Agenda

South Oxfordshire District Council
Listening Learning Leading

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A MEETING OF THE

Cabinet

WILL BE HELD ON THURSDAY 14 FEBRUARY 2013 AT 6.00 PM

COUNCIL CHAMBER, COUNCIL OFFICES, CROWMARSH GIFFORD

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

Members of the Cabinet

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

If you would like a copy of these papers in large print, Braille or audio cassette or have any other special requirements (such as access facilities) please contact the officer named on this agenda. Please give as much notice as possible before the meeting

1 Apologies

2 Declaration of disclosable pecuniary interest

3 Minutes of the previous meeting

4 Public participation

ITEMS TO BE CONSIDERED WITH THE PUBLIC PRESENT

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

Part 1 - Cabinet decision

5 Car park fees and charges 2013/14 (Pages 5 - 18)

Purpose: to provide options to enable Cabinet to determine the appropriate car park fees and charges from 1 April 2013 **(report attached)**

Part 2 - Recommendation(s) to Council

6 Treasury management monitoring report 2012/13 (Pages 19 - 30)

Purpose: to consider the comments from the Audit and Corporate Governance Committee and recommend council to approve the report, which fulfils the legislative requirements to ensure the adequate monitoring of the treasury management activities and that the council's prudential indicators are reported to council mid year. The report provides details of the treasury activities for the first six months of 2012/13 and an update on the current economic conditions with a view to the remainder of the year **(report attached)**

7 Treasury management strategy 2013/14 (Pages 31 - 68)

Purpose: to note the recommendations of the Audit and Corporate Governance Committee and to recommend Council to approve the treasury management strategy 2013/14 to 2015/16, incorporating the annual investment strategy and the prudential indicators and limits for 2013/14 to 2015/16 **(report attached)**

8 Revenue Budget 2013/14 and Capital Programme to 2017/18 (Pages 69 - 122)

Purpose: to recommend council to agree the budgets 2013/14 and the capital programme to 2017/18 **(report attached)**

9 Exclusion of the Public

To consider whether to exclude members of the press and public from the meeting for the following item of business under Part 1 of Schedule 12A Section 100A(4) of the Local Government Act 1972 and as amended by the Local Government (Access to Information) (Variation) Order 2006 on the grounds that:

(i) it involves the likely disclosure of exempt information as defined in paragraph 3 Part 1 of Schedule 12A of the Act, and

(ii) (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

ITEM TO BE CONSIDERED WITH THE PUBLIC EXCLUDED

This report is not available on the council's website.

10 Land acquisition at Didcot: addition to the capital programme 2012/13

Purpose: to recommend Council to agree an addition to the approved capital programme 2012/13 for land acquisition at Didcot

MARGARET REED

Head of Legal and Democratic Services

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Cabinet report

Report of head of economy, leisure and property

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To: CABINET

DATE: 14 February 2013

Car park fees and charges 2013/14

Recommendations

Cabinet is recommended to:

(a) make no changes to the current car park fees and charges, and to continue the provision of free parking on Saturday afternoons and half-price season tickets for those working in South Oxfordshire

(b) support the improvement of the car park environment by replacing car park machines, furniture and signage and carrying out improvements to those public conveniences situated within the council's car parks.

Purpose of report

1. The purpose of this report is to provide options to enable the cabinet to determine the appropriate car park fees and charges from 1 April 2013. Reviewing the car park fees and charges each year is in line with the council's car park pricing policy, which is attached to this report as appendix 1.

Corporate objectives

2. The provision of public car parks contributes to the achievement of our strategic objective "building the local economy" by giving access to shops, businesses and services within the towns and some villages. It also contributes towards our strategic objective of "effective management of resources" by providing car parking that is value for money and meets the needs of the users.

3. The car park pricing policy balances the requirement for users to meet the costs of the car parks, with the need for charges to be economically viable having regard to the impact they have on the local economy. The policy aims to:
   - encourage people to shop locally
   - have car park charges that are competitive with car parks provided by other bodies in the district, and that are comparable with other neighbouring authorities
   - offer season tickets at reduced rates to also support local shops and businesses that may have employees who park all day in one of our car parks, as well as offering one day permits at reduced prices for market traders.

