base rate. These variations are reflected in the sensitivity testing which is an integral part of the Council's viability work, and there is no substantive evidence before me to indicate that an alternative base level should apply.

45. The appraisals include refurbishment costs of £30 psf subject to fees of 7%, applied to an assumed existing floorspace of 9,000 sqf. This rate has been questioned by one representor on the basis that the typology building would already be in use and that existing use values would be reflected in the rental levels. However, at the hearing the Council highlighted the need for new office development to be attractive to the market and that refurbishment is a key part of this. No substantive evidence has been submitted to demonstrate that the Council's assumptions are unreasonable or should be altered.

46. A rent free period of two years has been applied within the viability testing. This is a commercial matter for negotiation between the parties and may therefore vary between individual cases. However, there is no substantive evidence before me to demonstrate that a significantly lower rent free period would be the norm or that the Council's selected rate should be altered accordingly.

47. Other inputs in the office viability work have not been significantly questioned, including construction costs, purchaser costs, Section 106 assumptions, fees and profit rates. These are generally based on industry standards, and there is no substantive evidence before me that would lead me to conclude that the inputs are unreasonable.

48. Overall, in relation to office development, I conclude that the DCS as modified is supported by viability work of an appropriate range of typology and sensitivity testing and applying reasonable assumptions. On this basis, the viability evidence used to inform the Charging Schedule is reasonable, proportionate and appropriate.

<u>Retail and other commercial viability evidence</u>

49. Viability appraisal work has also been undertaken for supermarket, retail warehouse, town centre retail, hotel and industrial development. As with offices, only one scale of each typology was tested. However, the work incorporates extensive sensitivity analyses which models rents above and below a base level, and against three different current use values. Overall I therefore consider that the range of testing is proportionate.

50. The assumptions used in the modelling have not been significantly questioned and appear to be reasonable, including the assumed rents, yields, build costs and profit levels. One representor raised concerns regarding the Section 106/Section 278 assumptions in relation to retailing development. I consider that the assumptions are reasonable given that the Council proposes to limit the use of Section 106 to focus on site-specific infrastructure requirements. No overriding evidence has been submitted to indicate that the costings should be increased.

**Are the charging rates informed by and consistent with the evidence? Would they put the overall development of the area at serious risk?**

*CIL rates for residential development*

51. The VS update recommends that three residential charging rates (high, medium and low) should apply in the district, differentiated in terms of geographical zones. In addition, a nil CIL charge should be applied to the three strategic sites. However, the Council has proposed that the high and medium value charging zones should be amalgamated, and that the medium rate should apply to this conjoined area. The DCS therefore includes two residential rates, with charges of £150 psm proposed for zone 1, £85 psm in zone 2, and a nil CIL rate applying on the strategic sites. Nil CIL rates are also specifically proposed for retirement housing, care homes and rural exception sites.

Definition of residential development

52. The DCS as modified does not explicitly define 'residential development'. Nonetheless, it specifically proposes that a nil CIL charge would apply to retirement housing, care homes and rural exception sites. Therefore, by definition 'residential development' would exclude these forms of accommodation.

53. The DCS as modified does not specifically exclude student halls from a residential CIL charge. However, work carried out by the Council prior to the hearing session[14] indicates that student halls of residence are only marginally viable if the proposed CIL charges are applied. Evidence submitted by Oxford Brookes University indicates that such development may take place in the district. Accordingly, in line with the Council's proposals[15], I recommend that the DCS is modified to specifically exclude this form of development from a residential CIL charge **(EM1)**.

Zone boundaries

54. The VS update shows that differential rates by area are justified. Data on sales prices vary across the district. The proposed boundaries in the DCS as modified are based on a wide ranging analysis of sales prices, supplemented by consultation with developers and agents.

55. Representors have suggested that the number of zone boundaries should be increased to more closely reflect the different sale prices in the district. However, I deem the Council's proposed approach, which is based on extensive evidence and purports a fairly simple pattern of charging zones, to be suitable and proportionate, and to avoid undue complexity. On this basis it

[14] Viability Testing of Student Housing Development (July 2015) (SODC/ADI/5).
[15] As agreed with Oxford Brookes University, as set out in SODC Response to examiner's letter of 19 August 2015 (September 2015) (SODC/CIL/10).

also accords with Government guidance to avoid complex rates[16].

56. Linked to this, there was some challenge to the Council's amalgamation of three residential charging zones into two, on the grounds that it could result in a potential loss in CIL income arising from the higher value area. The Council recognises this risk, but in their view this loss would be minimal and would be outweighed by the benefits of administering a simplified Charging Schedule. In the context that lower levels of development are anticipated in the higher value area outside the strategic sites (as established in the Council's housing trajectory[17]), I consider it is unlikely the approach would have a material impact on infrastructure delivery. Also, critically, I note that by adopting the lower rate of the two, development in both areas would still be viable.

57. The Council has proposed an amendment to the boundaries of zones 1 and 2 in the vicinity of Didcot, as shown in the further Statement of Modifications (October 2015) (SUB/17). The Council has indicated that the changes are necessary to correct a drafting error in the maps in the DCS[18]. The change would involve adjusting the boundaries to follow those of Didcot parish, thereby moving land south of Didcot (in the vicinity of East Hagbourne) into the higher charge zone 1 and incorporating a small area of land to the west of the town into zone 2 (Didcot).

58. The proposed boundary change to the south of Didcot appears to be reasonable and proportionate, on the basis of evidence which shows that the average price paid for properties in East Hagbourne is significantly higher than Didcot, and broadly similar to West Hagbourne which is located in zone 1[19]. The VS update also indicates that sales prices in East Hagbourne are slightly higher than those in Didcot. The proposed boundary on the western side of Didcot, as amended, would not adversely affect the viability or delivery of housing schemes, as it would involve adopting the lower charge.

59. One representor has questioned the inclusion of Berinsfield within zone 2. However, the viability testing supports its zone 2 allocation, and no substantive alternative evidence has been submitted to the contrary.

<u>Strategic schemes</u>

60. Evidence in the VS update demonstrates that schemes of 500 dwellings in the district would be unlikely to be viable if both Section 106 costs and CIL costs are incorporated. The DCS accordingly identifies three strategic sites where a nil CIL charge would apply. Two of these sites are allocated in the adopted Core Strategy (Didcot North-East and Wallingford Site B). The third site is allocated in the South Oxfordshire Local Plan adopted in 2006, but a revised

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[16] Paragraph 25-021-20140612 in the Planning Practice Guidance.
[17] As set out in the Council's Response to Examiner's Main Issues and Questions (July 2015) (SODC/CIL/3).
[18] As set out in the Council's 'Representations to Statement of Modifications' document (December 2015) (SUB/18).
[19] As above.

planning application is anticipated (Ladygrove East).

61. The Council has identified that these three sites will play a critical role in delivering the Core Strategy housing requirements. Further viability workings on the three specific sites themselves[20] shows that the high anticipated Section 106 costs would render a negative residual land value for two of the schemes (Didcot North-East and Ladygrove East), whilst the Wallingford B site workings show a residual land value that is significantly lower than the base levels in the VS update[21]. Accordingly, the proposed nil CIL charge for the 3 strategic sites is supported by the evidence.

62. A number of representors have proposed that the nil CIL rate should be widened to apply to other specific strategic sites (with associated viability testing undertaken), or alternatively, should apply to <u>all</u> strategic sites of 500+ dwellings that come forward.

63. I recognise that the Council is preparing an emerging Local Plan, and that a number of new strategic sites are being promoted by developers through that process. However, the Council's plan is at an early stage of preparation, and preferred specific site options have yet to be identified. Furthermore, no compelling evidence is before me to indicate that any potential new strategic sites are likely to come forward straightaway. Strategic sites tend to have a considerable lead-in time, and often take a number of years to progress from initial pre-application discussions to housing completions. As set out above, the Council is committed to a review of the Charging Schedule within a couple of years, once the new Local Plan is adopted. I consider that this should provide an opportunity to assess the impact of CIL on any new strategic sites, and adjust the Charging Schedule as necessary at that stage. For the above reasons I therefore conclude that the proposed nil CIL charge, as applied to the three specific strategic sites, is appropriate.

<u>Overall viability and deliverability</u>

64. The VS update shows sizeable buffers above the proposed CIL rates for most non-strategic typologies (1 to 250 units), predominantly ranging from 25% to 57%. In some cases viability may be challenging on brownfield sites in the lower value areas of the district. The appraisal evidence also shows that some flatted schemes of 25 units (typology 5) may not be viable. However, the majority of modelled schemes show reasonable viability buffers. In addition, the Council expects the majority of development to come forward on greenfield sites, and to involve the provision of houses rather than flats. On this basis I am therefore satisfied that the proposed £85/£150 psm charge would be justified, and would not significantly affect overall housing supply in the district as a whole.

65. In reaching this conclusion I have had regard to the sensitivity testing

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[20] As set out in SODC Response to examiner's letter of 19 August 2015 (September 2015) (SODC/CIL/10).
[21] Rate of £325,000 to £375,000 per gross hectare, as set out in paragraph 4.48 of the VS update.

undertaken by the Council in the post-hearing work in respect of lower densities. The testing shows that whilst the viability of larger typologies (250+ units) would be affected, most modelled schemes of 50 and 125 units would be able to sustain the CIL charge at a density of 21 dwellings per hectare (dph), albeit the buffer would be less. However, evidence on historical densities in the post-hearing work indicates that many large schemes are likely to come forward with significantly higher densities than 21 dph, and therefore would be able to demonstrate greater viability. In addition, there is some evidence, as set out in the post-hearing work, that large scale schemes of 21 dph have been achieved with 40% affordable housing and sizeable Section 106 contributions. It has therefore not led me to alter my conclusions on the suitability of the residential CIL charges, as set out above.

66. Concerns were raised by representors relating to the impact of CIL charges on the delivery of general market and affordable housing in the district, on the basis that low proportions of affordable housing have been secured on recent schemes. I consider that little weight should be applied to this argument as the viability appraisals incorporated 40% affordable housing on schemes of three or more dwellings, as set out in the Council's Core Strategy. Furthermore, at the hearing the Council confirmed that recent housing schemes have delivered 40% affordable housing, except two sites where infrastructure costs were abnormally high.

67. The VS update indicates that large strategic schemes of 500 units would not be viable in most parts of the district, in the context of both CIL and Section 106 costs being applied. In addition, the post-hearing work indicates that development on the Council's specific strategic sites would be either not viable or marginal. Therefore the proposed nil CIL charge is justified on the 3 strategic sites.

68. The Council's viability work also shows that retirement housing, care homes and student halls of residence would be unable to support CIL charges. Rural exception schemes have not been separately modelled. However, as set out in Saved Policy H10 in the South Oxfordshire Local Plan (2006), such schemes focus on the provision of affordable housing rather than general market housing. On this basis it is a reasonable assumption that additional charges could not be supported. The proposed nil CIL charges for these development types is therefore supported by the evidence and is, accordingly, justified.

69. In summary I conclude that the proposed CIL rates, when applied to much of the qualifying residential development that is likely to come forward, incorporate a significant margin or viability buffer. This would allow for potential variations in the costs and value of particular developments, or changes in the market over time, whilst making a valuable contribution towards infrastructure needed to support development. I am therefore satisfied that the proposed residential CIL rates would not threaten the delivery of housing or put the overall development of the area at serious risk.

*CIL rate for office development*

70. The Council's viability testing shows that most office development with rental values above the base level (£20 psf) could support a CIL charge of £35 psm. However, at the base level, only schemes commanding a low current use value

would be viable with a CIL charge. Schemes with a rental value below £20 psf would also be unable to support a CIL charge.

71. At the hearing the Council indicated that some office development was anticipated in the Henley area where evidence shows that higher rental values could be supported, above the base level[22]. However, no evidence was provided of the estimated geographical distribution of future office development across the district. Furthermore I note that the Core Strategy identifies a number of employment sites for B1/B2/B8 use in other parts of the district, including at Thame, Wallingford and Didcot. The Science Vale site, incorporating Culham Science Centre is highlighted as a particular location for employment growth. Whilst these areas may deliver development across the B use classes, it is reasonable to assume that at least some of the schemes may include B1 uses, particularly R&D in association with the research based parks.

72. Evidence provided by the Council indicates that, outside the Henley area, office rental values achieved over the last few years have fallen short of the base level of £20 psf. In the context of the viability work, the evidence therefore suggests that office development in many parts of the district where growth is planned would not be viable with a CIL charge. Indeed, the VS update report concludes that offices and science park development is only marginally viable across the district.

73. In light of this evidence I recommend that a zero rate be applied for office development, in order to ensure that the viability of schemes is not compromised and delivery affected **(EM2)**. This recommendation would address the concerns of a number of representors, and is one that the Council has stated it would not raise an objection to '*due to the limited locations in the district that can viably absorb the CIL rate*.' [23]

*CIL rates for retail development*

74. The Council's viability work shows that supermarket and retail warehousing development is viable, with slightly higher levels of viability for the retail warehousing. A single flat rate of £70 psm is proposed for these uses, in order to avoid complexity.

75. The VS update shows sizable buffers above the proposed £70 psm rate, of at least 30%. This indicates that the proposed CIL rate incorporates a reasonable viability buffer to allow for uncertainties relating to development costs and values and variations associated with specific schemes. Accordingly, the proposed charge of £70 psm appears to be reasonable and would not put such development at risk across the district.

76. The DCS as modified indicates that a nil CIL charge would apply to 'small

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[22] As set out in Appendix 4 of the SODC Response to examiner's letter of 19 August 2015 (September 2015) (SODC/CIL/10).
[23] Paragraph 9.2 in the SODC Response to examiner's letter of 19 August 2015 (September 2015) (SODC/CIL/10).

centre retail' development. At the hearing the Council confirmed that this definition includes all other forms of retail development, e.g. those not captured within the £70 psm charge. The nil charge is supported by evidence in the VS update which shows that other forms of retail development, termed as 'town centre', 'high street' or 'local centre' retailing (and including uses A1 to A5) has marginal viability in many cases, and would be unable to support a CIL charge. On this basis I consider that the proposed nil CIL charge for other retail development is justified. However, in order to clarify that the rate applies to all other forms retail development I recommend that the definition in the DCS is altered to read 'Other retail development' **(EM3)**.

*Other development*

77. The VS testing of hotel and industrial/warehousing development demonstrated that these uses would be unable to support CIL charges. The proposed nil CIL charges for these development types is therefore supported by the evidence and is, accordingly, justified.

**Other Matters**

78. A number of representations were made on the Council's draft instalments policy, the Council's position on discretionary exemptions, the use of CIL for administrative purposes, and how the spending of CIL monies will be prioritised between different projects or localities. However, these matters are within the Council's discretion, and it is not the role of the examination to appraise them.

79. A number of representors raised concerns about different CIL rates in other adjoining or nearby authorities. However, in terms of the residential rates, I am satisfied that these are justified by the viability evidence, as it applies to South Oxfordshire. In relation to office development I have recommended that the charge of £35 psm is reduced to a nil CIL rate. However, although this would bring it in line with the Charging Schedule in the neighbouring district of the Vale of White Horse, the recommended modification has been informed by the viability evidence, as it applies to this district.

80. The CIL Regulations are clear that differential CIL rates can be applied, providing that differences are based on robust and credible viability evidence. I am satisfied that these requirements have been met, and that, accordingly, the application of differential CIL rates for supermarket and other convenience retail development would not raise issues regarding state aid.

**Conclusion**

81. In setting the CIL charging rates the Council has had regard to detailed evidence on infrastructure planning and the economic viability evidence of the development market in South Oxfordshire. Subject to the proposed modifications, I consider the charging rates are based on reasonable assumptions about development values and likely costs, and would not put the overall development of the area at risk.

82. The Council has sought to be realistic in terms of achieving a reasonable level of income to address an acknowledged gap in infrastructure funding, while

ensuring that a range of development remains viable across the district. I conclude that, subject to the recommended modifications, an appropriate balance will be achieved between the desirability of funding the costs of new infrastructure and the potential effect on the economic viability of development across the district.

83. Nevertheless it would be prudent for the Council to review the schedule within 2 or 3 years of adoption as the Local Plan is prepared and to ensure that overall approaches taken remain valid, that development remains viable, and that an appropriate balance is being struck.

| **LEGAL REQUIREMENTS** | |
|---|---|
| National Policy/Guidance | Subject to the recommended modifications the Charging Schedule complies with national policy/guidance. |
| 2008 Planning Act and 2010 Regulations (as amended) | The Charging Schedule complies with the Act and the Regulations, including in respect of the statutory processes and public consultation, consistency with the South Oxfordshire Core Strategy and Infrastructure Delivery Plan and is supported by an adequate financial appraisal. |

84. I conclude that, subject to the modifications set out in Appendix A, the South Oxfordshire Community Infrastructure Levy Charging Schedule satisfies the requirements of Section 212 of the 2008 Act and meets the criteria for viability in the 2010 Regulations (as amended). I therefore recommend that the Charging Schedule be approved.

*Katie Child*

Examiner

Appendix A (attached) – Examiner's Recommended Modifications

## Appendix A – Examiner's Recommended Modifications

These are the modifications recommended by the Examiner so that the Charging Schedule may be approved. Where relevant, additional text is shown in bold, and deleted text is shown using strikethrough.

**EM1** Amend the fifth row in table 1 in the Charging Schedule and insert a new footnote as set out below, in order to specifically exclude student halls of residence from the CIL residential charge. Alter subsequent footnote numbers in table 1 accordingly.

| | |
|---|---|
| Care home **and residential institutions** (C2) [2] | Nil |

2 **Student accommodation: where some of the living accommodation is of communal nature e.g. shared living areas and/or kitchens. Student accommodation which is self-contained (e.g. studio flats) will be charged CIL at the relevant residential rate, for example, where such accommodation is provided to meet the University's disability requirement. Where schemes are mixed and include both types of accommodation the nil CIL charge applies only to the floorspace of the units with communal accommodation including associated communal areas. Floorspace of self contained units including associated communal areas will be charged CIL.**

**EM2** Amend the proposed rate for 'offices (incl. research and development)' from £35 psm to £0 psm. Delete row 7 from table 1 in the Charging Schedule, as follows.

| | |
|---|---|
| ~~Offices (incl. research and development)~~ | ~~£35~~ |

**EM3** Amend the definition of 'small retail development' in table 1 of the Charging Schedule as follows, to make it clear it relates to all forms of retail development not included within the £70 psm retail charge.

| | |
|---|---|
| ~~Small centre retail~~ **Other retail development** | Nil |

South Oxfordshire District Council

# Community Infrastructure Levy Charging Schedule

April 2016

**The Charging Authority**
The Charging Authority is South Oxfordshire District Council

**Date of Approval**
This Charging Schedule was approved by the Council on 18 February 2016

**Date of Effect**
This Charging Schedule will come into effect on 1 April 2016

**CIL Rates**
The rates at which CIL is charged are set out in Table 1 below

**Table 1 – Proposed CIL rates (per square metre)**

| **Development** | **Zone 1 District** | **Zone 2 Didcot and Berinsfield** |
|---|---|---|
| Residential development | £150 | £85 |
| Residential development – strategic sites: Didcot North-East and Ladygrove East site; Wallingford site B | Nil | Nil |
| Residential – retirement housing including extra care incorporating independent living (C3)[1] | Nil | |
| Care home and residential institutions[2] (C2) | Nil | |
| Residential rural exception sites | Nil | |
| Offices (incl. research and development) | £0 | |
| Supermarkets, superstores and retail warehouses[3] | £70 | |
| Other retail development | Nil | |
| Hotels | Nil | |
| Other uses | Nil | |

[1] All types of housing designed for older people which provides for continued independent living which is self-contained such as, but not limited to, Extra Care Housing, Enhanced Sheltered Housing in independent living within a Care Village

[2] Student accommodation: where some of the living accommodation is of communal nature e.g. shared living areas and/or kitchens. Student accommodation which is self-contained (e.g. studio flats) will be charged CIL at the relevant residential rate, for example, where such accommodation is provided to meet the University's disability requirement. Where schemes are mixed and include both types of accommodation the nil CIL charge applies only to the floorspace of the units with communal accommodation including associated communal areas. Floorspace of self-contained units including associated communal areas will be charged CIL.