Background

4. In February 2012, cabinet approved the following changes to the car park fees and charges from 1 April 2012:

   (a) offer half-price season tickets purchased in the period 1 April 2012 - 31 March 2013 for those working in the towns and villages in South Oxfordshire only

   (b) offer no charge for parking on the two bank holidays on 4 and 5 June 2012 in each of the four towns and Goring

   (c) offer free parking for the last three hours of the charging period on Saturday afternoons from 14 April 2012 in each of the four towns and Goring.

Impact of the changes made in 2012

(i) HALF-PRICE SEASON TICKETS

5. Offering half-price season tickets has almost doubled the number of tickets sold. Based on sales up to December 2012, officers estimate that by the end of the financial year the total income from season tickets will be £25,000. This compares to the income from the sale of season tickets (at full price) in 2011/12 of £29,000. This represents only a £4,000 reduction in income over the year and has little effect on the overall car park account.

6. In general, the half-price offer was well received by those who drive into our towns and villages to work. In addition, a small number of residents who live in the centre of towns and work at home, who normally have to pay for parking, have taken advantage of the offer.

(ii) NO CHARGE FOR THE TWO JUNE BANK HOLIDAYS

7. Officers estimate that the loss of income from this one-off offer of two days free parking was negligible. Residents appreciated the free parking available to celebrate the Queen's jubilee.

(iii) FREE PARKING FOR THE LAST THREE HOURS OF THE CHARGING PERIOD ON SATURDAY

8. Free parking on Saturday afternoons was introduced in mid-April 2012. A Saturday usage survey was taken across the car parks before the offer on one day in March 2012 and then on one day again in September 2012. Analysis of the data shows that usage on a Saturday afternoon increased in less than half the car parks. It should be noted that car parks in Henley were already at capacity on Saturday afternoons.

9. The table one below shows a breakdown for each car park and compares usage at 3pm and at 5pm both before and after the offer was introduced. The numbers in bold show where the usage increased.

Table one Car park usage on Saturday afternoon before and after the introduction of free period

Car park	March 2012 at 3pm (per cent usage)	September 2012 at 3pm (per cent usage)		March 2012 at 5pm (per cent usage)	September 2012 at 5pm (per cent usage)
Didcot					
Edinburgh Drive	80	68		**31**	**38**
High Street	50	39		33	25
Broadway East	97	67		57	38
Broadway West	100	77		53	47
Goring					
Wheel Orchard	**56**	**96**		48	33
Henley					
Greys Road	100	100		90	90
Kings Road	99	96		**71**	**75**
Southfields	98	98		**62**	**80**
Thame					
Cattlemarket	53	52		31	23
Southern Road	78	40		27	22
Wallingford					
Castle Street	100	100		60	50
Cattlemarket	86	83		**41**	**55**
St Georges	25	20		5	5
Thames Street	**78**	**96**		78	74
Goldsmiths Lane	94	86		**58**	**63**

SUMMARY

10. The changes to the fees and charges offering the free periods and reduced price season tickets have been well received by residents. The impact on the car

parking account has been negligible. The take up of season tickets has increased following the halving of the cost on 1 April 2012. The information from the Saturday afternoon survey is limited as it is a snap shot of just one day. From the survey results, the impact of introducing free parking on a Saturday afternoon appears varied depending on the car park and further surveys are required to assess the full impact of this offer.

Car park account over five years

11. Table two below estimates how the net cost of car parks will change over the five-year period 2011/12 to 2015/16. The table shows that if no changes are made to the level of fees and charges (and assuming levels of usage stay the same) then the car park account will have a net income of £229,308 in 2015/16 and over the five-year period the account will produce a cumulative estimated surplus of over £1.1 million.

Table two Car park account over five years

	2011/12 Actual	**2012/13** Actual to Nov' 2012	**2012/13** Forecast outturn	**2013/14** Draft base budget	**2014/15** Draft base budget	**2015/16** Draft base budget
Total Income	**927,157**	**615,907**	**922,132**	**922,299**	**922,299**	**922,299**
Total Costs	717,253	470,477	691,544	663,283	677,917	692,991
Actual / projected net income (deficit)	**209,904**	**145,430**	**230,588**	**259,016**	**244,382**	**229,308**
Actual / projected net income (deficit) cumulative	**209,904**		440,492	699,508	943,890	1,173,198

Options

12. Officers reviewed the fees and charges, as required by the car park pricing policy, and considered various options.

A. MAKE NO CHANGES TO THE FEES AND CHARGES

13. Appendix 2 attached to this report shows car park fees and charges compared with neighbouring local authorities. Based on maintaining the current fees and charges, table 1 above shows the car parking account having an estimated surplus of over £1.1 million over the five year period.

14. However, this surplus provides the council with the opportunity to look at changing some of the fees and charges, which would benefit our customers over the next few years and still stay comfortably within the policy, albeit these would have an impact on the revenue we collect. Officers are proposing several options

for consideration at our car parks in Didcot, Goring, Henley, Thame and Wallingford that are subject to parking charges.

B. ONE HOUR FREE PARKING AT ANY TIME IN CAR PARKS IN HENLEY

15. Whilst other car parks in the district offer free one hour parking at any time, the two town centre car parks in Henley are only free from 9am to 10am Monday to Friday. Offering up to one hour free parking at any time would bring these car parks in line with the council's other car parks. This would reduce our income by an estimated £80,000 a year and still leave the car park account with a healthy cumulative surplus over the five years of some £933,000.

16. It is important to note that Waitrose offers a refund on the cost of one hour parking in the town centre car parks if users spend more than £10 in the Waitrose store. Therefore, this option would go mainly to reducing the contribution that Waitrose makes on the refunds.

C. TWO HOURS FREE PARKING AT ANY TIME IN ALL CAR PARKS

17. This option would bring the council's car parks more in line with the parking fees in the neighbouring Vale of White Horse district. Officers estimate that this option would result in an annual loss of income of £575,000.

18. If this option was agreed, then the car park account would be in deficit over the five year period, which would be in breach of the current car parking policy that requires the account to at least break even over the five year period.

D. AN ADDITIONAL TARIFF BAND OF PARKING FOR HALF AN HOUR AT NO CHARGE IN HENLEY

19. Introducing a tariff band of half an hour free parking in Kings Road and Greys Road car parks in Henley would support requests from those users who wish to park in the car parks for only a short period. Officers estimate an annual loss of income of £70,000 and the car park account would continue to have a healthy surplus of some £963,000 over the five year period.

20. In order to manage and enforce the car park efficiently, officers recommend that this option would be accompanied by the requirement to display a free ticket that would be obtained from the car park machines.

E. FREE PARKING ON ONE DAY OF THE WEEK IN ALL CAR PARKS

21. Introducing free parking on one particular day of the week would support our market towns and encourage people to shop locally. The specific day could coincide with a market day or be set to attract people into the town centres on a day of the week that they would not normally go into the town or village. Officers estimate the annual loss of income at £160,000 per year.

22. This option would mean that the account would be running at a marginal loss, although it would still allow for a healthy surplus of income over the five year period as previous surpluses are accumulated.

F. FREE PARKING AT WEEKENDS IN ALL CAR PARKS

23. There is no charge in council car parks on Sunday so this option would be to allow free parking all day on Saturday. Officers estimate the loss of income at £180,000 per year. Although there would still be an overall surplus of income over the five year period, the annual account would be running at a loss.

G. IMPROVED CAR PARK FURNITURE AND ENVIRONMENT

24. Another option is to fund new ticket machines, signboards and other furniture in the car parks and to improve the environment of the car parks generally. Officers are already preparing plans for new tariff boards, which should be in place in the next few months. The resurfacing and re-marking of surface lines is carried out as part of the capital improvement programme, for which there is a separate growth bid. Other improvements could be made, such as to increase the visibility of pedestrian crossings, to repaint/replace bollards and railings and to provide better signage within the car parks, and to provide better signage directing drivers to our car parks. In addition, we could improve the hard and soft landscaping features within the car parks, including tidying up the boundary treatments. Most of this work could be done within existing budgets. One exception would be replacing all the car park pay and display machines.

25. There are a total of 27 machines, which vary in age and usage but all are at least four years old. The cost of a new machine is some £3,000, making an estimated total of £81,000 if we were to replace them all. It would be an option for new machines to produce tickets that require vehicle registration plate details and/or the ability to pay by ‘chip and pin’. Including for other associated costs to improve the areas around the pay and display stations, the overall cost would be some £95,000.

H. IMPROVE PUBLIC CONVENIENCES

26. Counsel's advice obtained in 2003 was that the council cannot set the parking fees charges to ‘raise revenue generally’. In setting the fees and charges we should have ‘regard to the costs involved in providing the service’.