[3] Retail warehouses: are large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering for mainly car-borne customers.
Superstores and supermarkets: are shopping destinations in their own right, selling mainly food or non-food goods, which normally have a dedicated car park.
Retail warehouses and supermarkets can be defined as retail stores that exceed 280 sqm and are classified as larger stores under the Sunday Trading Act 1994

**The Charging Areas**

The Charging Areas are set out in the Community Infrastructure Levy Charging Area Map in Annex 1 of this schedule

**Statutory Compliance**

This Draft Charging Schedule has been published in accordance with the Community Infrastructure Levy Regulations 2010 (as amended in the Community Infrastructure Levy Regulations (2011, 2012, 2013, 2014) and Part 11 of the Planning Act 2008 and in any future amendments.

**Payment terms**

CIL payments are due within 60 days from the date a chargeable development is commenced and in accordance to the council's instalment policy.

Payment for CIL can be made by land as well as by money. It is for the charging authority to choose whether to accept payment (in whole or in part) by land.

The chargeable rate will be index linked, which is the national All-in Tender Price Index published from time to time by the Building Cost Information Service of the Royal Institute of Chartered Surveyors.

The calculation of the chargeable amount to be paid by a developer is set out in Regulation 40 of the CIL Regulations 2010 (as amended).

A proportion of CIL revenue collected by the council (up to 5 per cent of total receipts) can be used to cover the costs of administering the levy (including initial set-up costs).

**Calculating the Chargeable amount**

The CIL will apply to 'chargeable development'. This is defined as:

- all new buildings, but excluding buildings into which people do not usually or only occasionally go (e.g. only to inspect machinery or structures such as electricity pylons or substations).
- development delivering 100 m² or more of additional gross internal floorspace
- the creation of one additional dwelling even if the gross internal floorspace is less than 100 m²
- some developments not requiring planning permission (permitted development) will also be liable for CIL if they do not fall into the exemption criteria.

## Exemptions

The CIL Regulations exempt the following from paying the CIL:

- Development by registered charities for the delivery of their charitable purposes
- Charitable development that meets the relief criteria set out in Regulations 44 to 48
- Those parts of a development which are to be used as social (affordable) housing
- Development of less than 100 sq m of new build floorspace, provided that it does not result in the creation of a new dwelling
- Vacant buildings brought back into the *same* use
- The conversion of any building previously used as a dwelling house to two or more dwellings
- Development of buildings and structures into which people do not normally go (e.g., pylons, wind turbines, electricity sub stations)
- Houses, flats, extensions which are built by 'self-builders'
- Specified types of development which the council has decided should be subject to a 'zero' rate based on viability evidence, and specified as such in the charging schedule
- Where the overall chargeable amount of a scheme is less than £50

## Discretionary Relief and Exceptional Circumstances Relief

The CIL Regulations allow for the Council to provide further relief, at their discretion. The Council do not have to offer this relief, but if they choose to do so, they must adopt a discretionary relief policy. This is not part of the charging schedule and may be published at a different time.

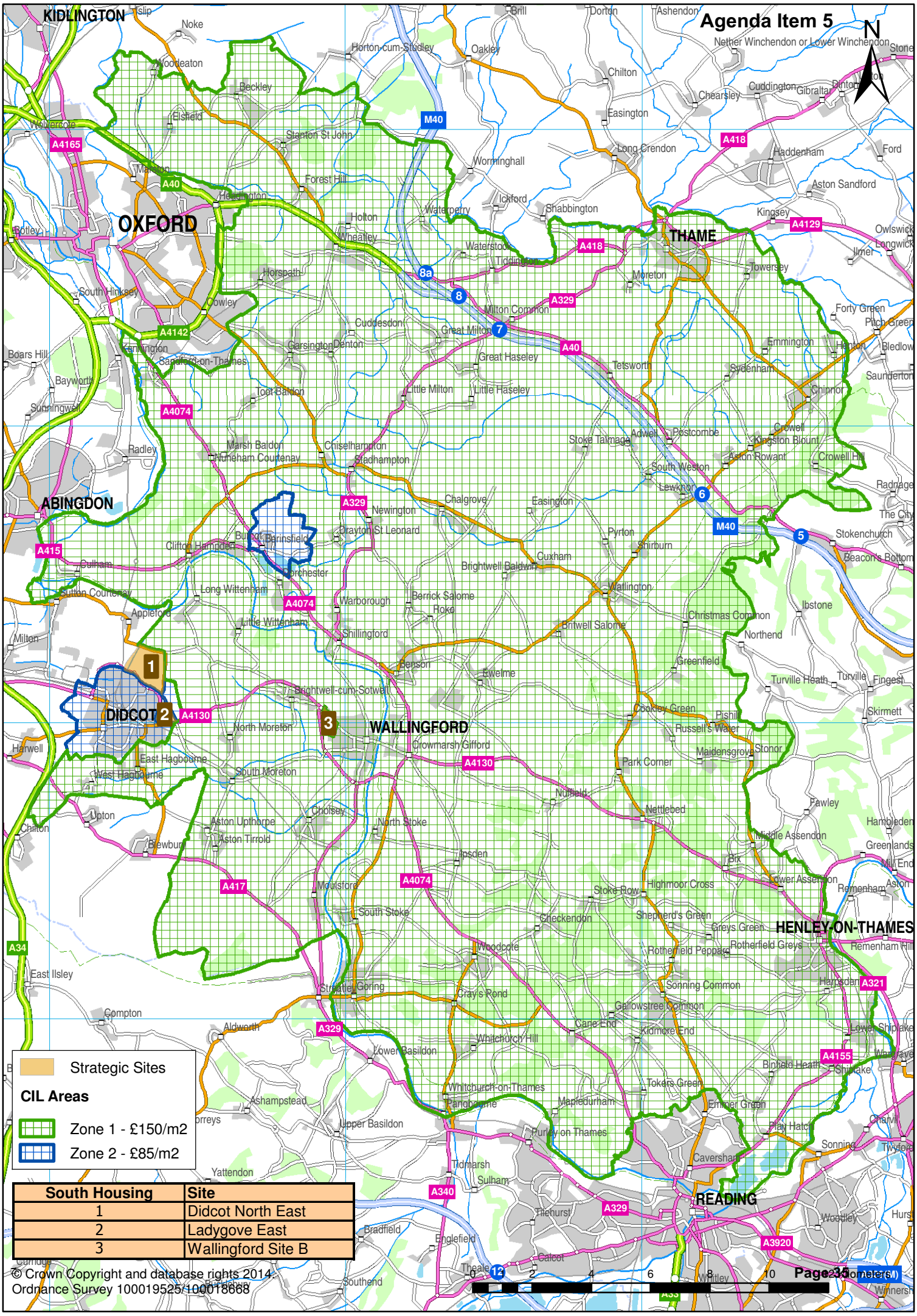
The Council has not made a formal decision on whether it will offer discretionary relief in accordance with the CIL Regulation.

## Neighbourhood funds

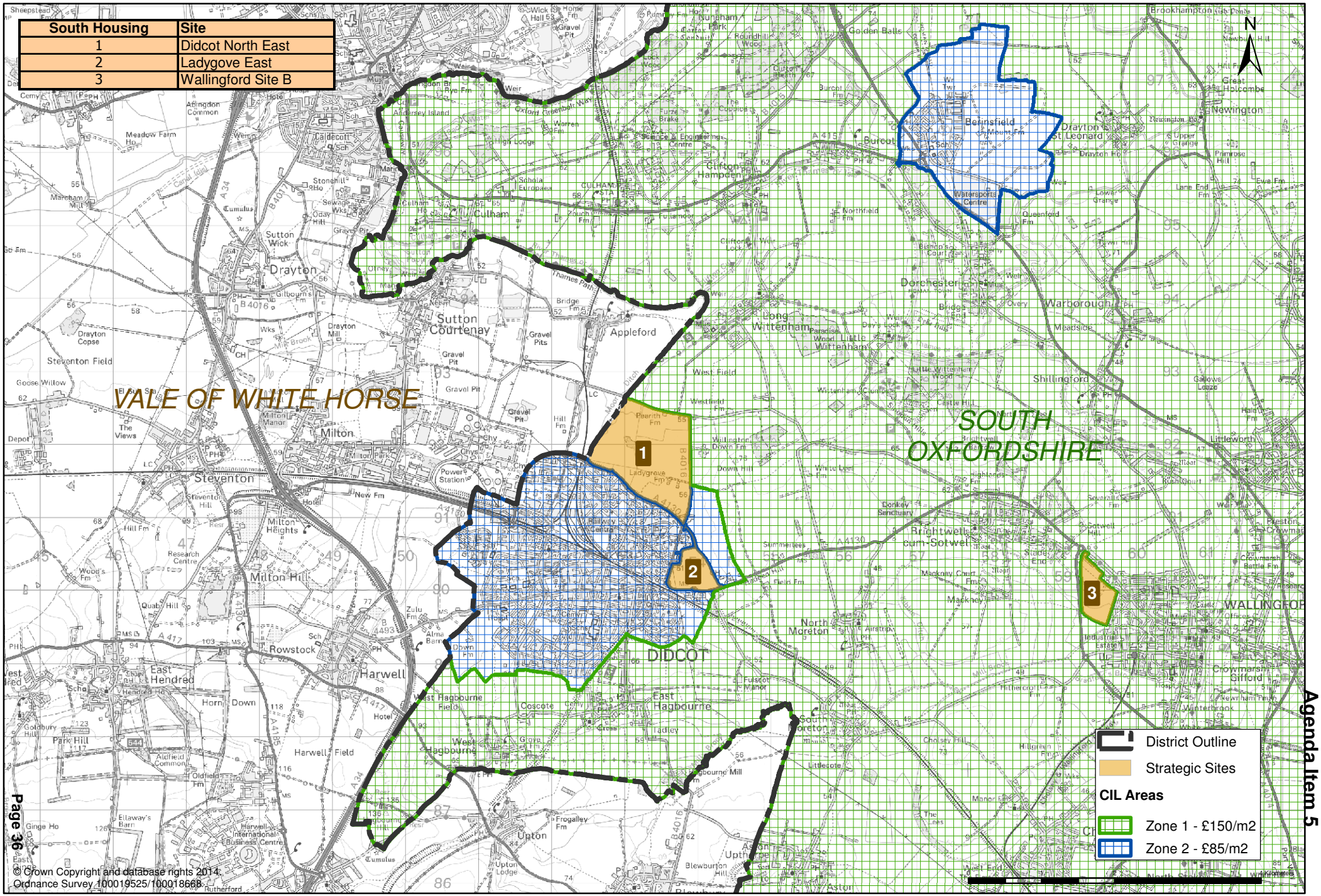
The Regulations require the council to pass on a proportion of the revenues from CIL receipts to the parishes within which the chargeable development took place. Parishes with a Neighbourhood Plan will receive 25 per cent of the revenue from the CIL development that they choose to accept – and parishes without a plan will receive 15 per cent of the levy revenue, subject to a cap of £100 per existing council tax dwelling per year.

This money must be spent on infrastructure. To ensure transparency both the council and any community in receipt of CIL must report annually on how this money has been spent.

## Annex 1 – Charging zones




| South Housing | Site |
|---|---|
| 1 | Didcot North East |
| 2 | Ladygove East |
| 3 | Wallingford Site B |


South Housing | Site
1 | Didcot North East
2 | Ladygove East
3 | Wallingford Site B
VALE OF WHITE HORSE
SOUTH OXFORDSHIRE
DIDCOT
District Outline
Strategic Sites
CIL Areas
Zone 1 - £150/m2
Zone 2 - £85/m2
N
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Ordnance Survey 100019525/100018668.

South Oxfordshire District Council

# Community Infrastructure Levy

# CIL Regulation 123 List

April 2016

Regulation 123 of the Community Infrastructure Levy Regulations 2010 (as amended) restricts the use of planning obligations for infrastructure that will be funded in whole or in part by the Community Infrastructure Levy. The Regulation 123 list contains generic types of infrastructure that may be funded using CIL receipts, with the exception of specific on-site infrastructure or direct mitigation measures and specifically of the strategic development sites.

The list below sets out those infrastructure projects that South Oxfordshire District Council may wholly or partly fund by the CIL. The inclusion of a project or type of infrastructure on this list does not signify a commitment from the council to fund (either in whole or in part) the listed project or type of infrastructure through CIL. The order in the table does not imply any order of preference for spend and the council will review this list on an annual basis, as part of its monitoring of CIL collection and spend.

This list will be updated on a regular basis. It is anticipated that CIL receipts will be limited in the first years after adoption, given that contributions are not payable until commencement of development.

In accordance with the CIL Regulation 59A, this council will pass 15% of relevant CIL receipts to the Town/Parish Council for that area, capped at £100 per dwelling on existing dwellings. If the Town/Parish Council adopts a Neighbourhood Plan, this percentage will be increased to 25% (uncapped). This will be passed onto the Town/Parish Councils on a 6 monthly basis in accordance with the CIL Regulations.

| **Infrastructure type or project (to be funded through CIL)** | **Exclusions (to be secured through S106 and other statutory provision)** The strategic sites North-East Didcot, Ladygrove-East Didcot, and Site B Wallingford are referred to as the Strategic Sites |
|---|---|
| | Affordable housing |
| Education | |
| • Primary (incl. pre-school)<br>• Secondary education<br>• Further education<br>• Special education needs | Education infrastructure to serve development at the Strategic Sites[1]<br><br>Land for education provision associated with new development to make the development acceptable in planning terms |

[1] Sites that are not strategic sites will raise monies for education from CIL, strategic sites will raise monies or provide education facilities through S106.

| **Infrastructure type or project (to be funded through CIL)** | **Exclusions (to be secured through S106 and other statutory provision)** |
|---|---|
| Transport | |
| Strategic highways or transport infrastructure projects (including public rights of way) | Site specific transport infrastructure including any works necessary for vehicle, cycle and pedestrian access and/or public transport on or adjacent to the site as a result of the development. Mitigation works remote from the development site where the need for such works is identified in a Transport Assessment. Works associated with a S278 agreement, or planning conditions |
| | Contribution towards delivery of the Science bridge, Didcot Northern Perimeter Road Phase 3, A4130 widening, Jubilee way roundabout, strategic bus network and Culham river crossing schemes associated with development at the strategic sites and employment development (where appropriate) |
| | Travel Plan monitoring |
| Recreation, sports and leisure | |
| Recreation, sports and leisure facilities other than site specific requirements | On-site provision, of recreation, sports and leisure facilities in accordance with policy requirements and to make development acceptable in planning terms.<br><br>On and off-site provision of recreation, sports and leisure facilities to serve development at the Strategic Sites |
| Open space, play, allotment and biodiversity | |
| - Play areas<br><br>- Allotments<br><br>Other than site specific requirements | On-site provision of<br>- open space<br>- play areas<br>- allotments<br>in accordance with policy requirements |
| Strategic habitat creation enhancement and restoration<br><br>Ecological enhancement of watercourses in line with Water Framework Directive | On-site habitat creation and mitigation to include restoration, enhancement and management of existing sites of ecological value |

| **Infrastructure type or project (to be funded through CIL)** | **Exclusions (to be secured through S106)** |
|---|---|
| Community and cultural facilities | |
| Community facilities including youth support and adult learning | On- and off-site provision of community facilities (incl. youth support and adult learning) to serve development at the Strategic Sites |
| Libraries and Museums | Library facilities incl. book stock provision to serve development at the Strategic Sites |
| Public realm/public art<br><br>Improvements to the public realm and town centres to increase accessibility for disabled | Site related provision and maintenance of public art associated with development at the Strategic Sites, and retail and employment development<br><br>Improvements to the public realm and town centres to increase accessibility for disabled in association with development at the Strategic Sites and employment development<br><br>Contributions towards the conservation, restoration and enhancement of the historic environment and archaeological sites and monuments will be sought where an impact is directly linked as a consequence of a development site and requires mitigation. |
| Provision, expansion and maintenance of cemeteries | |
| Fire and Police | |
| Extension and/or new fire and rescue service infrastructure | |
| Improvements to policing and community safety infrastructure | On and off-site provision of policing and community safety to serve development at the Strategic Sites |
| Health | |
| Health services/ local surgeries | On and off-site provision to health services to serve development at the Strategic Sites |
| Recycling | |
| Recycling facilities and improvements to Household Waste Recycling Centres | Provision of household recycling and waste bins<br><br>Contributions for Household Waste Recycling Centre to serve development at the Strategic Sites |

| **Infrastructure type or project (to be funded through CIL)** | **Exclusions (to be secured through S106)** |
|---|---|
| Health and wellbeing (Adult Day Care) | |
| Health and wellbeing facilities | On and off-site related provision of health and wellbeing to serve development at the Strategic Sites and to make development acceptable in planning terms |
| Flood protection and water management | |
| Strategic flood protection | On-site provision of flood protection and water management (i.e. Sustainable Urban Drainage System) |
| Air Quality | |
| Infrastructure/measures to improve air quality and monitoring | Mitigation infrastructure/measures required directly as a result of a specific development |
| | Wider Air Quality Infrastructure/Measures associated with development at the Strategic Sites and retail and employment development |

# South Oxfordshire District Council

# CIL Draft Charging Schedule
# Instalments Policy

April 2016

# Instalments Policy

The National Planning Guidance[1] recognises that few if any developments generate value until they are complete either in whole or in phases. Regulation 69B of the Community Infrastructure Levy Regulations 2010 (as amended), allows Charging Authorities to introduce an Instalment Policy. The authority has freedom to decide the number of payments, the amount and the time due. The authority may also revise or withdraw the policy when appropriate.