27. Officers in legal services have confirmed that it would be legitimate for income from our car parks to be spent on works involved in maintaining, improving or providing (new) public conveniences situated within our car parks.

28. Officers estimate the cost of depreciation of all the toilets situated in car parks at £15,000 a year. In addition, officers have requested an increase in the capital budget of £100,000 to improve toilets in the Greys Road and Station car parks in Henley (only improvements in the Greys Road car park of £50,000 can be accounted for within the car park account, as the Henley station car park is not owned by the council). This would allow for the improvements and renovations to be made to the toilets and be put against the car park account. This is a further option to reduce the surplus income.

29. Table three below shows the costs of options B, C, D, E, F, G and H in next years budget.

Table three Options for reducing charges

	2013/14 base budget
Option B (one hour free in Henley)	80,000
Option C (two hours free all car parks	575,000
Option D (1/2 hour free Henley)	70,000
Option E (free on one day)	160,000
Option F (free at weekends)	180,000
Option G (new machines)	95,000
Option H (improve public conveniences)	65,000

I. REDUCING FEES BY 10p OR 20p

30. There is an option to make small changes to the fees and charges for long-stay, short-stay, or both. This could be done by reducing fees by 10p or 20p for example. This would have a financial impact on the model that is quite difficult to calculate and has not been considered at this stage.

Reasons for arriving at recommendations

A. MAKE NO CHANGES TO THE FEES AND CHARGES

31. Compared to other car parks in neighbouring authorities, the cost of parking in the council's car parks remains extremely competitive. Also, assuming no changes and given the estimated surplus of over £229,308 in 2015/16, officers recommend to cabinet that we make no changes to the fees or charges this year, and continue to provide free parking on Saturday afternoons and half-price season tickets for those working in South Oxfordshire.

32. Officers have considered the scope to use income from parking charges to invest in the car parks and make them safer and more attractive for visitors and whether it would be appropriate to reduce any parking charges.

G and H. IMPROVED CAR PARK FURNITURE AND ENVIRONMENT AND PUBLIC CONVENIENCES

33. There is an opportunity to help improve the user experience of our car parks by investing in improvements to the car park furniture and environment, including the public conveniences within the car parks. Not only would this make the car parks more attractive to look at and easier to use, it may make them safer and it would provide better directional signage and information, as well as helping to make the public toilets within the car parks more attractive for users. In addition, we could provide drivers with an electronic method of payment using chip and pin, as well as providing the council with more reports on sales and usage. It may also increase income, as registration-linked tickets would improve enforcement of the car park order, although registration-linked ticket machines are less popular with drivers who would have to get into the habit of memorising their vehicle number plate to input when they obtain a ticket. Experience obtained from other councils is that this causes some initial agitation amongst car park users and would take at least a year for the change in habit to become accustomed.

34. By making the car parks and their public conveniences more attractive to drivers and easier to use, we may also increase the number of people using the car parks and thereby into shops, businesses and services available in our towns and villages.

35. Officers considered the other options B – F, but discounted them in terms of likely adverse financial impact in the long-term and/or operational issues and/or benefits for drivers and the council. In particular, the town centre car parks in Henley are already at capacity and making any concession on the fees by introducing any further free periods would not improve the operation of the car park. Providing further free periods more widely across all car parks can be considered again in the future but only once the standard and appearance of the car parks has been improved. Therefore, retaining the current system of charges would be appropriate having regard to the various purposes and matters set out in section 122 of the Road Traffic Regulation Act 1984

36. Improving the general appearance of the car parks, in particular the pay and display machines, signs and public conveniences would make for a better customer experience; raise the standard of the car parks and encourage people into our towns. To make it easier for the users, the car park machines should also accept electronic forms of payment but not be registration-linked. Therefore, officers recommend cabinet to support the improvement of the car park environment by replacing car park machines, furniture and signage and carrying out improvements to those public conveniences situated within our car parks.

Financial implications

37. If agreed, the combined options of maintaining the current fees and charges, including the free Saturday afternoon parking and half price season tickets introduced in April 2012, and improving the car park furniture and environment (replacing pay and display machines), including public conveniences, would bring the net income in 2013/14 to some £99,016. In the following years, the car park account would show a surplus each year and there would still be a cumulative net surplus income in 2015/16. This is in line with the car park pricing policy.

38. The options G and H are reliant on capital growth bids to be agreed as part of the budget setting process.

39. There are no implications to staff savings in relation to these recommendations.

Legal implications

40. Any legal implications are referred to in the body of the report.

Risks

41. This review of car park fees and charges aims to achieve car parking prices that are competitive and car parks that are financially self sufficient. The risk is that car parks are either too cheap and so busy that users cannot find spaces, or too expensive and under used, thereby becoming a burden on the council tax payer to maintain them.

42. Therefore, setting fees at the right level is important in this context, as setting them specifically to generate a surplus could lead to a risk of a challenge in the future. There is a low risk associated with setting the fees for 2013/14 to generate a small surplus net income, as we are using estimated figures in our calculations and the final outturn may be higher or lower than anticipated. The risk overall is reduced by considering how the change affects the next three financial years (table 1 shows a cumulative surplus income). The risk is also reduced by having annual reviews of the fees and charges so we can consider any changes necessary to ensure that the car park account continues to have a suitable surplus over the five year period (as required by car park pricing policy a) in appendix 1).

43. The other risk in our calculations is that we cannot accurately predict how people's habits will change with the retention of the free periods of parking and half price season tickets, and the provision of better signage directing drivers to our car parks. The calculations and estimations of net income and change in income assume that the current car park usage will remain the same.

Equality Implications

44. In considering the options we have taken account of our public sector equality duties of the Equality Act 2010.

45. Options B to F improve access* to our car parks for everyone and would not disadvantage any particular equality groups.

46. Option G would improve access to our car parks for everyone, particularly people with visual impairments through increasing the visibility of pedestrian crossings, repainting/replacing bollards and railings and providing better signage within the car parks.

47. Option H could help the council to advance equal opportunities for people with disabilities and older or less mobile people as any improvements to the public conveniences would take account of their needs.

Conclusion

48. The car park account shows a surplus of income over expenditure when viewed over the five year period in accordance with the agreed pricing policy. This allows the council to consider ways of encouraging more use of the council car parks by changing the fees. Making small changes to the fees, such as reducing them by 10p, would have an impact, but officers consider that retaining the offer of having something half-price or completely free is more appealing. Many of the car parks are less busy on Saturday afternoons and so by continuing to offer free parking at this time we may encourage more people into our towns and villages.

49. Officers recommend cabinet to make no changes to the current car park fees and charges, to continue the periods of free parking and half-price season tickets, and to support improvements to the furniture, signage and public conveniences within

* Option A maintains access

our car parks. Officers consider this would align well with the council’s objectives to encourage people to shop locally and support local shops and businesses. It also supports the council’s equality objective to provide equality of access to services.

Background papers

- none

Appendix 1 Car park pricing policy 2006

a) Car park fees and charges shall be set so that over a five-year rolling period they at least meet the costs of car parks calculated in accordance with proper accounting practice. Costs will include charges for capital expenditure.

b) Pricing may be used to regulate and influence usage to support town centre vitality and viability. Therefore, short term and long term parking to be differentially priced and located to encourage workers to park on the edge of towns to free up town centre parking for shoppers and visitors.

c) Car park fees and charges to be benchmarked against

   i. car parks provided in towns and villages in the district by other bodies
   ii. on-street parking charges
   iii. car parks in neighbouring authorities:
      - Cherwell DC
      - Aylesbury Vale DC
      - Wokingham DC
      - Wycombe DC
      - Vale of White Horse DC

d) Parking is provided free of charge for disabled badge holders

e) No fees and charges to apply on Sundays

f) Parking fees and charges to be reviewed annually

1. <u>Season tickets and permits</u>

g) Season tickets are available for purchase in advance by residents, tourists and businesses for all long stay car parks but do not guarantee a place. They are available for one year, a quarter or one week at a discounted rate.

h) Permits are available for market traders which give discounted rates for all day parking in long stay car parks for one particular day of the week over a quarter or a year. They also do not guarantee a place.

i) Discounts will be determined each year when fees and charges are reviewed.