## Instalments Policy

| Total CIL Liability | Number of instalments/tranche | Payment Tranche Period |
|---|---|---|
| Less than £20,000 | 1 | 100% payable within 60 days |
| Equal to or greater than £20,000 but less than £100,000 | 3 | 1st instalment - 25% within 60 days<br>2nd instalment - 25% within 180 days<br>3rd instalment - 50% within 360 days |
| Equal to or greater than £100,000 but less than £2,000,000 | 3 | 1st instalment - 25% within 180 days<br>2nd instalment - 25% by end of yr 1<br>3rd instalment - 50% by end of yr 2 |
| Equal to or greater than £2,000,000 but less than £10,000,000 | 4 | 1st instalment - 25% by end of yr 1<br>2nd instalment - 25% by end of yr 2<br>3rd instalment - 25% by end of yr 3<br>4th instalment - 25% by end of yr 4 |
| Equal to or in excess of £10,000,000 | 7 | Chargeable amounts up to £10,000,000 as instalments for £2,000,000 to £10,000,000, as detailed above, the remaining tranche payable as follows:<br><br>5th instalment - 33% by end of yr 5<br>6th instalment - 33% by end of yr 6<br>7th instalment – 34% by end of yr 7 |

The above policy will apply except if:

a) a commencement notice is not submitted by the developer to the Charging Authority prior to commencement of the chargeable development
b) a valid liability notice has not been issued by the Charging Authority prior to commencement of the chargeable development
c) an instalment payment has not been made in full by the liable party to the Charging Authority after the end of a period of 60 days beginning with the day on which the instalment payment was invoiced by the Charging Authority

When sites come forward through phased development, as expressly provided for in a planning permission, each separate phase of development will be treated as a separate chargeable development as set out in Regulation 8 of the CIL regulations 2010 (as amended).

[1] Planning Practice Guidance Paragraph: 056 Reference ID: 25-056-20140612

# Community Infrastructure Levy (CIL)

# Discretionary Relief for Exceptional Circumstances

# Statement

CIL Regulation 55

South Oxfordshire District Council does not offer relief from liability to pay the CIL levy in any circumstances.

1st April 2016

# South Oxfordshire District Council
# Community Infrastructure Levy (CIL)

# Charging Schedule Adoption Statement

In accordance with the Section 213 of the Planning Act 2008 (as amended) and the Community Infrastructure Levy Regulations 2010 (as amended), the South Oxfordshire District Council CIL Charging Schedule was formally approved and adopted by a meeting of the full Councils on 18 February 2016.

This included approval of the following associated documentation:
- Regulation 123 List,
- Instalment Policy, and
- Exceptional Circumstances Relief Statement

The CIL Charging Schedule and associated documents will take effect on Friday 1 April 2016.

In accordance with CIL Regulation 25 South Oxfordshire District Council has:

(a) Published the Charging Schedule and all associated documents on the website www.southoxon.gov.uk/cil;

(b) Made the adopted CIL Charging Schedule and all associated documentation available for inspection at the following locations:
- Council offices, at 135 Eastern Avenue, Milton Park, Milton, Abingdon, OX14 4SB
- Local libraries within South Oxfordshire (during their opening hours).

(c) Given notice by local advertisement of the approval and adoption of the South Oxfordshire CIL Charging Schedule (and all associated documents) including details of where the Charging Schedule can be inspected;

(d) Given notice to all persons who requested to be notified of the approval of the South Oxfordshire CIL Charging Schedule.

Please note there is no requirement in South Oxfordshire under CIL Regulation 25(e) to send a copy of the South Oxfordshire CIL Charging Schedule to any relevant consenting authorities.

Any person aggrieved by the CIL Charging Schedule may make an application to the High Court for Judicial Review on grounds that the document is not within the appropriate powers and/or a procedural requirement has not been complied with. Any such application must be made promptly, and in any event, no later than 31 March 2016 (6 weeks after the adoption date specified above).

For further information on the South Oxfordshire CIL please see our website at www.southoxon.gov.uk/cil or contact the Council under 01235 540546 or by email to planning@southandvale.gov.uk

# Joint Audit and Governance Committee



Report of Head of Finance

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E-mail: matthew.barber@whitehorsedc.gov.uk

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

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

# Treasury management mid-year monitoring report 2015/16

**Recommendations**

That Joint Audit and Governance committee:
1. notes the treasury management mid-year monitoring report 2015/16, and
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy.

That Cabinet:
3. considers any comments from Joint Audit and Governance committee and recommends council to approve the report.

## Purpose of report

1. The report fulfils the legislative requirements to ensure the adequate monitoring of the treasury management activities and that each council's prudential indicators are reported to their respective council mid-year (ie: as at 30 September). The report provides details of the treasury activities for the first six months of 2015/16 and an update on the current economic conditions with a view to the remainder of the year.

## Strategic objectives

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 appropriate and sufficient resources are available to deliver its services and meet the council's other strategic objectives, whilst allowing surplus funds to be prudently invested to provide a return on investment that contributes to each council's medium term financial plan.

## Background

3. The council's treasury activities are strictly regulated by legislation. The CIPFA Prudential Code and CIPFA Code of Practice for Treasury Management requires a monitoring report to be provided mid-year to council. The report covers the treasury activity for the period 1 April 2015 to 30 September 2015.

4. The 2015/16 treasury management strategy was approved by each council in February 2015. This report summarises the treasury activity and performance for the first six months of 2015/16 against those prudential indicators and benchmarks set for the year. It is also provides an opportunity to review and subsequently revise limits if required. Full council is required to approve this report and any amendments to the Treasury Management Strategy.

## Treasury activity

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

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

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

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

7. As a result of the many banking downgrades, there are now fewer financial institutions meeting the council's investment criteria. When it is possible, investments will be placed with highly rated institutions for a longer duration with a view to

increasing the weighted average maturity of the portfolio, but this has meant that overall there are less suitable counterparties available to the councils to deposit with.

**Performance measurement**

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

**Icelandic banks**

**SODC – Kaupthing Singer & Friedlander**

9. SODC has now received £2,144,488 in respect of the claim for £2.6 million (£2.5 million investment plus interest) from the investment made with the failed Icelandic bank Kaupthing Singer & Friedlander (KSF).

10. The administrators intend to make further payments at regular intervals. The last dividend was paid on 10 December 2014. The administrators have not advised when the next instalment will be paid. The estimated total amount to be recovered is forecast to be in the range of 85p to 86.5p in the pound. This equates to between £2,236,209 and £2,275,671.

**VWHDC – Landsbanki hf**

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

**Treasury management limits on activity**

12. Each council is required by the Prudential Code to report on the limits set each year in their respective Treasury Management Strategies. The purpose of these limits is to ensure that the activity of the treasury functions remain within certain parameters, thereby mitigating risk and reducing the impact of an adverse movement in interest rates. However, if these limits are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The limits for both councils are shown in appendices B1 and B2.

**Debt activity during 2015/16**

13. During the first six months of 2015/16 there has been no need for either of the councils to borrow. The treasury manager will continue to take a prudent approach to the councils' debt strategies. The prudential indicators and limits set out in annex C provide the scope and flexibility for either of the councils to borrow in the short-term up to the maximum limits, if ever such a need arose within the cash flow management activities of the authority in order to achieve its service objectives.

**Financial implications**

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

this, the Bank of England's Monetary Policy Committee continues to take a cautious view on rates and the projection from the council's treasury advisors (Capita Asset Services) is that near zero or negative rates of inflation (CPI) have reduced the likelihood of a rise in official rates before early 2017. Furthermore, when rates do rise, they will do so more slowly than in pre-crash years due to concerns over the sustainability of the recovery and the continuing levels of high personal indebtedness. Rates are not likely to reach pre-2008 levels for some considerable time (if at all).

15. SODC. The latest estimate is that income receivable on cash investments will be above budget. This is a result of reprofiling on the capital programme which has deferred expenditure, meaning the council has more funds for investment and allowing investments to be retained longer than originally forecast. It is projected that overall interest receivable will be in the region of £298,700 above budget.

16. VWHDC. The latest estimate is that income receivable on cash investments will be above budget, due to the EZ building foundations for growth funding that was received at the end of last year and has been invested pending disbursement. This means that overall interest receivable by the end of 2015/16 will be in the region of £118,000 above budget.

**Legal implications**

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

**Conclusion**

18. This report provides details of the treasury management activities for the period 1 April 2015 to 30 September 2015 and the mid-year prudential indicators to each respective council.

19. These details confirm that treasury activities at both councils have operated within the agreed parameters set out in their respective approved treasury management strategies, and provides the monitoring information for joint audit and governance committee to fulfil its role of scrutinising treasury management activity at each council.

**Background papers**

- CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes (revised 2011)
- CIPFA Prudential Code for Capital Finance in Local Authorities (2011 edition)
- Various committee reports, principally:-
  Treasury Management Investment Strategy 2015/16
  SODC – council 19 February 2015
  VWHDC – council 18 February 2015

## South Oxfordshire District Council

| Investments as at 30 September 2015 | | | | | |
|---|---|---|---|---|---|
| Counterparty | Deposit type | Maturity date | Investment duration in days | Principal | Rate |
| Close Brothers | Fixed | 02/10/2015 | 365 | 2,000,000 | 1.30% |
| Close Brothers | Fixed | 26/11/2015 | 364 | 3,000,000 | 1.30% |
| Progressive Building Society | Fixed | 01/10/2015 | 304 | 2,000,000 | 0.90% |
| Close Brothers | Fixed | 15/12/2015 | 365 | 3,000,000 | 1.30% |
| Principality Building Society | Fixed | 11/03/2016 | 365 | 2,000,000 | 0.92% |
| Skipton Building Society | Fixed | 11/03/2016 | 364 | 3,000,000 | 1.00% |
| National Counties Building Society | Fixed | 16/02/2016 | 306 | 1,500,000 | 0.95% |
| National Counties Building Society | Fixed | 22/02/2016 | 308 | 2,000,000 | 0.95% |
| Progressive Building Society | Fixed | 23/02/2016 | 306 | 1,000,000 | 0.95% |
| Newcastle Building Society | Fixed | 27/04/2016 | 366 | 2,000,000 | 1.10% |
| Progressive Building Society | Fixed | 01/03/2016 | 305 | 2,000,000 | 1.00% |
| Newcastle Building Society | Fixed | 03/05/2016 | 364 | 2,000,000 | 1.10% |
| Skipton Building Society | Fixed | 06/05/2016 | 364 | 2,000,000 | 1.02% |
| Newcastle Building Society | Fixed | 06/05/2016 | 364 | 2,000,000 | 1.10% |
| National Counties Building Society | Fixed | 21/03/2016 | 305 | 2,000,000 | 0.92% |
| Principality Building Society | Fixed | 31/05/2016 | 364 | 2,000,000 | 1.00% |
| West Bromwich Building Society | Fixed | 13/06/2016 | 364 | 3,000,000 | 1.01% |
| Skipton Building Society | Fixed | 13/06/2016 | 364 | 1,000,000 | 1.00% |
| Goldman Sachs International Bank | Fixed | 24/06/2016 | 364 | 2,000,000 | 1.00% |
| National Counties Building Society | Fixed | 26/04/2016 | 305 | 2,000,000 | 0.96% |
| West Bromwich Building Society | Fixed | 01/07/2016 | 365 | 4,000,000 | 1.05% |
| Skipton Building Society | Fixed | 30/06/2016 | 364 | 1,500,000 | 1.00% |
| Goldman Sachs International Bank | Fixed | 11/07/2016 | 364 | 2,000,000 | 1.00% |
| West Bromwich Building Society | Fixed | 20/07/2016 | 364 | 1,000,000 | 1.00% |
| Goldman Sachs International Bank | Fixed | 25/07/2016 | 364 | 2,000,000 | 1.02% |
| Progressive Building Society | Fixed | 03/06/2016 | 305 | 2,000,000 | 1.00% |
| Progressive Building Society | Fixed | 03/06/2016 | 305 | 1,000,000 | 0.88% |
| Newcastle Building Society | Fixed | 30/08/2016 | 364 | 2,000,000 | 1.10% |
| Newcastle Building Society | Fixed | 01/09/2016 | 364 | 2,000,000 | 1.10% |
| National Counties Building Society | Fixed | 04/07/2016 | 305 | 1,000,000 | 1.00% |
| Progressive Building Society | Fixed | 11/06/2016 | 276 | 2,000,000 | 1.00% |
| Santander | Call * | | | 8,171,665 | 0.40% |
| Royal Bank of Scotland | Call * | | | 2,329 | 0.25% |
| Royal Bank of Scotland | Call * | | | 95,101 | 0.25% |
| Goldman Sachs | MMF * | | | 4,770,000 | 0.44% |
| Deutsche Bank | MMF * | | | 1,815,000 | 0.40% |
| Blackrock | MMF * | | | 690,000 | 0.36% |
| **Total short term cash investments (<1 yr duration)** | | | | **77,544,095** | |
| Blaenau Gwent County Borough Council | Fixed | 08/04/2016 | 913 | 3,000,000 | 1.38% |
| HSBC | Fixed | 27/02/2017 | 1827 | 2,000,000 | 1.90% |
| Kingston upon Hull City Council | Fixed | 19/08/2020 | 2557 | 3,500,000 | 2.70% |
| Kingston upon Hull City Council | Fixed | 19/08/2020 | 2557 | 1,500,000 | 2.70% |
| Kingston upon Hull City Council | Fixed | 15/01/2021 | 2557 | 2,000,000 | 2.50% |
| Royal Bank of Scotland | Fixed | 22/01/2018 | 1098 | 2,000,000 | 1.25% |
| Royal Bank of Scotland | Fixed | 18/02/2019 | 1463 | 2,000,000 | 1.20% |
| Close Brothers | Fixed | 14/03/2017 | 547 | 2,000,000 | 1.40% |
| **Total long-term cash investments (>1 yr duration)** | | | | **18,000,000** | |
| Santander | Corporate Bond | 04/01/2017 | | 299,552 | 11.50% |
| **Total corporate bond investments** | | | | **299,552** | |
| CCLA | Property | | | 5,000,000 | Variable |
| Legal & General Equities | Unit Trust | | | 12,313,780 | Variable |
| **Total Investments** | | | | **113,157,427** | |

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

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

## Vale of White Horse District Council

| Investments as at 30 September 2015 | | | | | |
|---|---|---|---|---|---|
| **Counterparty** | **Deposit type** | **Maturity date** | **Total investment duration in days** | **Principal** | **Rate** |
| Close Brothers Ltd | Fixed | 02/10/2015 | 364 | 1,500,000 | 1.35% |
| Skipton Building Society | Fixed | 15/10/2015 | 183 | 2,000,000 | 0.71% |
| National Counties Building Society | Fixed | 16/11/2015 | 306 | 1,000,000 | 0.98% |
| National Counties Building Society | Fixed | 18/01/2016 | 301 | 2,000,000 | 1.00% |
| Skipton Building Society | Fixed | 18/01/2016 | 201 | 2,000,000 | 0.73% |
| Nottingham Building Society | Fixed | 25/01/2016 | 178 | 2,000,000 | 0.71% |
| Progressive Building Society | Fixed | 22/02/2016 | 297 | 2,000,000 | 1.00% |
| Lloyds Bank Plc | Fixed | 15/03/2016 | 365 | 3,000,000 | 1.00% |
| Progressive Building Society | Fixed | 21/03/2016 | 264 | 1,000,000 | 0.90% |
| Newcastle Building Society | Fixed | 21/03/2016 | 188 | 2,000,000 | 0.75% |
| Lloyds Bank Plc | Fixed | 29/03/2016 | 370 | 6,000,000 | 1.00% |
| LGIM | MMF * | | | 5,600,000 | 0.46% |
| Goldman Sachs | MMF * | | | 2,880,000 | 0.44% |
| **Total short term cash investments (<1 yr duration)** | | | | **32,980,000** | |
| Kingston Upon Hull City Council | Fixed | 19/08/2020 | 2,557 | 2,000,000 | 2.70% |
| Kingston Upon Hull City Council | Fixed | 15/01/2021 | 2,557 | 2,000,000 | 2.50% |
| **Total long-term cash investments (>1 yr duration)** | | | | **4,000,000** | |
| CCLA | Property | | | 2,000,000 | variable |
| **Total Investments** | | | | **38,980,000** | |

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

## South Oxfordshire District Council

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

## Vale of White Horse District Council

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

# Report to:

## Audit and corporate governance committee
## Cabinet
## Council

Report of Head of Finance

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| | |
|---|---|
| To: Audit & Corporate Governance Committee | 25 January 2016 |
| To: Cabinet | 04 February 2016 |
| To: Council | 18 February 2016 |

# Treasury management strategy 2016/17 to 2018/19

**Recommendations:**

The committee recommends to cabinet and council:

1. To approve the treasury management strategy 2016/17 set out in appendix A to this report;
2. To approve the prudential indicators and limits for 2016/17 to 2018/19 as set out in table 2, appendix A;
3. To approve the annual investment strategy 2016/17 set out in appendix A (paragraphs 23 to 58) and the lending criteria detailed in table 5.

That cabinet:

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

**Purpose of report**

1. This report presents the council's Treasury Management Strategy (TMS) for 2016/17 to 2018/19. This sets out how the council's treasury service will support capital investment decisions, and how the treasury management operates day to day. It sets out the limitations on treasury management activity governed by the

prudential indicators, within which the council's treasury function must operate. The strategy is included as appendix A to the report (paragraphs 1 to 57). This report includes the three elements required by legislation as follows:

- The prudential indicators required by the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The annual investment strategy. This sets out the council's criteria for selecting counterparties and limiting exposure to the risk of loss on its investments. This strategy is in accordance with the DCLG investment guidance and forms part of the treasury management strategy (appendix A, paragraphs 23 – 57);
- A statutory duty to approve a minimum revenue provision policy for 2016/17 (paragraphs 52-53).

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

**Strategic objectives**

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

**Background**

3. 'Treasury management' is the planning of the council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

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

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

6. The council's treasury management strategy 2016/17 to 2018/19 is attached in appendix A. Whilst every attempt has been made to minimise the technical content of this report, it is, by its very nature and the need for compliance with associated guidance, technical in parts. A glossary of terms in annex 6 should aid members understanding of some technical terms used in the report.

## Recommended changes to the treasury management strategy

7. Council approved the 2015/16 treasury management strategy on 19 February 2015. No significant change is being sought to the recommendations approved in the previous strategy report.

## Financial implications and risk assessment

8. 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.

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

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

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's |
| Forecast as at January 2016 | 2,196 | 2,063 | 2,252 | 2,205 | 1,796 |

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

### Legal implications

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

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

### Conclusion

12. This report provides details of the treasury management strategy and the annual investment strategy for 2016/17 which are appended to this report, together with the prudential indicators for approval to council. These documents provide the parameters within which officers will operate the council's treasury management function.