Appendix 2 Comparison of pay and display car park charges, November 2012

Place	Average Charging periods	up to 1 hour	up to 2 hours	up to 3 hours	up to 4 hours	up to 5 hours	up to 6 hours	up to 8 hours	up to 10 hours	up to 12 hours	ECN
South Oxfordshire District Council	9am to 5pm 8am to 6pm (in Henley on Saturdays)	Free or 50p	80p	1.50		1.80 to 2.10		1.60 to 3.10			Max £70
Train Station, Henley (discounts apply if pay by 'phone)	All day			1.00			1.50			3.90	
Mill Meadows (Henley Town Council) Mon-Fri Sat and Sun and BHs		1.20 1.50	2.50 3.00		5.00 6.00					7.00 8.00	
Wycombe DC (High Wycomb) Easton Street	7am – 6pm Mon - Sat	1.00	1.50	2.00	2.50					5.00	Max £70
Wycombe DC (High Wycomb) Baker St	7am - 7pm Mon - Sat		1.50				3.50			3.50	Max £70
Wycombe DC (Marlow) Dean St	7am - 7pm Mon - Sat	60p (40p for up to 30 mins)	1.20	1.50	2.00		3.00			5.50	Max £70
Woking Borough Council (Victoria Way, Brewery Road & Heathside Crescent)	6am - 7pm Mon – Sat (also charges Sunday at reduced rate)	1.10/70/50	2.20	3.30	4.40	5.00	5.00	7.70			Max £70
Wargrave, School Lane (short stay)	8am - 6pm Mon - Sat	40p	60p		2.00				4.00		Max £80
Wokingham town centre, Easthampstead Rd (long stay)	8am - 6pm Mon - Sat	70p	1.20	2.00	2.00		3.00		4.00		Max £80
West Berkshire Council (Newbury central library)	8am - 6pm Mon - Sat (*£1 after 6pm)	1.00	2.20	3.40	4.50		6.50	8.50		12.00	Max £80
Aylesbury Vale DC (Upper Hundreds Town centre – short stay)	8am - 6.30pm Mon - Sat	90p	1.50	2.50	3.50	5.00				8.00 up to 24 hrs	Max £70
Aylesbury Vale DC (Hampden House – inner long stay)	8am - 6.30pm Mon - Sat					2.50				4.00 up to 24 hrs (1.00 overnight)	
Aylesbury Vale DC (Friarscroft – outer long stay)	8am - 6.30pm Mon - Sat									4.00 up to 24 hrs (1.00 overnight)	

Banbury (Market Pl, ultra short stay)	8am - 6pm Mon –Sun	£1.20 (80p up to 30 mins)									Max £70
Bicester (Cattlemarket)	as above	60p	1.20	1.70	2.20			2.50			
* Vale of White Horse DC (Portway, Wantage)	8am - 6pm Mon - Sat		Up to 2 hrs no charge	1.30	3.30		4.30			5.30	Max £80
* Vale of White Horse DC (Gloucester St, Faringdon)	8am - 6pm Mon - Sat		Up to 2 hrs no charge	1.00	2.40		2.60			2.80	Max £80
* Vale of White Horse DC (Cattlemarket, Abingdon)	8am - 6pm Mon - Sat		Up to 2 hrs no charge	1.50	3.40		4.30			5.30	

* From December 2011

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Report to:

Cabinet

Council

Audit and Corporate Governance Committee

Report of Head of Finance

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To: Audit and Corporate Governance Committee on: 29 January 2013
To: Cabinet on: 14 February 2013
To: Council on: 21 February 2013

Treasury management mid year monitoring report 2012/13

Recommendations

That Audit and Corporate Governance committee:

1. notes the treasury management mid year monitoring report 2012/13, and

2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy.

That Cabinet:

2. Considers any comments from Audit and Corporate Governance committee and recommends council to approve the report.

Purpose of report

1. The report fulfils the legislative requirements to ensure the adequate monitoring of the treasury management activities and that the council's prudential indicators are reported to council mid year. The report provides details of the treasury activities for the first six months of 2012/13 and an update on the current economic conditions with a view to the remainder of the year.

Strategic objectives

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

Background

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

4. The 2012/13 treasury management strategy was approved by council on 22 February 2012. This report provides details on the treasury activity and performance for the first six months of 2012/13 against prudential indicators and benchmarks set for the year. It is also an opportunity to review and revise the limits if required. Full council is required to approve this report.

The economy and interest rates

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

Icelandic banks – Kaupthing Singer & Friedlander

6. The council has now received £1,999,767 in respect of the claim for £2.6 million (£2.5 million investment plus interest) from the investment made with the failed Icelandic bank Kaupthing Singer & Friedlander (KSF).