### Background papers

- CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes (revised 2011)

- CLG Local Government Investment Guidance under Section 15(1)(a) Local Government Act 2003 and CIPFA Prudential Code for Capital Finance.
- Treasury Management Investment Strategy 2015/16 (cabinet 12 February 2015, council 19 February 2015)

**Appendices**

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

# Treasury Management Strategy 2016/17 to 2018/19

## Introduction

1. The Local Government Act 2003 and supporting regulations require the council to 'have regard to' the CIPFA Prudential Code and to set Prudential Indicators for the next three years to ensure that the council's capital investment plans are affordable, prudent and sustainable.
2. The Act requires the council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act). This sets out the council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
3. The strategy in respect of the following aspects of the treasury management function is based on treasury officers' views on interest rates, supplemented with market forecasts provided by the council's treasury advisor, Capita Asset Services. The strategy covers:
   - Prudential and treasury indicators in force that will limit the treasury risk and activities of the council;
   - Current treasury position
   - 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 32 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 this report is to explain the risks, and the management of those risks, associated with providing the treasury service. Legislation requires that as a minimum two further treasury reports are provided: a mid-year monitoring report and an outturn report after the year-end that reports on actual activity for the year.

## Treasury Limits for 2016/17 to 2018/19

5. It is a statutory duty, under Section 3 of the Act and supporting regulations for the council to determine and keep under review how much it can afford to borrow. The

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

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

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

| **Table 2: Prudential Indicators** | **2015/16 £m** | **2016/17 £m** | **2017/18 £m** | **2018/19 £m** |
|---|---|---|---|---|
| **Debt** | | | | |
| **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** | **£m** | **£m** | **£m** | **£m** |
| **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 |

## Current position

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

**Table 3: Maturity structure of investments**

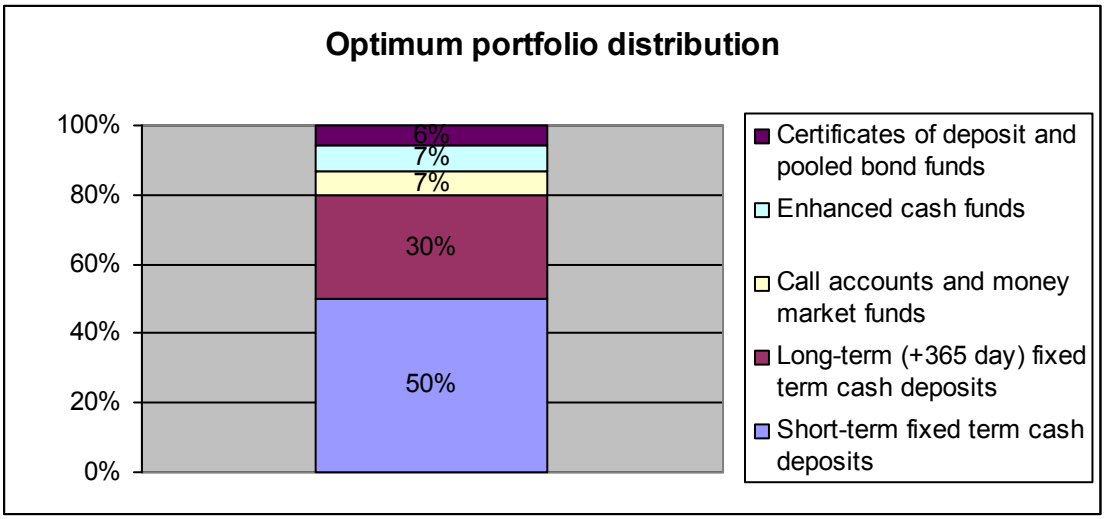
| | Classification of investment at deal date £'000 | % holding | Classification as at 31/12/14 £'000 | % holding |
|---|---|---|---|---|
| Call | 15,098 | 13% | 15,098 | 13% |
| Money market funds | 5,155 | 4% | 5,155 | 4% |
| Less than 6 months | 0 | 0% | 35,500 | 30% |
| 6 months to 1 year | 65,000 | 55% | 30,500 | 26% |
| 1 - 2 years | 0 | 0% | 3,000 | 3% |
| 2 - 3 years | 3,000 | 3% | 2,000 | 2% |
| 3 - 7 years | 10,000 | 8% | 7,000 | 6% |
| Corporate bonds (par value) | 1,770 | 2% | 1,770 | 2% |
| CCLA - property fund | 5,000 | 4% | 5,000 | 4% |
| Equities | 12,669 | 11% | 12,669 | 11% |
| | 117,692 | 100% | 117,692 | 100% |

Note: £117 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.

The figure for total investments shown above excludes the £15 million 20-year loan to SOHA made in 2013/14 and the balance outstanding with Kaupthing Singer & Friedlander (KSF).

10. The council currently holds 83 per cent of its investments in the form of cash deposits, 66 per cent is invested for fixed terms with a fixed investment return and 17 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.

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




*This represents officer interpretation of a diversified portfolio and from time to time actual holdings will vary from this significantly.*

**Icelandic banks – Kaupthing Singer & Friedlander**

12. 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).

13. The administrators intend to make further payments at regular intervals. The estimated total amount to be recovered is forecast to be in the range of 85p to 86.5p in the pound. This equates to between £2,236,209 and £2,275,671

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

14. The council's budgeted investment return for 2015/16 is £2.1 million, and the actual interest earned to date is shown as follows:

**Table 4: Investment interest earned to date and outturn estimate**

| Investment type | Interest Earned | | | |
|---|---|---|---|---|
| | Annual Budget 2015/16 £000's | Actual to date 2015/16 £000's | Annual Forecast 2015/16 £000's | Forecast Variation 2015/16 £000's |
| Position at end December 2015 | 2,088 | 1,910 | 2,387 | 299 |
| **Total interest** | **2,088** | **1,910** | **2,387** | **299** |

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

15. The annual treasury management strategy has to set out details of the council's borrowing requirement, any maturing debt which will need to be re-financed, and the effect this will have on the treasury position over the next three years. This council 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 support cash flow in the short-term;
    - to fund capital investment over the medium to long term.

16. 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 £5 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.

17. The latest projection from the council's treasury advisors, Capita Asset Services, is for the Bank of England base rate to remain unchanged at 0.5% until the second quarter of 2016.

18. 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.

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

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

21. This strategy allows the head of finance to determine the most suitable repayment terms of any borrowing to demonstrate affordability and sustainability in the medium term financial plan. As a general rule, the term of any borrowing will not be longer than the expected life of the capital asset being created.

**Policy on borrowing in advance of need**

22. 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.

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

## Annual investment strategy

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

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

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

24. 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.

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

## Investment types

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

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

    These are sterling investments of not more than one year maturity, or those where the council has the right to be repaid within 12 months if it wishes. These would include sterling investments with:
    - UK government Debt Management Agency Deposit Facility (DMADF)
    - UK government – treasury stock (Gilts) with less than one year to maturity
    - Supranational bonds of less than one year's duration
    - Deposits with UK local authorities
    - Pooled investment vehicles such as Money Market Funds (MMF) (AAA rated)
    - Deposits with banks and building societies (minimum F1/A-)
    - Certificates of deposits issued by banks and building societies (minimum rating as above)

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

    These are any other type of investment (i.e. investments not defined as specified, above). Non-specified investments would include any sterling investments with:
    - Supranational bonds of 1 to 10 years maturity
    - UK treasury stock (Gilts) with a maturity of 1 to 10 years
    - Unrated building societies (minimum asset value £1 billion)
    - Bank and building society cash deposits up to 5 years (minimum F1/A)
    - Deposits with UK local authorities up to 25 years

- Corporate bonds
- Pooled property, pooled bond funds and UK pooled equity funds
- Direct property investment

**Other Non-specified investment instruments**

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

**Approach to investing**

27. The council currently holds approximately £100 million core cash balances which are available to invest for more than one year. This is expected to reduce over the medium term as the approved capital expenditure is incurred and not replaced by capital receipts. In addition the council has funds which are available on a temporary basis to invest. These are held pending payment over to another body such as precept payments and council tax. The amount can vary between £15 million and £30 million throughout the year and should only be invested short term (under one year). Investments will be made with reference to known cash flow requirements (liquidity).

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

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

30. 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).

31. The council has the authority to lend to other local authorities at market rates. Current investments include £7 million with Kingston upon Hull City Council and £3 million placed with Blaenau Gwent Borough Council. Whilst investments with other local authorities are considered to be supported by central government, officers will consider the financial viability and sustainability of the individual local authority before any funds are advanced.

32. The property investment holdings will be kept under review to identify if further investments should be placed in these categories. Property funds will also be looked at in more detail for consideration. In 2013/14 the council invested £5 million in the Churches Charities and Local Authorities pooled property investment fund (CCLA). Further details on the property investment policy are contained in annex 3.

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

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

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

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

37. Unlike money market funds, enhanced cash funds have a variable net asset value (VNAV). This means the assets are 'marked to market' (re-valued to current market value) on a daily basis and the fund unit price adjusted accordingly. Under this calculation basis the unit price fluctuates and could, therefore, be higher or lower than the original investment when it is redeemed. Any use of enhanced cash funds would be restricted to the high quality counterparty credit criteria as set out in Table 5.

38. The council does not currently make use of certificates of deposit (Annex 6). Consideration will be given to their use to assist diversification of the investment portfolio. Certificates of deposit have the same level of ranking and security as ordinary fixed term deposits but have the option of being traded before maturity. Certificates of deposit are bought and sold on the stock market and their price can go up or down prior to their redemption date. If held to maturity the investment will return their issue value. The council would only normally look to enter into such investments on a held to maturity basis.

**Counterparty selection**

39. 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 Moodys.

40. 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 adopting this approach could leave the council with too few counterparties for the strategy to be workable. Instead, counterparty investment limits will be set by reference to all of the assigned ratings.

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

42. Additional requirements under the CIPFA Treasury Management Code complies the council to supplement the credit rating data with operational market information such as credit default swaps (CDS), negative watches and outlooks, which are considered

when assessing the security of counterparties. This additional information is used so that the council does not rely solely on the current credit ratings of counterparties.

43. 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

44. 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

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

| Table 5 - proposed counterparty limits<br>Counterparty | FITCH or equivalent<br>S/term | <br>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 - part nationalised UK | | | UK Sovereign | £20m | 4 years | 100% |
| Money Market Fund (CNAV) | AAA | | | £20m | liquid | 100% |
| Enhanced cash funds (VNAV) | AAA | | | £20m | variable | 50% |
| 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 > £3,000m | n/a | | | £12m | 12 months | 20% |
| Building societies - assets > £1,000m | n/a | | | £10m | 10 months | 20% |
| Managed fund | F1 | A- | | £15m | 1 year | 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 - part nationalised UK | | | UK Sovereign | £20m | 4 years | 80% |
| Pooled property fund | n/a | | | £10m | variable | 15% |
| Housing associations | F1+ | A+ | | £15m | variable | 15% |
| UK equities | n/a | | | £10m | variable | 20% |
| Corporate bonds | F1+ | A+ | | £5m | variable | 10% |
| Pooled bond fund | F1+ | A+ | | £5m | variable | 10% |
| Property related investments | n/a | | | £30m | variable | 80% |
| Local Authorities / parish councils | n/a | | | £15m | 25 years | 50% |
| Supranationals | | AAA | | £10m | 10 years | 40% |
| UK government - treasury bills | n/a | | UK Sovereign | £15m | 15 years | 10% |
| UK government - gilts | n/a | | UK Sovereign | £15m | 15 years | 10% |

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

**Fund managers**

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

**Risk and performance benchmarks**

48. A requirement of the Code is that security and liquidity benchmarks are considered and approved. This is in addition to yield benchmarks which are used to assess performance. The benchmarks are guidelines (not limits) so may be breached depending on the movement in interest rates and counterparty criteria. Their purpose is to allow officers to monitor the current trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with an explanation in the mid year or annual report to audit and corporate governance committee. Detailed information for the assessment of risk is shown in annex 2.

49. 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**

50. The council has a joint contract for treasury management advisors with Vale of White Horse District Council. A two year contract was awarded to Capita Asset Services, a

subsidiary of the Capita Group Plc in October 2014. The company provides a range of services which include:

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

51. The council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills, resources and up to date market information.

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

52. The council is required to assess its MRP requirement for the year in accordance with the guidance of section 21 of the Local Government Act 2003. MRP is a charge made to the revenue account as a proportion of outstanding capital liabilities.

53. The council has no outstanding capital liability and therefore the MRP for 2016/17 is nil. This will remain the case unless new capital expenditure is financed by borrowing.

**Councillor and officer training**

54. The requirement for increased councillor consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for councillors and officers. In compliance with the revised CIPFA Code, the council has provided treasury management training to councillors in January 2015. Further training can be provided if required or requested.

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

55. 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 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**

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

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

# Economic conditions and interest rate forecasts

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

**UK economy**

2. Since the second quarter of 2013 the UK has reported rising levels of GDP. However, growth remains volatile due to recession remaining in the manufacturing sector. Indicators suggest we will still see growth thanks to low unemployment and household spending, coupled with falling energy costs and food prices.

3. Levels of unemployment currently stand at 5.4%, lower than the initial threshold of 7% previously flagged by the MPC as the point before which it would not consider any increase in bank rate. The MPC broadened its forward guidance by looking at a much wider range of economic indicators in order to form a view on spare capacity in the domestic economy.

4. Levels of consumer spending has dropped quite sharply, but wage growth over inflation should support the strength of consumer recovery.

5. Consumer Price Inflation dipped into negative territory in September 2015 at -0.12%. Forward indications are that rates of inflation will remain steady for the year ahead and the 2% target level will not be breached for a while.

6. The latest projection from Capita Asset Services is for a first increase in interest rates to occur around the second quarter of 2016.

**Eurozone economy**

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

**Capita Asset Services forward view**

8. Economic forecasting continues to be difficult given the number of external influences affecting the UK. Key areas of risk include:

   - Economic uncertainty caused by the ongoing unrest in Eastern Europe, the Middle East and Asia;
   - UK economic growth is weaker than we currently anticipate;
   - Weak economic growth or recession in the European Union, the UK's main trading partners;
   - A decline in the economy in China, which will impact worldwide;

- A resurgence of the Eurozone sovereign debt crisis;
- Monetary policy action failing to stimulate sustainable growth in western economies especially the Eurozone and Japan;
- Recapitalisation of European banks requiring more government financial support.

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

**Prospects for interest rates**

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

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

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 of two per cent.

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

1. 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 Report.
2. Yield. Benchmarks are used to assess the performance of investments. The local measures of yield are as shown in Appendix A to this report.
3. Liquidity. Liquidity is defined as the council "having adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice). The in-house team keeps a daily cash-flow forecast and would only have an unseen requirement if (for example) a large receipt was received earlier than expected. In such a scenario, short term borrowing would be considered to cover the period of delay. In respect of this area the Council seeks to maintain:
   - Bank overdraft – the council does not have a set overdraft, but holds a composite account set. Any overdraft is chargeable, so the daily balance is always set to be in credit.
   - Liquid short term deposits of at least £10,000,000 available within one weeks notice.
4. The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the weighted average life (WAL) of the portfolio – a shorter WAL would generally embody less risk – ie a lower duration of investments so exposed to risk of default and a lower risk of being unable to switch investments in a rising interest rate environment. However, the converse of this is that shorter duration investments offer lower rates of return and investing for longer durations gives more certainty over returns available.
5. Officers will continue to look at options for longer term lending as applicable, with suitable high quality counterparties, such as other local authorities.
   - WAL benchmark is expected to be around 0.5 years, with a maximum of 3 years.
6. Security of the investments. In the context of benchmarking, assessing security is very much more a subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poor's). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the last 20-30 years.

**Average defaults for differing periods of investment**

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

7. The council's minimum long term rating criteria is currently "A" meaning the average expectation of default for a two year investment in a counterparty with an "A" long term rating would be 0.24 per cent of the total investment (e.g. for a £1 million investment the average loss would be £2,400). 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.

# Property Investment Policy

## 1.0 The cash for property

1.1 The council is restricted in the different investment vehicles it is legally allowed to invest in notwithstanding the over-riding need for prudence. Of the few options open, one is property and the returns from investing in property have generally been, and currently are, greater than the limited opportunities in the money markets. The following should be considered in conjunction with the council's published Asset Management Plan 2016-2020.

1.2 In broad terms the returns 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 How much is invested?

2.1 £16 million is currently held in property and £117 million is invested in treasury investments. The investment in property represents 14 per cent of the overall total.

## 3.0 What type of property?

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

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

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

yields can indicate that the investment attracts a lower degree of risk due to the ratio of rent to capital and other factors such as location, security and regularity of income.

## 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, maintenance and the varying return on other investments that it is difficult to draw up hard and fast rules about them and their relationship with the rate of return.

## 6.0 Review

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

## Explanation of Prudential Indicators

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

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

**Ratio of financing costs to net revenue stream** – because the council 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 so 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 2015 cabinet.

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

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

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

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

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

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

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

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

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

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

The investment policy proposed for the council is:

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

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

- UK government Debt Management Agency Deposit Facility (DMADF)
- UK government – treasury stock (Gilts) with less than one year to maturity
- Supranational bonds of less than one year's duration
- Deposits with UK local authorities
- Pooled investment vehicles such as Money Market Funds (MMF) (AAA rated)
- Deposits with banks and building societies (minimum F1/A-)
- Certificates of deposits issued by banks and building societies (minimum rating as above)

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

**Non-specified investments**

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

GLOSSARY OF TERMS

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

| | |
|---|---|
| **CIPFA** | Chartered Institute of Public Finance and Accountancy. |
| **CLG** | Department for Communities and Local Government. |
| **Derivative** | A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock. |
| **DMADF** | Deposit Account offered by the Debt Management Office, guaranteed by the UK government. |
| **ECB** | European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is the keep inflation within a band of 0 to 2 per cent. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle. |
| **Enhanced Cash Funds** | A pooled investment fund. Longer dated investment than a MMF and, unlike a MMF, enhanced cash funds have variable asset value. Assets are marked to market on a daily basis and the unit prices vary accordingly. Investments can be withdrawn on a notice basis (the length of which depends on the fund) although such funds would typically be used for investments of 3 to 6 month duration. |
| **Equity** | A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain. |
| **Forward Deal** | The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate. |
| **Forward Deposits** | Same as forward dealing (above). |
| **Fiscal Policy** | The government policy on taxation and welfare payments. |
| **GDP** | Gross Domestic Product. |
| **Gilt** | Registered British government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent. |
| **Mark to Market Accounting** | Accounting of the basis of the “fair value” of an asset or liability, based on the current market price. As a result, values will change with market conditions. |
| **Minimum Revenue Provision** | This is a prudent sum set aside each year to offset the principal repayment of any loan to smooth the impact on the local taxpayer. |
| **Money Market** | A well rated, highly diversified pooled investment vehicle whose |

| | |
|---|---|
| **Fund** | assets mainly comprise of short-term instruments. It is very similar to a unit trust, however a MMF relies on loans to companies rather than share holdings. |
| **Monetary Policy Committee (MPC)** | Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1 per cent of a central target of 2.5 per cent in two years time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment. |
| **Operational Boundary** | The most likely, prudent but not worst case scenario of external debt at any one time. |
| **Other Bond Funds** | Pooled funds investing in a wide range of bonds. |
| **PWLB** | Public Works Loan Board. |
| **QE** | Quantitative Easing. |
| **Retail Price Index** | Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person. |
| **Sovereign Issues (Ex UK Gilts)** | Bonds issued or guaranteed by nation states, but excluding UK government bonds. |
| **Supranational Bonds** | Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield (“spread”) given their relative illiquidity when compared with gilts. |
| **Treasury Bill** | Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value. |

# Cabinet report

South Oxfordshire District Council

Listening Learning Leading

AGENDA ITEM NO

Report of Head of Finance

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To: CABINET

DATE: 4 February 2016

# Medium Term Financial Strategy 2016/17 – 2020/21

**Recommendation to Council:**

To recommend Council to approve the Medium Term Financial Strategy for 2016/17 – 2020/21 as attached to the report of the head of finance to the Cabinet meeting of 4 February 2016.