7. The administrators intend to make further payments at regular intervals. The latest information states that it is the administrators' current intention to pay the tenth dividend in approximately six months' time. The estimated total amount to be recovered is forecast to be in the range of 81p to 86p in the pound. This equates to between £2,130,975 and £2,262,517

Investments

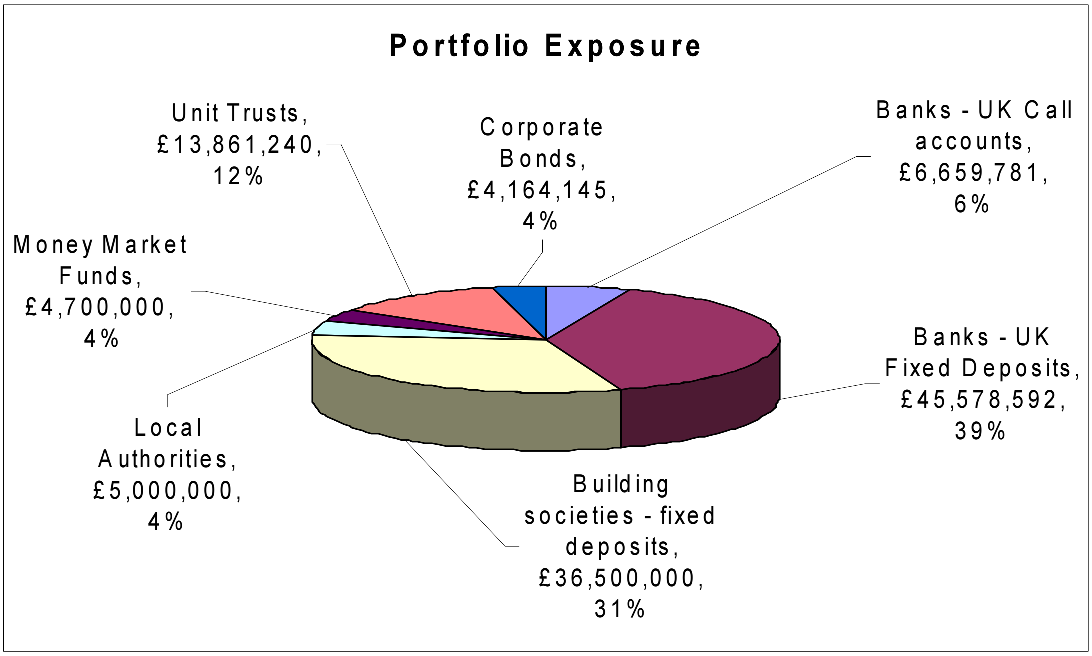
8. In accordance with the Code the council's investment position as at 30 September 2012 is shown in table 1 below.

Table 1: maturity structure of investments at 30 September 2012:	Total £000's	% holding
Cash deposits:		
Call accounts	5,172	4%
Notice account	1,487	1%
Up to 1 month	7,000	6%
2 Month	9,000	8%
3 Month	1,000	1%
4 Month	2,000	2%
5-6 Month	19,500	17%
7-12 Month	25,500	22%
1 -2 Year	17,500	15%
2-5Year	5,000	4%
Kaupthing Singer & Friedlander	579	1%
Total cash deposits	**93,738**	**81%**
Equities	13,861	12%
Corporate bonds	4,164	3%
Money market funds	4,700	4%
Total investments	**116,465**	**100%**

Note: £116.465 million does not represent uncommitted resource the council has at its disposal. This amount includes council tax receipts held prior to forwarding to Oxfordshire County Council and Thames Valley Police, business rate receipts prior to payment to the government and committed capital and revenue balances. Details of the council's uncommitted balances are provided in the annual budget and council tax setting report.

9. The council currently holds a significant proportion of its investments in the form of cash deposits, the majority of which have been placed for fixed terms with a fixed investment return. Six per cent of the entire investment portfolio is held on call or in notice accounts, with 81 per cent of the total investment portfolio held in cash deposits.

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



11. Total investment income is forecast to be around £2.6 million in 2012/13 against a budget of £2.5 million. Table 2 shows the interest earned for the first six months.