## Purpose of report

1. This report asks Cabinet to consider and recommend Council approve the medium term financial strategy for 2016/17 – 2020/21.

## 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 19 February 2015.

## The Medium Term Financial Strategy

6. The MTFS for 2016/17 – 2020/21 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. No changes to the principles or objectives of the MFTS are being proposed.

## Financial implications

9. 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

10. 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

11. 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 2016/17 – 2020/21 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 2015/16 – 2019/20 Council 19 February 2015.

# MEDIUM TERM FINANCIAL STRATEGY 2016/17 – 2020/21

## 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) that 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 banking crisis and subsequent Government austerity measures have 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). The government has announced that by 2020 the scheme will be extended so that 100 per cent of business rates will be retained by local government. This will impact on the council but to what extent is not known as the new scheme has not yet been designed.

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

c) The location of the council's long term home following the fire at the council's Crowmarsh offices.

## 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.

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

[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.

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 £.075 million 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 £50 million for the long term. All investments will generate an annual return of certainty. Up to £30 million 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 be accounted for through 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 and s106 receipts held to fund future expenditure
- capital grants to fund future expenditure.

These balances are invested in the short-term in line with expected programme expenditure cash flows. Up to £10 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. 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. These balances are not a reserve held on the balance sheet. The amount will vary between nil and £15 million, and are invested 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 separately report on the implications of these changes if made outside the budget setting process.

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) Changes in the NHB scheme that impact on the amounts distributed might impact on the balances the council holds.

## 5. 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 (In focus).

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 Joint Audit and Governance Committee.

7.3 Significant current issues:

a) None.

## 8. Section eight - review

This strategy will be reviewed annually.

# Report to:

## Cabinet
## Scrutiny Committee
## Council

Report of Head of Finance

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| | |
|---|---|
| To: CABINET | 4 February 2016 |
| To: SCRUTINY COMMITTEE | 9 February 2016 |
| To: COUNCIL | 18 February 2016 |

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

**RECOMMENDATIONS**

1. That cabinet recommends to council that it:

   a. sets the revenue budget for 2016/17 as set out in appendix A.1 to this report,
   b. agrees that the capital schemes listed in paragraph 39 to this report remain in the capital programme
   c. approves the capital programme for 2016/17 to 2020/21 as set out in appendix D.1 to this report, together with the capital growth bids set out in appendix D.2 of this report ,
   d. sets the council's prudential limits as listed in appendix E to this report,
   e. approves the medium term financial plan to 2020/21 as set out in appendix F to this report,
   f. allocates £1,000,000 to fund the Communities Capital Grant Scheme.

2. That cabinet recommends council to authorise the head of finance, in consultation with the cabinet member for finance, to issue an efficiency statement to government in order to secure a four year settlement, if this is considered to be beneficial to the council.
3. That cabinet agrees that the cabinet member for finance, in conjunction with the head of finance, may make minor adjustments to this report and the prudential indicators should they prove necessary prior to its submission to council on 18 February 2016.

## Purpose of report

1. This report:

    - brings together all relevant information to allow cabinet to recommend to council a revenue budget for 2016/17 and a capital programme for 2016/17 to 2020/21;
    - recommends the prudential indicators to be set by the council in accordance with 'the Prudential Code' introduced as part of the Local Government Act 2003;
    - contains the opinion of the council's chief financial officer on the robustness of estimates and adequacy of the council's financial reserves;
    - contains the Medium Term Financial Plan (MTFP) 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 growth proposals (known as growth bids) have been made, each bid sets out how it will help achieve the council's objectives. The cabinet member for finance has chosen to include some growth bids in these budget proposals and these are identified in **appendix B.1** (revenue) and **appendix D.2** (capital), together with some revenue savings proposals in **appendix B.2.**

## Revenue budget 2016/17

### Budget target 2016/17

6. The MTFS to be considered by council on 18 February 2016 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'.

### Budget composition 2016/17

7. **Appendix A.1** summarises the movements in the base budget from £15,539,849 in 2015/16 to £14,792,198 in 2016/17. These movements are detailed below.

[1] Cabinet 4 February 2016, Council 18 February 2016

8. **Opening budget adjustment reduction £464,555, (appendix A.2)**. This includes the removal of one-off growth items relating to 2015/16 and before, and the realisation of the full-year effect of savings proposals identified in previous years.

9. Additions to the base budget:

   - **inflation, salary increments and other salary adjustments £376,328 (appendix A.3).** The salary and contract inflation totals £136,548, representing an average increase of 1.4 per cent on the 2015/16 net expenditure budgets. For council employees an overall increase in salary of 1.5 per cent is budgeted for 2016/17. Increments payable to council employees not at the top of their salary range total £102,789. The increase of £136,992 in other salary adjustments is higher than in previous years and reflects an increase of three per cent in employers NI contributions following changes to the Local Government Pension Scheme.

   - **essential growth – one-off £352,750 and ongoing £437,259 (appendix A.4)**, These items comprise additional expenditure which is considered unavoidable, and reflect changes that have occurred in the current year or which are known will happen in 2016/17

10. Deductions from the base budget:

   - **base budget savings £931,918 (appendix A.5)** These base budget savings are reductions in costs identified by officers which may be the result of more efficient working or previously agreed policy decisions, cost reductions outside of the council's control, increases in income, or correction to budgets. These savings do not affect frontline service delivery.

11. Corporate contract project savings and other related restructures:

   - **corporate contract savings of £640,000** These savings are the best estimates available at this time of savings arising from the Corporate Services project, given that contracts have not yet been signed. This figure is a part year saving, the full year saving is estimated to be £960,000. Savings are smoothed across the life of the contract, which is the only way to show costs given the information we have at present. This may change as a result of preferred holder discussions.

   - **residual client costs £116,291.** This is an estimate based on five per cent of the estimated contract cost of services not yet outsourced that are part of the corporate contract project. This reduces to three per cent when the contract is two years old.

   - **management restructure costs £50,000.** Leading on from the corporate services contract project, the senior management structure is being reviewed and reduced. It is estimated that in 2016/17 there will be a net cost to the council of £50,000, but in future years there will be annual savings of £100,000.

12. Other changes to corporate base budgets

   - **reduction in revenue contingency £32,267 (appendix A.6).** This brings the level of revenue contingency to £518,388. This includes specific provision for certain events should they occur, together with a general contingency amount of £200,000.

- **Increase in managed vacancy factor £11,662,** this provision is set at two per cent of budgeted employee costs and reduces the overall employees budget to reflect the savings that result from vacancies arising as part of normal staff turnover. As budgeted costs increase or decrease the provision is adjusted accordingly.

- **other budget adjustments of £123** reflects the changes in net property income which are included within revisions to the base budget.

13. As a result of these changes the council's revised base budget for 2016/17 is **£14,792,198**.

**Revenue growth proposals**

14. A number of revenue growth proposals are being recommended to council for inclusion in the budget for 2016/17. These are detailed in **appendix B.1** and total **£1,039,792**. 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.

15. During 2016/17 the council will be considering its corporate plan. Should this impact on the council's spending priorities in 2016/17 then this will be considered as part of the adoption of the plan.

16. In addition to revenue growth proposals, a number of savings proposals are being recommended. These are detailed in **appendix B.2** and total **£66,062**. The equalities implications of the proposals is considered later in the report.

**Net property income**

17. Net property income represents the council's income from its investment property portfolio less expenditure, and for 2016/17 is estimated at **£1,396,863.**

**Gross treasury income**

18. Treasury income earned in 2016/17 will be available to finance expenditure in 2017/18 and is currently forecast to be **£2,196,350**, and would be used as follows under current practice:

    - £1,836,350 to support the revenue budget for 2017/18; and

    - £360,000 reinvested in financial instruments.

19. More details of treasury income can be found in the council's Treasury Management Strategy report[2].

20. Including growth, property and treasury income results in a net expenditure budget for the council of **£12,172,715**.

[2] Cabinet 4 February 2016, Council 18 February 2016

## Reserves and other funding

### New Homes Bonus (NHB)

21. The provisional government allocation for NHB payment for 2016/17 is **£3,553,181.** For 2016/17 this will all be transferred to reserves. Projections of future NHB earnings and how they will be used are detailed later in this report.

### Transfers to/from reserves

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

- The transfer to reserves of investment income from property in Didcot for future investment - **£270,000**.
- The transfer to reserves of the treasury income earned in 2016/17 **£2,196,350**;
- The transfer from reserves of treasury income earned in 2015/16 to support the revenue account **£1,828,350**.
- The transfer from the revenue budget smoothing reserve of **£2,997,802** to arrive at a budget requirement that can be funded from the government grant settlement and council tax level which are discussed later in this report.

23. Based on the above use of reserves and other funding, the amount of revenue expenditure to be financed in 2016/17 is **£9,812,913**.

### Funding

### Local government settlement

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

**Table 1: settlement funding assessment (provisional)**

| | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|---|
| Revenue Support Grant | 1,195 | 572 | 192 | 0 |
| Business Rates Baseline Funding Level | 2,384 | 2,431 | 2,503 | 2,583 |
| **Settlement Funding Assessment** | **3,579** | **3,003** | **2,695** | **2,583** |
| Tariff/Top-Up adjustment | 0 | 0 | 0 | (233) |
| **Total** | **3,579** | **3,003** | **2,695** | **2,350** |

25. The provisional settlement for 2016/17 is 16.4 per cent lower than 2015/16. Whilst the baseline funding element of the settlement is increasing in line with the increase in national non domestic rates, to achieve the overall reduction in funding the government has significantly reduced the revenue support grant (RSG) element. This pattern is due to continue until RSG is reduced to nil in 2019/20. The provisional figures indicate that in that year additional tariff payment will be due, reflecting a redistribution of

government funding. It should be noted that these figures exclude NHB funding which is discussed later in the report.

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

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

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

28. As agreed by Council on December 17 2015, the council tax support grant contribution payable to town and parish councils will be **£152,449** for 2016/17. The proposed MTFP shows that this contribution will be reducing in line with the reduction in government funding going forward and will be replaced with a new grant application scheme.

**Business rate retention scheme**

29. For budget setting purposes it has been assumed that the council's share of business rates income after payment of tariff will equal the baseline funding level and remain at that level for the period of the MTFP.

30. Should the council decide to join the Oxfordshire Business Rate Pooling Distribution Group surpluses arising will be added to the council's reserves at the end of the financial year.

**Collection fund**

31. The surplus on the collection fund is estimated in 2015/16 to be **£272,237**.

## Cabinet member for finance's revenue budget proposal

32. 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 **£9,812,913**. This revenue budget as proposed would result in no change to current band "D" council tax to **£111.24**. **Appendix C** shows the breakdown of the revenue budget.

33. 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".

34. The cabinet member for finance's revenue budget proposal of **£9,812,913** 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.

35. A draft MTFP and proposed growth bids were published on the council's website in December 2015. No comments on the published MTFP and growth bids have been received by officers or by the cabinet member for finance.

## Capital programme 2016/17 to 2020/21

### Current capital programme

36. 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 2015 plus:-

- slippage (caused by delays to projects) carried forward from 2014/15
- new schemes approved by council during 2015/16
- re-profiling of expenditure on schemes from the 2015/16 financial year to future years where delays to schemes have occurred
- 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)**

| | 2015/16 latest estimate £000 | 2016/17 estimate £000 | 2017/18 estimate £000 | 2018/19 estimate £000 | 2019/20 estimate £000 | 2020/21 estimate £000 |
|---|---|---|---|---|---|---|
| Approved programme | 6,172 | 3,650 | 911 | 845 | 845 | 845 |
| Provisional programme | 5,145 | 13,828 | 14,871 | 6,987 | 2,392 | 1,332 |
| **Total** | **11,317** | **17,478** | **15,782** | **7,832** | **3,237** | **2,177** |

### Cabinet capital programme proposals

37. **Appendix D.2** contains a list of new capital schemes that are being recommended for inclusion in the capital programme. Officers will amend the provisional capital programme to include the proposals if approved by cabinet and council.

38. Two schemes previously agreed, namely Orchard Centre works (£5,500,000) and Didcot town centre housing (£3,900,000) are being deleted. In their place are new growth bids for regeneration and housing initiatives in Didcot and Science Vale (£7,250,000) and increasing the supply of housing (£2,000,000).

39. Capital schemes that have been in the provisional capital programme for two years without activity being incurred are automatically deleted. However, cabinet is recommending to council that the following schemes are kept in the programme:

- Didcot town centre development – scheme value £500,000.
- Housing allocations policy – scheme value £13,000
- Foxhall Manor Park plot development – scheme value £120,000

- Car park resurfacing – scheme value £45,000 per annum until 2017/18

**Financing the capital programme**

40. **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.

**Future pressures on the capital programme**

41. **Appendix D.3** also shows the balances of usable capital receipts, NHB and the enabling fund at the end of the MTFP period. 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 unallocated balances, 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**

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

43. 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.

44. 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.

45. 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.

46. 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.

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

48. **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)

49. The MTFP provides a forward budget model for the next five years. **Appendix F** contains the MTFP for 2016/17 to 2020/21**.** This is a projection of the revenue budget up to 31 March 2021. The projection allows for budget pressures in later years and assumes that council approves all the budget proposals within this report. With the exception of the corporate services project, officers have made no adjustments for the costs of contracts that will be re-let during this period. They could rise or fall depending on market conditions.

50. The MTFP identifies some potential challenges ahead for the council. It reflects the draft four year settlement figures published by the government in December 2015 and shown in table 1 above and anticipates that the basis of funding in 2019/20 continues into 2020/21. Ongoing funding after 2019/20 is an estimate by officers, and is subject to change. It also incorporates assumptions on interest income, and other known pressures on the council, such as inflation and salary increments.

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

52. Estimates of future receipts of new homes bonus are shown in table 3 below, and are also included in the MTFP (detailed in row 42). In total the council is expected to have received in excess of £13 million during the MTFP period.

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

**Table 3: new homes bonus**

| Year earned | Year of receipt | | | | |
|---|---|---|---|---|---|
| | 2016/17 budget £000 | 2017/18 indicative £000 | 2018/19 indicative £000 | 2019/20 indicative £000 | 2020/21 indicative £000 |
| 2011/12 | 260 | 0 | 0 | 0 | 0 |
| 2012/13 | 347 | 0 | 0 | 0 | 0 |
| 2013/14 | 537 | 0 | 0 | 0 | 0 |
| 2014/15 | 763 | 763 | 0 | 0 | 0 |
| 2015/16 | 971 | 971 | 971 | 0 | 0 |
| 2016/17 | 675 | 675 | 675 | 675 | 0 |
| 2017/18 | 0 | 495 | 495 | 495 | 495 |
| 2018/19 | 0 | 0 | 495 | 495 | 495 |
| 2019/20 | 0 | 0 | 0 | 468 | 468 |
| 2020/21 | 0 | 0 | 0 | 0 | 458 |
| **Total** | **3,553** | **2,904** | **2,636** | **2,133** | **1,916** |

54. 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 will be required within the parameters set by the MTFS in future years, and this represents a significant challenge.

55. The graph and table 4 below illustrates the gap between funding and expenditure over the later period of the MTFP.

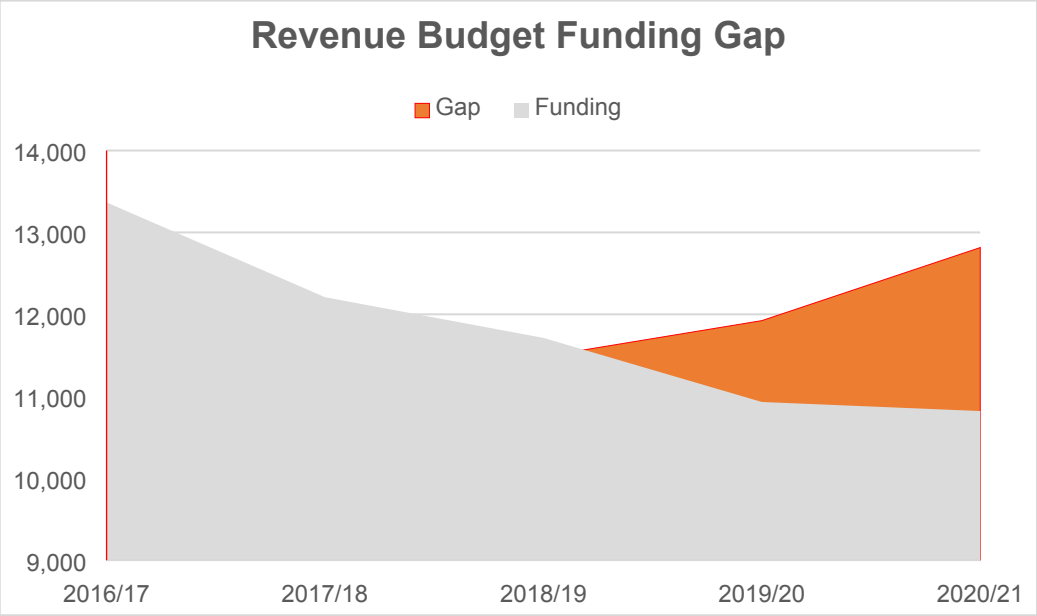


**Table 4: revenue budget funding gap**

| | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|---|
| Net expenditure | 12,173 | 12,036 | 11,484 | 11,923 | 12,815 |
| Funding | 13,366 | 12,209 | 11,712 | 10,930 | 10,819 |
| Gap | 1,193 | 173 | 228 | (993) | (1,996) |
| Gap cummulative | 1,193 | 1,366 | 1,595 | 602 | (1,394) |

56. The council's MTFS states that the council will hold £50 million of investments of which £30 million can be invested in capital schemes that will produce a return of certainty. The remaining £20 million can be invested in treasury investments. Whilst the treasury investments are capable of being realised, investment in capital schemes is not capable of being realised.

57. As at 31 March 2021 the council is projected to have invested £30 million in the following capital schemes:

- Didcot leisure centre - £15 million
- Loan to South Oxfordshire Housing Association - £15 million

Officers advise that the Didcot leisure centre capital scheme will generate a regular return on investment and so the previous investment of £5 million has been increased to £15 million. The remaining £20 million is comprises £16.8 million held in long term investments, and £3.2 million held in capital and revenue balances.

58. Excluding the £50 million investment, the council is projected to hold £1.8 million of general revenue balances and £11.0 earmarked revenue reserves as at 31 March 2021. Of the earmarked reserves £6.6 million represents un-allocated NHB.

## Communities Capital Grant Scheme

59. 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 for 2016/17.

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

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

61. 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 the council's scrutiny committee members which was open to all councillors. In view of the process undertaken and his own knowledge of the budget, the head of finance is satisfied that the budget is both prudent and robust.

62. 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 2021 is estimated to be £1.1 million. In the MTFP the 2020/21 revenue budget is balanced by using NHB receipts.

63. The one significant risk identified is a possible change to the NHB scheme. Should this happen a fundamental review of the council's budget will be necessary. Table 5 below shows that £1.733 million of expenditure budgeted for within the budget proposals from 2016/17 onwards is dependent on the receipt of NHB not yet received or confirmed as payable by the government. The table also shows that from 2018/19 onwards more NHB monies are being used to support revenue expenditure than are being received.

**Table 5.1: New Homes Bonus account**

| Year | Opening balance £000 | Receipt £000 | Revenue expenditure £000 | Closing balance £000 |
|---|---|---|---|---|
| **2016/17** | **6,362** | **3,553** | 0 | 9,915 |
| **2017/18** | 9,915 | 2,904 | (1,388) | 11,431 |
| **2018/19** | 11,431 | 2,636 | (2,959) | 11,108 |
| **2019/20** | 11,108 | 2,133 | (3,439) | 9,802 |
| **2020/21** | 9,802 | 1,916 | (3,862) | 7,856 |
| **Total** | | **13,142** | **(11,648)** | |

Note that the figures in **bold** represent monies confirmed or received. The closing balance of £7.9 million includes £1.3 million has been ring fenced by the council for affordable housing.

**Table 5.2 Expenditure at risk**

| | £000 |
|---|---|
| Total expenditure to be funded from NHB per table 4.1 | (11,648) |
| NHB funding received or confirmed (2016/17 in bold) | 9,915 |
| **Expenditure to be funded from NHB not yet received or confirmed** | **1,733** |

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

## Legal Implications

65. 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 18 February 2016 in order to set the budget, and the council tax (including amounts set by Oxfordshire County Council and the Police and Crime Commissioner for the Thames Valley).

66. 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.

## Equalities Implications of revenue savings proposals

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

- eliminate unlawful discrimination, harassment and victimisation,

- advance equality of opportunity between people who share a protected characteristic[3] and those who do not,

- foster good relations between people who share a protected characteristic and those who do not.

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

69. It is **the equality officer's view that the three budget reduction proposals are likely to have a low equality impact.**

- **Tourism marketing service** - reduction in services. It is unlikely that a reduction in visitors to local businesses as a result of reduced marketing would have any direct or indirect equality impact. There could be implications for visitors accessing information through the possible reduction in communication channels.

- **Increase garden waste subscription fee -** It is perceived that the increase of £2 per year is likely to have a low equality impact. Residents can share bins if they do not need the full service or could take their garden waste to the household waste recycling centres. There is also the option to purchase a compost bin and discounts are offered on these if purchased at our compost give away days.

- **Increase fee for bulky waste service** - Increasing the fees by £10.50 could impact on residents with low incomes which is more likely to be the elderly, people with disabilities and single parent households. However the proposal will not have an adverse effect on their quality of life. The council will direct residents to other organisations/charities who may be able to collect the items. And suggest neighbours may also like to put items together in order to share the cost.

## Other Implications

70. 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

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

72. 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.

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

## Appendices

| | |
|---|---|
| Appendix A.1 | Revenue budget 2016/17 |
| Appendix A.2 | Opening budget adjustments |
| Appendix A.3 | Inflation, salary increments and other salary adjustments |
| Appendix A.4 | Essential growth |
| Appendix A.5 | Base budget savings |
| Appendix A.6 | Revenue contingency |
| Appendix B.1 | Revenue growth |
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| 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 2015)
Medium term financial strategy 2016/17-2020/21 – Cabinet 4 February 2016, Council 18 February 2016
Council tax base 2016/17 – Cabinet 3 December 2015, Council 17 December 2015
Council tax reduction scheme grant for town and parish councils – Cabinet 3 December 2015, Council 17 December 2015
Treasury management strategy – Cabinet 4 February 2016, Council 18 February 2016

# South Oxfordshire DC - revenue budget summary 2016/17

| | 2015/16 Budget | 2016/17 Budget | Appendix Ref: |
|---|---|---|---|
| **Opening base budget 2016/17** | | **15,539,849** | |
| **Revisions to base budget** | | | |
| Opening budget adjustments | | (464,555) | Appendix A.2 |
| Inflation, salary increments and other salary adjustments | | 376,328 | Appendix A.3 |
| Essential growth - one-off | | 352,750 | Appendix A.4 |
| Essential growth - ongoing | | 437,259 | |
| Base budget savings | | (931,918) | Appendix A.5 |
| Movement in revenue contingency | | (32,267) | Appendix A.6 |
| Movement in managed vacancy factor | | (11,662) | |
| Corporate contract savings | | (640,000) | |
| Residual client costs | | 116,291 | |
| Management restructure savings | | 50,000 | |
| Changes in property budgets included in ** below | | 123 | |
| **Total base budget after revisions** | **15,539,849** | **14,792,198** | |
| **Growth proposals** | | | |
| Revenue - one-off | | 839,792 | Appendix B |
| Revenue - ongoing | | 200,000 | |
| Capital (revenue consequences of) | | 0 | Appendix D.2 |
| **Savings proposals** | | (66,062) | Appendix B.2 |
| Net property income ** | (1,396,740) | (1,396,863) | |
| Gross treasury income | (2,088,250) | (2,196,350) | |
| **Net expenditure** | **12,054,859** | **12,172,715** | |
| **Funding** | | | |
| Funding from reserves | (1,765,732) | (2,359,802) | |
| Budget funding requirement | (10,289,127) | (9,812,913) | Appendix C |
| **Total Funding** | **(12,054,859)** | **(12,172,715)** | |
| | | | |
| **Council tax yield required** | **6,032,946** | **6,114,307** | |

# South Oxfordshire DC - 2016/17 budget build changes

## Opening budget adjustments

| Year of bid | Summary | Spending profile | | | | |
|---|---|---|---|---|---|---|
| | | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
| **ALL SERVICES** | | | | | | |
| 2015/16 | Corporate costs | 7,647 | 0 | 0 | 0 | 0 |
| | | **7,647** | **0** | **0** | **0** | **0** |
| **CORPORATE STRATEGY** | | | | | | |
| 2014/15 | Bi-annual residents survey | (24,000) | 0 | (24,000) | 0 | (24,000) |
| 2013/14 | Reduction in landfill diversion credits | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| 2014/15 | Waste new properties | 11,550 | 23,100 | 34,650 | 34,650 | 34,650 |
| 2015/16 | Funding for tree works | 0 | 0 | (5,000) | (5,000) | (5,000) |
| 2015/16 | Waste new properties | 17,455 | 34,910 | 52,365 | 69,820 | 87,275 |
| 2015/16 | Collection cost increases | 23,958 | 47,916 | 71,874 | 95,832 | 119,790 |
| 2015/16 | Delivery cost increases | 11,240 | 22,480 | 33,720 | 44,960 | 56,200 |
| 2015/16 | Councilor development programme | (13,500) | (13,500) | (13,500) | (13,500) | (13,500) |
| | | **76,703** | **164,906** | **200,109** | **276,762** | **305,415** |
| **DEVELOPMENT AND HOUSING** | | | | | | |
| 2015/16 | Development consultancy | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) |
| 2015/16 | Procurement process costs | (175,000) | (175,000) | (175,000) | (175,000) | (175,000) |
| 2015/16 | GWP Boundary Park | 24,000 | 24,000 | 24,000 | 24,000 | 24,000 |
| | | **(201,000)** | **(201,000)** | **(201,000)** | **(201,000)** | **(201,000)** |

# South Oxfordshire DC - 2016/17 budget build changes

## Opening budget adjustments

| Year of bid | Summary | Spending profile | | | | |
|---|---|---|---|---|---|---|
| | | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
| **ECONOMY LEISURE AND PROPERTY** | | | | | | |
| 2015/16 | Stategic property technical assistant | 2,061 | 2,061 | 2,061 | 2,061 | 2,061 |
| 2013/14 | Additional leisure staff | (11,090) | (42,170) | (42,170) | (42,170) | (42,170) |
| 2014/15 | Market towns co-ordinator | (31,500) | (31,500) | (31,500) | (31,500) | (31,500) |
| 2015/16 | Investment property income | 270,000 | 270,000 | 270,000 | 270,000 | 270,000 |
| 2014/15 | Marketing and audience development assistant | (2,050) | (2,050) | (2,050) | (2,050) | (2,050) |
| | | **227,421** | **196,341** | **196,341** | **196,341** | **196,341** |
| **FINANCE** | | | | | | |
| 2014/15 | Pension costs | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 |
| | | **32,000** | **32,000** | **32,000** | **32,000** | **32,000** |
| **HR, IT & TECHNICAL SERVICES** | | | | | | |
| 2015/16 | Statutory compliance officer | 0 | (9,000) | (9,000) | (9,000) | (9,000) |
| 2015/16 | Mastering Management | 0 | (9,000) | (9,000) | (9,000) | (9,000) |
| | | **0** | **(18,000)** | **(18,000)** | **(18,000)** | **(18,000)** |
| **LEGAL & DEMOCRATIC** | | | | | | |
| 2012/13 | Restructure of legal and democratic | (4,038) | (4,038) | (4,038) | (4,038) | (4,038) |
| 2014/15 | Corporate services contract | (75,000) | (100,000) | (100,000) | (100,000) | (100,000) |
| 2014/15 | District council elections | (100,000) | (100,000) | (100,000) | (100,000) | (100,000) |
| 2015/16 | Parish Elections | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) |
| | | **(249,038)** | **(274,038)** | **(274,038)** | **(274,038)** | **(274,038)** |

# South Oxfordshire DC - 2016/17 budget build changes

## Opening budget adjustments

| Year of bid | Summary | Spending profile | | | | |
|---|---|---|---|---|---|---|
| | | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
| **PLANNING** | | | | | | |
| 2014/15 | Joint planning policy work | (10,000) | (30,000) | (30,000) | (30,000) | (30,000) |
| 2014/15 | Community engagement | (22,500) | (70,500) | (70,500) | (70,500) | (70,500) |
| 2014/15 | Community infrastrure levy (CIL) / Section 106 | (10,000) | (10,000) | (10,000) | (10,000) | (10,000) |
| 2014/15 | Major applications | 0 | (93,000) | (93,000) | (93,000) | (93,000) |
| 2014/15 | Planning applications and pre applications advice | 0 | (29,000) | (29,000) | (29,000) | (29,000) |
| 2015/16 | S106/CIL monitoring officer | 0 | (20,000) | (20,000) | (20,000) | (20,000) |
| 2015/16 | Design guide | (25,000) | (25,000) | (25,000) | (25,000) | (25,000) |
| 2015/16 | SHMA2 | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) |
| 2015/16 | Core strategy / local plan | (160,000) | (160,000) | (160,000) | (160,000) | (160,000) |
| 2015/16 | CIL exam and S106 SPD | (10,000) | (10,000) | (10,000) | (10,000) | (10,000) |
| | | **(287,500)** | **(497,500)** | **(497,500)** | **(497,500)** | **(497,500)** |
| **STRATEGIC MANAGEMENT BOARD** | | | | | | |
| 2014/15 | Corporate services contract renewal | (33,288) | (43,288) | (43,288) | (43,288) | (43,288) |
| 2015/16 | Change support programme | (37,500) | (37,500) | (37,500) | (37,500) | (37,500) |
| | | **(70,788)** | **(80,788)** | **(80,788)** | **(80,788)** | **(80,788)** |
| **GRAND TOTAL** | | **(464,555)** | **(678,079)** | **(642,876)** | **(566,223)** | **(537,570)** |

# South Oxfordshire DC - 2016/17 budget build changes

## Inflation, salary increments and other salary adjustments

| Detail | Spending profile | | | | |
|---|---|---|---|---|---|
| | 2016/17<br>£ | 2017/18<br>£ | 2018/19<br>£ | 2019/20<br>£ | 2020/21<br>£ |
| **ALL SERVICES** | | | | | |
| Salary inflation | 134,565 | 271,148 | 409,781 | 550,492 | 693,315 |
| Salary increments | 102,789 | 207,119 | 313,014 | 420,498 | 529,594 |
| Other salary adjustments | 136,992 | 136,992 | 136,992 | 136,992 | 136,992 |
| Other net inflation | 1,983 | 3,995 | 6,037 | 8,110 | 10,215 |
| **GRAND TOTAL** | **376,328** | **619,254** | **865,824** | **1,116,093** | **1,370,116** |

**Note:** Other salary adjustments are higher than in previous years due to the change in National Insurance contribution rates

# South Oxfordshire DC - 2016/17 budget build changes

## Essential growth

| No | Title of bid | Summary | One-off/ Ongoing | Spending profile: 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
|---|---|---|---|---|---|---|---|---|
| **CORPORATE STRATEGY AND WASTE** | | | | | | | | |
| 1 | **OCC Garden waste credits** | This is the removal of garden waste credits currently provided by OCC for green waste. They have informed us these credits will stop in April 2016. | Ongoing | 182,730 | 182,730 | 182,730 | 182,730 | 182,730 |
| 2 | **Grounds Maintenance additional payment** | An additional contract payment in accordance with an Individual Cabinet Members Decision. This is to cover the period 1 April to 31 December | One-off | 18,750 | 0 | 0 | 0 | 0 |
| | | | | **201,480** | **182,730** | **182,730** | **182,730** | **182,730** |
| **ECONOMY, LEISURE AND PROPERTY** | | | | | | | | |
| 1 | **Additional leisure development post** | Agreement has been given for an additional resource to address the additional workload created by the level of community infrastructure required over the coming years. This will be funded from existing budgets during 2015/16 but will need to be reflected in the budget going forwards. It is anticipated that this post will be shared 50:50 with the Vale. | Ongoing | 20,756 | 20,756 | 20,756 | 20,756 | 20,756 |
| | | | | **20,756** | **20,756** | **20,756** | **20,756** | **20,756** |
| **FINANCE** | | | | | | | | |
| 1 | **Housing Benefit** | Additional cost of housing benefit provision based on estimates for 2016/17 | Ongoing | 26,588 | 26,588 | 26,588 | 26,588 | 26,588 |
| | | | | **26,588** | **26,588** | **26,588** | **26,588** | **26,588** |

# South Oxfordshire DC - 2016/17 budget build changes

## Essential growth

| No | Title of bid | Summary | One-off/ Ongoing | Spending profile: 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
|---|---|---|---|---|---|---|---|---|
| **HR, IT & TECHNICAL SERVICES** | | | | | | | | |
| 1 | **Loss of rental income at Crowmarsh** | Following the fire, we are no longer receiving income from tenants at Crowmarsh (Mears, Monson, OALC), and have a reduced income from Capita at Milton Park. | Ongoing | 87,068 | 87,068 | 87,068 | 87,068 | 87,068 |
| | | | | **87,068** | **87,068** | **87,068** | **87,068** | **87,068** |
| **LEGAL AND DEMOCRATIC** | | | | | | | | |
| 1 | **Additional cost of allowances** | The £32,000 is to cover the additional cost of allowances. At the Annual Meeting of Council in May 2015 Council agreed a revised scheme which increased the overall cost of the allowances. | Ongoing | 40,597 | 40,597 | 40,597 | 40,597 | 40,597 |
| 2 | **Restructure of electoral and democratic services.** | Establish an additional posts in democratic and elections and legal services. This proposal has been approved by Strategic Management Board and implemented. | Ongoing | 41,520 | 41,520 | 41,520 | 41,520 | 41,520 |
| 3 | **Individual electoral registration** | To increase the electoral registration printing and postage budgets to ensure the council has sufficient budget to administer Individual Electoral Registration (IER). In this and the previous financial year the council received government grant to cover the increased costs associated with the introduction of IER. No decision has been taken on future government funding arrangements. | Ongoing | 38,000 | 38,000 | 38,000 | 38,000 | 38,000 |
| | | | | **120,117** | **120,117** | **120,117** | **120,117** | **120,117** |
| **PLANNING** | | | | | | | | |
| 1 | **Income funded resources for development management** | Additional planning fee income to fund additional resources and address the increase in planning application workload and maintain current levels of customer service. This was approved in April 2015 for 3 years from 2015/16. | One-off | 184,000 | 184,000 | 0 | 0 | 0 |
| 2 | **South Local Plan 2031** | Deliver Local Plan 2031, (incl Oxford City unmet housing need), update on evidence studies, consultation and examination. | One-off | 100,000 | 200,000 | 0 | 0 | 0 |
| | | | | **284,000** | **384,000** | **0** | **0** | **0** |
| | **GRAND TOTAL** | | | **790,009** | **871,259** | **487,259** | **437,259** | **437,259** |

# South Oxfordshire DC - 2016/17 budget build changes

## Base budget savings

| Item | | One-off / ongoing | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
|---|---|---|---|---|---|---|---|
| **CORPORATE STRATEGY** | | | | | | | |
| 1 | Reduction in the grants budget | Ongoing | (5,860) | (5,860) | (5,860) | (5,860) | (5,860) |
| 2 | Reduction in waste collection variable costs | Ongoing | (46,000) | (46,000) | (46,000) | (46,000) | (46,000) |
| 3 | Increase in agency reimbursements | Ongoing | (40,000) | (40,000) | (40,000) | (40,000) | (40,000) |
| 4 | Net increase in garden waste income | Ongoing | (59,705) | (59,705) | (59,705) | (59,705) | (59,705) |
| 5 | Reduction in payments to other authorities | Ongoing | (10,736) | (10,736) | (10,736) | (10,736) | (10,736) |
| | | | **(162,301)** | **(162,301)** | **(162,301)** | **(162,301)** | **(162,301)** |
| **ECONOMY, LEISURE AND PROPERTY** | | | | | | | |
| 1 | Cornerstone - increase in income | Ongoing | (14,750) | (14,750) | (14,750) | (14,750) | (14,750) |
| 2 | Station road car park income Didcot | One-off | (270,000) | 0 | 0 | 0 | 0 |
| 3 | Increase in staff recharges to Vale | Ongoing | (9,947) | (9,947) | (9,947) | (9,947) | (9,947) |
| 4 | Increased external sports funding | Ongoing | (17,246) | (17,246) | (17,246) | (17,246) | (17,246) |
| 5 | Other budget savings across service | Ongoing | (925) | (925) | (925) | (925) | (925) |
| | | | **(312,868)** | **(42,868)** | **(42,868)** | **(42,868)** | **(42,868)** |
| **FINANCE** | | | | | | | |
| 1 | Other budget savings across service | Ongoing | (150) | (150) | (150) | (150) | (150) |
| | | | **(150)** | **(150)** | **(150)** | **(150)** | **(150)** |

# South Oxfordshire DC - 2016/17 budget build changes

## Base budget savings

| Item | | One-off / ongoing | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
|---|---|---|---|---|---|---|---|
| **HR, IT & TECHNICAL** | | | | | | | |
| 1 | Poppin closure | Ongoing | (33,437) | (33,437) | (33,437) | (33,437) | (33,437) |
| 2 | Pension costs | Ongoing | (15,000) | (15,000) | (15,000) | (15,000) | (15,000) |
| 3 | Other budget savings across service | Ongoing | (2,640) | (2,640) | (2,640) | (2,640) | (2,640) |
| | | | **(51,077)** | **(51,077)** | **(51,077)** | **(51,077)** | **(51,077)** |
| **PLANNING** | | | | | | | |
| 1 | Increase in development management income | Ongoing | (293,522) | (293,522) | (293,522) | (293,522) | (293,522) |
| 2 | Development management salary apportionment | Ongoing | (112,000) | (112,000) | (112,000) | (112,000) | (112,000) |
| | | | **(405,522)** | **(405,522)** | **(405,522)** | **(405,522)** | **(405,522)** |
| **Overall total** | | | **(931,918)** | **(661,918)** | **(661,918)** | **(661,918)** | **(661,918)** |

# South Oxfordshire DC - 2016/17 budget build changes

## Revenue contingency

| SUMMARY | Provision 2016/17 £ |
|---|---|
| **Revenue contingency 2015/16** | **550,655** |
| Movement | (32,267) |
| **Total revenue contingency budget 2016/17** | **518,388** |

| DETAIL | | Worst case liability (£) | Probability (%) | Provision 2015/16 |
|---|---|---|---|---|
| | | £ | % | £ |
| **ALL SERVICES** | | | | |
| 1 | General contingency | N/A | 100 | 200,000 |
| | | | | **200,000** |
| **CORPORATE STRATEGY** | | | | |
| 2 | Waste contract inflation costs | 55,310 | 50 | 27,655 |
| 3 | Grounds maintenance tendering | 2,100 | 95 | 2,000 |
| | | | | **29,655** |
| **DEVELOPMENT AND HOUSING** | | | | |
| 4 | Homelessness nightly paid | 124,000 | 25 | 31,000 |
| | | | | **31,000** |
| **FINANCE** | | | | |
| 5 | Capita P&P - council tax (4 months) | 7,000 | 95 | 6,650 |
| 6 | Capita P&P - benefits (4 months) | 66,667 | 95 | 63,333 |
| 7 | HB bad debt provision | 60,000 | 95 | 57,000 |
| | | | | **126,983** |
| **HR, IT and TECHNICAL** | | | | |
| 8 | Increase in recruitment costs | 20,000 | 50 | 10,000 |
| | | | | **10,000** |
| **LEGAL AND DEMOCRATIC** | | | | |
| 9 | External legal costs - other | 150,000 | 75 | 112,500 |
| 10 | By-elections | 14,000 | 50 | 7,000 |
| 11 | Code of conduct investigations | 5,000 | 25 | 1,250 |
| | | | | **120,750** |
| **Overall total** | | | | **518,388** |

**South Oxfordshire DC - 2016/17 revenue budgets bids**

| No | Title of bid | Summary | One-off or ongoing? | Spending profile: | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
| **DEVELOPMENT AND HOUSING** | | | | | | | | |
| 1 | **Homelessness** | To increase homelessness prevention funding. This will assist in stopping statutory homeless households being placed into expensive bed and breakfast accommodation, by assisting them with a home in the private sector. | Ongoing | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 2 | **Studies to inform housing strategies for South** | The council does not have a housing strategy. This is a significant omission. Our local plans draw information from the SHMA and housing waiting lists to inform the local plan and negotiations with developers. We provide a very narrow definition of what constitutes affordable housing and we do not offer or support the wide range of housing products available as we have no evidence on which to base amendments to our current adopted policies. A sound, evidence-based housing strategy is more flexible than an adopted local plan and can be referenced as the source of housing policy within a local plan. A housing strategy will enable a housing Supplementary Planning Document (SPD) to be produced and utilised in section 106 agreements, minimising contention and negotiation challenges. | Ongoing | 90,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| 3 | **Rough sleepers - Connections** | To fund existing partnership with Connections to assist genuine rough sleepers to find hostel places. The service also assists with reconnection with any existing family, work or training. Will assist in homelessness prevention | One-off | 12,000 | 12,000 | 0 | 0 | 0 |
| 4 | **Didcot Gateway** | Didcot Gateway regeneration project is progressing towards planning committee with a decision anticipated in the New Year. The objective of the project is to deliver a landmark development of loft style apartments, hotel and office accommodation that will play a key role in changing the image of the town. This bid is to fund the remainder of the work needed to appoint a developer in the early part of 2016. | One-off | 500,000 | 250,000 | 0 | 0 | 0 |

**South Oxfordshire DC - 2016/17 revenue budgets bids**

| No | Title of bid | Summary | One-off or ongoing? | Spending profile: 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
|---|---|---|---|---|---|---|---|---|
| **DEVELOPMENT AND HOUSING continued** | | | | | | | | |
| **5** | **Strategic Site Masterplanning** | This bid is to produce a master plan for larger villages that will evaluate the opportunities for a fully commercial project which includes, new housing development, social infrastructure upgrades, social regeneration approaches, employment land changes and streetscape upgrades. The master plan will recommend an approach that is viable, deliverable and addresses issues identified. | One-off | 100,000 | 0 | 0 | 0 | 0 |
| | | | | **722,000** | **297,000** | **35,000** | **35,000** | **35,000** |
| **ECONOMY, LEISURE AND PROPERTY** | | | | | | | | |
| **1** | **Market town support** | The purpose of this bid is to continue support to the market towns by provision of funding towards market town-co-ordinator posts/support on an ongoing basis. Since 2010, the council has provided support to the creation of co-ordinator posts in each of the towns. These roles evolved over the years and it is the view of officers' that these posts are currently at an appropriate level of intervention. These posts are responsible for the delivery of the annual market town action plans, produced in partnership between the council, the town councils and the relevant business partnerships. | One-off | 38,000 | 38,000 | 0 | 0 | 0 |
| | | Contribution from town councils | One-off | (5,000) | (5,000) | 0 | 0 | 0 |
| | | | | **33,000** | **33,000** | **0** | **0** | **0** |
| **LEGAL AND DEMOCRATIC** | | | | | | | | |
| **1** | **Domestic homicide review funding** | To provide funding to carry out domestic homicide reviews by contributing £10,000 per council to an Oxfordshire countywide fund. | Ongoing | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| **2** | **CCTV running costs** | This bid is to meet the shortfall in CCTV running costs arising from a reduction in funding for the service from Thames Valley Police (TVP) with effect from 1 April 2016. | One-off | 14,792 | 19,443 | 0 | 0 | 0 |
| | | | | **24,792** | **29,443** | **10,000** | **10,000** | **10,000** |
| **PLANNING** | | | | | | | | |

## South Oxfordshire DC - 2016/17 revenue budgets bids

| No | Title of bid | Summary | One-off or ongoing? | Spending profile: | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
| 1 | **Infrastructure feasibility and design** | Both districts need to be proactive and prioritise this work to help enable accelerated housing delivery. Schemes are included within each council's IDP that need to progress, so they are shelf-ready for bids. This funding which will contribute to OCC funding means we can have a role to influence and prioritise work, caveats on participation and delivery will be built in on any contributions. | Ongoing | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| 2 | **Feasibility work and master planning - potential housing allocations** | Potential key Local Plan housing allocations, this bid is to undertake evidence research to understand, impacts, opportunities and deliverability of locations, to develop sustainable communities. Work is to include master-planning and regeneration at three sites. | One-off | 100,000 | 100,000 | 0 | 0 | 0 |
| 3 | **Joint Landscape Study** | The last South Landscape Study dates back to 2005. Such a study would be an evidence document for the council. It would serve to enable the specialist team and planners to make better use of their resources and time. It would also support the development of planning policies, masterplans and defending appeals. | One-off | 18,000 | 0 | 0 | 0 | 0 |
| 4 | **Recruitment / retention package** | As part of a retention and recruitment package for planning staff to offer some senior planning policy and DM posts career development and to take responsibility as a professional planning advisor. Part of a recruitment package to offer a housing allowance to support new senior postholders moving to live within the district and close proximity to the office and to fund a new Planning policy manager. Cost of packages for three years can be partly met by increased planning budget for fee income 2016/17. | One-off | 90,000 | 90,000 | 90,000 | 0 | 0 |
| | | Less funding | One-off | (28,000) | (28,000) | (28,000) | | |
| 5 | **CIL officer** | Continue the employment of a CIL Officer 2 years. Post holder supports the adoption and implementation of the South CIL charging schedule and will complete the Vale CIL examination and then implementation of the charging schedule. The Vale CIL examination has been delayed due to the Vale LP 2031 part 1 examination, which had a delayed start and proceedings are taking longer than expected. | One-off | 20,000 | 20,000 | 0 | 0 | 0 |
| | | Less funding | One-off | (20,000) | (20,000) | 0 | 0 | 0 |
| | | | | **230,000** | **212,000** | **112,000** | **50,000** | **50,000** |
| **STRATEGIC MANAGEMENT BOARD** | | | | | | | | |

**South Oxfordshire DC - 2016/17 revenue budgets bids**

| No | Title of bid | Summary | One-off or ongoing? | Spending profile: | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
| 1 | **Cabinet Policy Advisor** | This post would support the Cabinet generally and the Leader in particular in carrying out their responsibilities. The post holder will ensure good liaison between the Cabinet and the wider Conservative group. The post holder will act as an assistant to a political group and the post is therefore covered by the terms of Section 9 of the Local Government and Housing Act 1989. | Ongoing | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| | | | | **30,000** | **30,000** | **30,000** | **30,000** | **30,000** |
| | **GRAND TOTAL** | | | **1,039,792** | **601,443** | **187,000** | **125,000** | **125,000** |

## South Oxfordshire DC - 2016/17 revenue savings proposals

| No | Title of bid | Summary | One-off or ongoing? | Spending profile: 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
|---|---|---|---|---|---|---|---|---|
| **CORPORATE STRATEGY AND WASTE** | | | | | | | | |
| 1 | **Increase garden waste subscription fee** | To increase income to the council by raising the subscription fee for garden waste customers above the annual inflationary increase. The proposal is to increase the fee to £37 per annum an additional increase of £1.50 per bin which equates to an overall increase of 5.7 per cent. There are currently 23,900 bins included within the scheme. | Ongoing | (35,850) | (35,850) | (35,850) | (35,850) | (35,850) |
| 2 | **Increase fee for bulky waste service** | To increase the fee for bulky waste collections above the annual inflationary increase. The proposal is to increase the fee to £34.00 for three items an additional increase of £10.50. | Ongoing | (10,212) | (10,212) | (10,212) | (10,212) | (10,212) |
| | | | | **(46,062)** | **(46,062)** | **(46,062)** | **(46,062)** | **(46,062)** |
| **ECONOMY, LEISURE AND PROPERTY** | | | | | | | | |
| 1 | **Tourism - reduction in service provision** | Over the past six years, the council has delivered tourism marketing services via a consultancy contract worth £20,000 a year for a term of three years. The key focus of this work has been around Midsomer Murders theme, which has attracted significant visitors and benefited local businesses including, B&Bs and pubs. Anecdotal evidence shows 10-20 per cent growth in Midsomer visitors to South Oxfordshire in 2014 compared to the previous year. It is these local businesses that will be primarily affected by the removal of this contract. | Ongoing | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) |
| | | | | **(20,000)** | **(20,000)** | **(20,000)** | **(20,000)** | **(20,000)** |
| | **GRAND TOTAL** | | | **(66,062)** | **(66,062)** | **(66,062)** | **(66,062)** | **(66,062)** |

# South Oxfordshire DC Service budget analysis 2016/17

| Budget head | Final Budget £ |
|---|---|
| Corporate Strategy | 6,140,646 |
| Development & Housing | 1,613,715 |
| Economy, Leisure & Property | 648,098 |
| Finance | 2,759,017 |
| HR, IT & Technical | 1,464,719 |
| Legal & Democratic Services | 1,055,849 |
| Planning | 1,842,885 |
| Strategic management board | 391,939 |
| Managed vacancy factor | (195,618) |
| Corporate services savings | (473,709) |
| Contingency | 518,388 |
| **Net cost of delivering services** | **15,765,928** |
| Net property income | (1,396,863) |
| Gross treasury income | (2,196,350) |
| **Net expenditure** | **12,172,715** |
| **Government grant funding:** | |
| New Homes Bonus | (3,553,181) |
| **Transfer to reserves** | |
| New Homes Bonus | 3,553,181 |
| Didcot reserve | 270,000 |
| Net use of interest | 368,000 |
| **Transfer from reserves** | |
| Revenue budget smoothing reserve | (2,997,802) |
| **Total net revenue budget** | **9,812,913** |

Appendix D.1

# SOUTH OXFORDSHIRE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2021

| | No. | Note | 2015/16 Original | 2015/16 Latest Budget £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|---|---|---|---|---|
| **APPROVED PROGRAMME** | | | | | | | | | |
| Strategic Management Board | | | 0 | 1,649 | 0 | 0 | 0 | 0 | 0 |
| Corporate Strategy | | | 1,648 | 2,788 | 845 | 845 | 845 | 845 | 845 |
| Development and Housing | | | 154 | 233 | 0 | 0 | 0 | 0 | 0 |
| Economy, Leisure and Property | | | 2,218 | 913 | 2,655 | 66 | 0 | 0 | 0 |
| Finance | | | 0 | 4 | 0 | 0 | 0 | 0 | 0 |
| HR, IT and Technical Services | | | 532 | 493 | 150 | 0 | 0 | 0 | 0 |
| Legal and Democratic Services | | | 0 | 92 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL APPROVED PROGRAMME** | | | 4,552 | 6,172 | 3,650 | 911 | 845 | 845 | 845 |
| PROVISIONAL PROGRAMME | | | 12,194 | 5,145 | 13,828 | 14,871 | 6,987 | 2,392 | 1,332 |
| **GRAND TOTAL** | | | 16,746 | 11,317 | 17,478 | 15,782 | 7,832 | 3,237 | 2,177 |

| | |
|---|---|
| **Cumulative Total Budget (Approved & Provisional)** | 57,823 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **CAPITAL FINANCING** | | | | | | | | | |
| Grants | | | 493 | 1,768 | 493 | 493 | 493 | 493 | 493 |
| New homes bonus | | | 280 | 265 | 8,000 | 1,400 | 0 | 0 | 0 |
| Developers contributions | | | 392 | 181 | 0 | 0 | 0 | 0 | 0 |
| Revenue reserves Leisure | | | | 0 | 332 | 332 | 262 | 0 | 0 |
| Usable capital and earmarked revenue receipts | | | 15,581 | 9,103 | 8,653 | 13,557 | 7,077 | 2,744 | 1,684 |
| GRAND TOTAL | | | 16,746 | 11,317 | 17,478 | 15,782 | 7,832 | 3,237 | 2,177 |

Agenda Item 9

Appendix D.1

# SOUTH OXFORDSHIRE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2021

| | No. | Note | 2015/16 Original | 2015/16 Latest Budget £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Strategic Management Board** | | | | | | | | | |
| Growth Points | 136 | (1) | | 1,275 | | | | | |
| Didcot Station Forecourt | 207 | (1) | | 374 | | | | | |
| | | | 0 | 1,649 | 0 | 0 | 0 | 0 | 0 |
| **Corporate Strategy** | | | | | | | | | |
| **Carbon Management** | | | | | | | | | |
| Carbon Management Programme | 176 | (1) | | 14 | | | | | |
| Energy Grants Scheme | 237 | (1) | 15 | 30 | | | | | |
| Town Centre Boost | 234 | | | 55 | | | | | |
| **Community Grants** | | | | | | | | | |
| Revenue Grants - 13/14 Delegated Powers | 010 | (1) | 253 | 223 | | | | | |
| Revenue Grants - 14/15 Delegated Powers | 010 | (4) | 327 | 504 | | | | | |
| Revenue Grants - 15/16 Delegated Powers | | (5) | | 444 | | | | | |
| **Other Grants** | | | | | | | | | |
| Chinnor Parish Council | 256 | | 145 | 220 | | | | | |
| GWP Neighbourhood Community Centre | 233 | (3) | | 185 | | | | | |
| **Waste** | | | | | | | | | |
| Waste Management - wheeled bins | 192 | (1) | 63 | 48 | | | | | |
| **Open Spaces** | | | | | | | | | |
| Ladygrove Loop | 180 | | | 20 | | | | | |
| **Private housing renovation** | | | | | | | | | |
| Mandatory disabled facilities grants | 011 | (2) | 800 | 1,000 | 800 | 800 | 800 | 800 | 800 |
| Discretionary assistance | 012 | (2) | 45 | 45 | 45 | 45 | 45 | 45 | 45 |
| | | | 1,648 | 2,788 | 845 | 845 | 845 | 845 | 845 |

Appendix D.1

# SOUTH OXFORDSHIRE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2021

| | No. | Note | 2015/16 Original | 2015/16 Latest Budget £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Development and Housing** | | | | | | | | | |
| **Private housing renovation** | | | | | | | | | |
| Social Housing Initiatives | 057 | (1) | 154 | 208 | | | | | |
| Online Housing Advice | 228 | (2) | | 25 | | | | | |
| | | | 154 | 233 | 0 | 0 | 0 | 0 | 0 |
| **Economy, Leisure and Property** | | | | | | | | | |
| **Arts Development** | | | | | | | | | |
| Cornerstone Capital Works | 242 | | | 21 | | | | | |
| Signage at Cornerstone | 243 | | | 9 | | | | | |
| Cornerstone Website | 238 | (1), (4) | | 3 | | | | | |
| Public Art - Orchard Centre | 126 | (1) | 23 | 0 | | | | | |
| **Economic Development** | | | | | | | | | |
| Town Centre Infrastructure | 241 | (1) | 25 | 45 | 70 | | | | |
| Broadband | 250 | (6) | | 530 | 560 | | | | |
| Land Drainage | 036 | | 130 | 0 | 0 | | | | |
| Town Centre Initiatives | 111 | (1) | 23 | 5 | 26 | | | | |
| Wallingford Sports Park | 284 | (7) | | 45 | | | | | |
| **Leisure** | | | | | | | | | |
| Riverside Water Feature | 193 | (1) | 10 | 10 | | | | | |
| Didcot Leisure Centre | 227 | (1) | 1,029 | 30 | 999 | | | | |
| Abbey Sports Centre - spend to save | 273 | (5) | 24 | 0 | 24 | | | | |
| Abbey Sports Centre - gym equipment replacement | 285 | (5) | | | 75 | | | | |
| Henley Leisure Centre capital investment | 274 | (5) | 212 | 0 | 212 | 66 | | | |
| Park Sports Centre capital investment | 275 | (5) | 133 | 133 | | | | | |
| Thames Leisure Centre capital investment | 276 | (5) | 260 | 10 | 50 | | | | |
| Thame Leisure Centre - splash pool | 286 | (5) | | 0 | 389 | | | | |

# SOUTH OXFORDSHIRE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2021

| | No. | Note | 2015/16 Original | 2015/16 Latest Budget £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|---|---|---|---|---|
| Leisure Centre - capital works | 078 | (1), (3) | 349 | 72 | 250 | | | | |
| | | | 2,218 | 913 | 2,655 | 66 | 0 | 0 | 0 |
| **Finance** | | | | | | | | | |
| Fixed Asset System | 190 | (1) | | 4 | | | | | |
| | | | 0 | 4 | 0 | 0 | 0 | 0 | 0 |
| **HR, IT and Technical Services** | | | | | | | | | |
| **Information and Communications Technology** | | | | | | | | | |
| Upgrade GIS | 088 | (1) | | 5 | | | | | |
| IT Infrastructure | 251 | | 292 | 301 | | | | | |
| **Technical** | | | | | | | | | |
| Car Park Resufacing & Improvement | 142 | (1), (2) | 10 | 11 | | | | | |
| Housing Act Works Refurbishment | 103 | (2) | 170 | 20 | 150 | | | | |
| Riverside Park Link Road | 245 | | 60 | 60 | | | | | |
| Improvements to WCs at Henley | 240 | | | 96 | | | | | |
| | | | 532 | 493 | 150 | 0 | 0 | 0 | 0 |

# SOUTH OXFORDSHIRE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2021

| | No. | Note | 2015/16 Original | 2015/16 Latest Budget £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Legal and Democratic Services** | | | | | | | | | |
| Legal Case Management System | 025 | (1) | | 5 | | | | | |
| Licensing Software Project | | (2) | | 3 | | | | | |
| Replacement CCTV Cameras | 271 | (3) | | 39 | | | | | |
| Polling Booths | 282 | (4) | | 45 | | | | | |
| | | | 0 | 92 | 0 | 0 | 0 | 0 | 0 |

CMTC- (1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
CORC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
CORC-(2) Scheme t/f'd from Health and Housing
CORC (3) £200k transferred from provisional programme (ICMD May 2014)
CORC (4) £446k transferred from provisional programme (ICMD July 2014)
CORC (5) £444k transferred from provisional programme (ICMD September 2015)
DAHC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
DAHC-(2) £25k transferred from provisional programme (ICMD November 2015)
ELPC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
ELPC-(3) £200k transferred from provisional programme (ICMD April 2014)
ELPC-(4) £27k transferred from provisional programme (ICMD July 2014)
ELPC-(5) Scheme added per Joint Cabinet leisure management contract (May 2014)
ELPC-(6) £1,090 transferred from provisional (ICMD December 2014)
ELPC-(7) £45k transferred from provisional programme (ICMD September 2015)
FINC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
HITC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
HITC-(2) Schemes transferred from Economy, Leisure and Property
LEGC-(1) 2014/15 Working Budget allocations reflect budget slipped from 2013/14
LEGC-(2) Virement from capital contingency as approved by Head of Finance Nov 2013
LEGC-(3) £31k transferred from provisional programme (£48k less £17k overspend)
LEGC-(4) £45k vired from contingency

Appendix D.1

# SOUTH OXFORDSHIRE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2021

| | No. | Note | 2015/16 Original | 2015/16 Latest Budget £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Provisional Capital Programme** | | | | | | | | | |
| STRATEGIC MANAGEMENT BOARD | | | | | | | | | |
| Town Centre Boost | 234 | (13) | | 192 | | | | | |
| Capital Contingency | 235 | (13) | | 0 | 1,707 | | | | |
| CORPORATE STRATEGY | | | | | | | | | |
| On Street Litter Bins for Recycling | 140 | (2) | 18 | 0 | 0 | | | | |
| Additional Kerbside Recycling | 278 | (15) | 11 | 11 | | | | | |
| Purchase of new bins | 279 | (15) | 83 | 83 | 83 | 83 | 83 | 83 | 83 |
| NHB Capital Grants | 233 | (12), (13) | | 80 | | | | | |
| External Capital Grants | 009, 010 | (5) | 1,000 | 556 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Contaminated land | 212 | | | 0 | | | | | |
| DEVELOPMENT AND HOUSING | | | | | | | | | |
| Social Housing Initiatives (Affordable Housing New Build) | 057 | (9) | 160 | 160 | | | | | |
| Online Housing Advice | 228 | (11) | | 0 | | | | | |
| Housing Allocations Policy | 252 | (13) | | 13 | | | | | |
| Local Authority Mortgage Scheme | 253 | (13) | | 0 | | | | | |
| Land purchase | 268 | (14) | | 2,000 | | | | | |
| Orchard Centre works | 269 | (14) | | | 4,800 | 700 | | | |
| Didcot Town Centre housing | 270 | (14) | | | 3,200 | 700 | | | |
| Didcot Town Centre Development | 150 | (2) | | 500 | | | | | |
| ECONOMY, LEISURE & PROPERTY | | | | | | | | | |
| Leisure Centres Essential Works | 173 | (3), (14) | 220 | 220 | 220 | 220 | 250 | 220 | 220 |
| Didcot Leisure Centre | 227 | (11), (14) | 10,109 | 0 | 2,700 | 12,050 | 5,584 | 1,060 | |
| Town Centre Infrastructure | 241 | (13) | 75 | 0 | | | | | |
| Cornerstone Capital Works | 242 | (13), (14) | 25 | 0 | 25 | 25 | 70 | 29 | 29 |
| Public Art - Chinnor cement works | 247 | (13) | | 25 | | | | | |
| Public Art - Great Western Park | 248 | (13), (14) | | 156 | | | | | |
| Henley and Thame LC changing rooms | 263 | (14) | | 150 | | | | | |
| Thame Leisure Centre Sports Hall | 264 | (14) | | 275 | | | | | |
| Refurb Kidmore and Wallingford cemetaries | 265 | (14) | | 40 | | | | | |
| FINANCE | | | | | | | | | |

Appendix D.1

# SOUTH OXFORDSHIRE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2021

| | No. | Note | 2015/16 Original | 2015/16 Latest Budget £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|---|---|---|---|---|
| HR, IT AND TECHNICAL SERVICES | | | | | | | | | |
| Car Park Resurfacing & Improvement | 142 | (13) | 45 | 45 | 45 | 45 | | | |
| HAW Moulsford | 194 | (4) | 150 | 170 | | | | | |
| Housing Act Works | 280 | (15) | 150 | 150 | | | | | |
| Flood Defence | 281 | (15) | 100 | 100 | | | | | |
| IT Infrastructure | 251 | (13) | | 77 | | | | | |
| FMP plot development | 226 | (11) | | 120 | | | | | |
| LEGAL AND DEMOCRATIC SERVICES | | | | | | | | | |
| Replacement CCTV Cameras | 271 | (14) | 48 | 22 | 48 | 48 | | | |
| | | | 12,194 | 5,145 | 13,828 | 14,871 | 6,987 | 2,392 | 1,332 |

# SOUTH OXFORDSHIRE DISTRICT COUNCIL
# CAPITAL PROGRAMME TO 31 MARCH 2021

| | No. | Note | 2015/16 Original | 2015/16 Latest Budget £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|---|---|---|---|---|

(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) Capital Grants to be funded from the Community Investment Fund Part 1. External Grants Scheme established by cabinet 6/6/02.
(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
(14) Additions to capital programme approved by council 20/04/14
(15) Growth bids approved by council 15/16

**South Oxfordshire DC DC - 2016/17 capital budgets bids**

| No | Title of bid | Summary | CAPITAL SPEND | | | | | REVENUE CONSEQUENCES | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Spending profile: | | | | | Spending profile: | | | | |
| | | | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
| **CORPORATE STRATEGY & WASTE** | | | | | | | | | | | | |
| 1 | **Disabled Facility Grant** | The DFG budget had £150,000 temporary growth bid which was removed from the budget in 14/15. The current £800,000 budget is under pressure because of increased demand for DFG adaptions and higher building costs. If this growth bid is rejected a waiting list may have to be introduced next year. | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 0 | 0 | 0 | 0 | 0 |
| 2 | **New website** | We need to upgrade the content management system that drives our websites for security reasons. Websites have a shelf life of about 4-5 years and ours are now four years old. Tackling the security issue without giving them a fresh new look and improving the navigation would be a significant missed opportunity given the cost of just upgrading the content management system | 25,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | **100,000** | **75,000** | **75,000** | **75,000** | **75,000** | **0** | **0** | **0** | **0** | **0** |
| **DEVELOPMENT AND HOUSING** | | | | | | | | | | | | |
| 1 | **Orchard Centre works** | Existing scheme - to be deleted from provisional capital programme | (4,800,000) | (700,000) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | **Didcot town centre housing** | Existing scheme - to be deleted from provisional capital programme | (3,200,000) | (700,000) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | **Regeneration and housing initiatives in Didcot and Science Vale** | Regeneration and housing initiatives in Didcot and Science Vale | 7,250,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | **Increasing the supply of housing** | Increasing the supply of housing | 2,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | **1,250,000** | **(1,400,000)** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

**South Oxfordshire DC DC - 2016/17 capital budgets bids**

| | | | CAPITAL SPEND | | | | | REVENUE CONSEQUENCES | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No | Title of bid | Summary | Spending profile: | | | | | Spending profile: | | | | |
| | | | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ |
| **HR IT AND TECHNICAL** | | | | | | | | | | | | |
| 1 | **Greys road public conviniences Henley** | Renovation of the public conveniences in Greys Road car park, Henley | 120,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | **120,000** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | **GRAND TOTAL** | | **1,470,000** | **(1,325,000)** | **75,000** | **75,000** | **75,000** | **0** | **0** | **0** | **0** | **0** |

**Financing of capital programme and growth proposals**

| | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|---|---|
| **Capital programme before growth** | | | | | | |
| - approved | 6,172 | 3,650 | 911 | 845 | 845 | 845 |
| - provisional | 5,145 | 13,828 | 14,871 | 6,987 | 2,392 | 1,332 |
| | **11,317** | **17,478** | **15,782** | **7,832** | **3,237** | **2,177** |
| Cabinet capital growth proposals | 0 | 1,470 | (1,325) | 75 | 75 | 75 |
| **Total expenditure** | **11,317** | **18,948** | **14,457** | **7,907** | **3,312** | **2,252** |
| | | | | | | |
| **Financing** | | | | | | |
| Grant funding | 1,768 | 493 | 493 | 493 | 493 | 493 |
| New homes bonus - grant funding | 265 | 0 | 0 | 0 | 0 | 0 |
| Usable capital receipts/revenue reserves | 9,284 | 18,455 | 13,964 | 7,414 | 2,819 | 1,759 |
| **Total financing** | **11,317** | **18,948** | **14,457** | **7,907** | **3,312** | **2,252** |
| | | | | | | |
| **Estimated balances as at 31 March 2021** | | | | **£000** | | |
| Usable capital receipts | | | | 2,603 | | |
| Enabling fund | | | | 1,055 | | |
| New homes bonus: | | | | | | |
| Unringfenced | | | | 6,586 | | |
| Affordable homes | | | | 1,270 | | |

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| 1 | **South Oxfordshire District Council** | **Budget** | **Indicative** | **Indicative** | **Indicative** | **Indicative** |
| 2 | | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
| 3 | | **£** | **£** | **£** | **£** | **£** |
| 4 | **Base budget** | | | | | |
| 5 | Corporate strategy | 6,046,817 | 6,046,817 | 6,046,817 | 6,046,817 | 6,046,817 |
| 6 | Development & Housing | 1,035,345 | 1,035,345 | 1,035,345 | 1,035,345 | 1,035,345 |
| 7 | Economy, leisure and property | 683,095 | 683,095 | 683,095 | 683,095 | 683,095 |
| 8 | Finance | 2,658,084 | 2,658,084 | 2,658,084 | 2,658,084 | 2,658,084 |
| 9 | HR IT & Technical | 1,360,189 | 1,360,189 | 1,360,189 | 1,360,189 | 1,360,189 |
| 10 | Legal and democratic | 1,134,888 | 1,134,888 | 1,134,888 | 1,134,888 | 1,134,888 |
| 11 | Planning | 1,869,632 | 1,869,632 | 1,869,632 | 1,869,632 | 1,869,632 |
| 12 | Strategic management board | 385,098 | 385,098 | 385,098 | 385,098 | 385,098 |
| 13 | Managed vacancy factor | (183,956) | (183,956) | (183,956) | (183,956) | (183,956) |
| 14 | Contingency | 550,655 | 550,655 | 550,655 | 550,655 | 550,655 |
| 15 | **Total base budget** | **15,539,849** | **15,539,849** | **15,539,849** | **15,539,849** | **15,539,849** |
| 16 | **Revisions to base budget** | | | | | |
| 17 | Opening budget adjustments | (464,555) | (678,079) | (642,876) | (566,223) | (537,570) |
| 18 | Inflation, salary increments and adjustments | 376,328 | 619,254 | 865,824 | 1,116,093 | 1,370,116 |
| 19 | Essential growth - one-off | 352,750 | 434,000 | 50,000 | 0 | 0 |
| 20 | Essential growth - ongoing | 437,259 | 437,259 | 437,259 | 437,259 | 437,259 |
| 21 | Base budget savings | (931,918) | (661,918) | (661,918) | (661,918) | (661,618) |
| 22 | Movement in revenue contingency | (32,267) | (32,267) | (32,267) | (32,267) | (32,267) |
| 23 | Movement in managed vacancy factor | (11,662) | (11,662) | (11,662) | (11,662) | (11,662) |
| 24 | Corporate contract savings | (640,000) | (960,000) | (960,000) | (960,000) | (960,000) |
| 25 | Residual client costs | 116,291 | 174,534 | 127,991 | 104,720 | 104,720 |
| 26 | Management restructure savings | 50,000 | (100,000) | (100,000) | (100,000) | (100,000) |
| 27 | Other budget adjustments | 123 | (269,877) | (269,877) | (269,877) | (269,877) |
| 28 | **Total revised base budget** | **14,792,198** | **14,491,093** | **14,342,324** | **14,595,974** | **14,878,950** |
| 29 | **Growth, savings and other budget adjustments** | | | | | |
| 31 | Growth ***proposals*** | | | | | |
| 32 | Revenue - one-off | 839,792 | 476,443 | 62,000 | 0 | 0 |
| 33 | Revenue - ongoing | 200,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| 34 | Capital (revenue consequences of) | 0 | 0 | 0 | 0 | 0 |
| 35 | Savings ***proposals*** | (66,062) | (66,062) | (66,062) | (66,062) | (66,062) |
| 36 | Assumed future essential growth | | 200,000 | 400,000 | 600,000 | 800,000 |
| 38 | **Net cost of services** | **15,765,928** | **15,226,474** | **14,863,262** | **15,254,912** | **15,737,888** |
| 39 | Net property income | (1,396,863) | (1,126,863) | (1,126,863) | (1,126,863) | (1,126,863) |
| 40 | Gross treasury income | (2,196,350) | (2,063,490) | (2,251,990) | (2,205,320) | (1,796,480) |
| 41 | **Net expenditure** | **12,172,715** | **12,036,121** | **11,484,408** | **11,922,729** | **12,814,545** |
| 42 | New Homes Bonus | (3,553,181) | (2,904,486) | (2,636,522) | (2,132,655) | (1,916,055) |
| 43 | Transfers to/from earmarked reserves | 1,193,379 | 1,561,379 | 3,186,120 | 2,445,764 | 1,866,989 |
| 44 | **Amount to be financed** | **9,812,913** | **10,693,014** | **12,034,006** | **12,235,838** | **12,765,479** |
| 45 | **Financing** | | | | | |
| 46 | Revenue support grant | (1,194,865) | (572,386) | (191,980) | 0 | 0 |
| 47 | Business rates retention scheme | (2,383,953) | (2,430,842) | (2,502,544) | (2,582,540) | (2,634,191) |
| 48 | **Total start-up funding allocation** | **(3,578,818)** | **(3,003,228)** | **(2,694,524)** | **(2,582,540)** | **(2,634,191)** |
| 49 | Less - Parish share of council tax support grant | 152,449 | 127,930 | 114,780 | 110,010 | 112,210 |
| 50 | Less - tariff adjustment | 0 | 0 | 0 | 232,955 | 237,614 |
| 51 | + / - estimated NNDR over/under baseline | 0 | 0 | 0 | 0 | 0 |
| 52 | Collection fund surplus/deficit | (272,237) | (250,000) | (250,000) | (250,000) | (250,000) |
| 53 | **Council tax req'ment before reserves funding** | **6,114,307** | **7,567,716** | **9,204,263** | **9,746,263** | **10,231,112** |
| 54 | Use of New Homes Bonus to balance budget | 0 | (1,388,000) | (2,959,138) | (3,439,289) | (3,862,288) |
| 55 | **Council tax req'ment after reserves funding** | **6,114,307** | **6,179,716** | **6,245,125** | **6,306,974** | **6,368,824** |
| 56 | Tax base | 54,965.0 | 55,553.0 | 56,141.0 | 56,697.0 | 57,253.0 |
| 57 | Band D Council tax | 111.24 | 111.24 | 111.24 | 111.24 | 111.24 |
| 58 | | | | | | |
| 59 | **Usable balances at year end:*** | **£000** | **£000** | **£000** | **£000** | **£000** |
| 60 | General fund balance | (6,107) | (4,433) | (4,843) | (3,324) | (1,805) |
| 61 | Earmarked revenue reserves | (15,591) | (15,765) | (13,992) | (12,998) | (11,003) |
| 62 | Capital receipts | 0 | 0 | 0 | 0 | 0 |
| 63 | **Total** | **(21,698)** | **(20,198)** | **(18,835)** | **(16,322)** | **(12,808)** |
| 64 | | | | | | |
| 65 | * Excludes balances held for the long term as per the Medium Term Financial Strategy | | | | | |