Table 2: Investment interest earned by investment type

Investment type	Interest Earned Apr - Sep 2012 Annual Budget £000's	Actual To date £000's	Profiled Budget £000's	Variation £000's
Call accounts	43	44	21.5	23
cash deposits < 1 yr	1,057	254	528.5	(275)
Cash deposits > 1 yr	705	643	352.5	291
MMF	30	20	15	5
Corporate bonds	411	198	205.5	(8)
Transferred Debt	10	0	5	(5)
Equities	250	212	125	87
Total Interest	**2,506**	**1,371**	**1,253**	**118**

Treasury activity

12. It has been difficult to place investments during the first six months of the year because of the continued financial uncertainty. At the start of the year some good rates were achieved which have contributed to the increase in investment income for the first half of the year. During May through to July deposits were placed mainly at rates which ranged between 1.50 per cent and 1.82 per cent. Since the end of August rates have dropped considerably.

13. Re-investment opportunities are not nearly as attractive as six months ago, one year rates have dropped by over 1.25 per cent. There is currently little incentive to reinvest longer term periods. Cash deposits are being held short term with a view to re-investing for longer periods as the medium term rates improve. The governments Funding to Lending Scheme has lowered bank funding costs and has been extended to building societies. This access to cheaper borrowing is a key factor in the fall in market rates now available.

14. The weighted average maturity period has decreased to 231 days. As a result of the many banking downgrades there are now fewer financial institutions meeting the council's investment criteria. When it is possible investments will be placed with highly rated institutions with a view to increase the weighted average maturity of the portfolio.

15. The value of the unit trusts has moved from £13.4 million at the start of April up to £13.9 million at the end of September. This movement is expected in the current volatile markets where investors are moving between safer havens such as gilts and moving back into equities when the markets look calmer.

Performance measurement

16. A list of investments as at 30 September is shown in appendix B. All investments were with approved counterparties. The average level of investments held was £113 million and the average return on these investments is shown below in table 3. This shows in summary the performance of the council's investments against the benchmarks set out in the Treasury Management Strategy. These benchmarks are used to assess and monitor the council's investment performance for each type of investment.

Table 3: investment returns achieved against benchmark

	Benchmark return %	Actual return %	Growth (below)/above benchmark %	Benchmarks
Bank & building society deposits - non-managed	0.73%	2.27%	1.54%	3 Month LIBID
Equities	0.75%	1.43%	0.68%	FTSE all shares index
Corporate bonds	0.50%	5.68%	5.18%	BoE base rate

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

Treasury management limits on activity

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

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

Debt activity during 2012/13

18. During the first six months of 2012/13 there has been no need for the council to borrow. The council will continue to take a prudent approach to its debt strategy. The prudential indicators and limits set out in appendix C provide the scope and flexibility for the council to borrow in the short-term up to the maximum limits, if such a need arose within the cash flow management activities of the authority, for the achievement of its service objectives.

Recommended changes to the treasury management strategy

19. Council approved the 2012/13 treasury management strategy on 24 February 2012. There are no proposed changes to the strategy for 2012/13 at this time.

Financial implications

20. This time last year forecasts were that inflationary pressures would mean that interest rates would have to start rising towards the end of 2012. This hasn't happened and the current outlook for growth for the UK economy means interest rates are very low and likely to remain so. Investments made early in 2012 should ensure that the interest earned on investments for 2012-13 is around £2.6 million. However from 2013 income may reduce for a year or so until market rates rise. This will be reflected in the council's medium term financial plan .

21. Investments including working capital, are projected to fall to approximately £90 million by 2015/16. Should investment rates recover to three percent then annual returns will be around £3 million.

Legal implications

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

Conclusion

23. This report provides details of the treasury management activities for the period 1 April 2012 to 30 September 2012 and the mid year prudential indicators to council.

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

[1] Chartered Institute of Public Finance and Accounting (CIPFA)

Appendices

A – Economic update and interest rates
B – List of investments as at 30.9.12
C – Prudential Indicators

Economic Update and interest rates

A1. The Bank of England lowered its expectations for the speed of recovery and rate of growth in August. The growth in the UK economy remains weak and forecasts for growth have been reduced for the next two years. Forty percent of the UK output depends on overseas trade. The euro zone (EZ) economies remain weak and concerns persist that some EZ countries are falling into negative growth.

A2. Higher unemployment, job fears, high inflation eroding disposable incomes, small or no pay increases are all factors contributing to consumers ability to spend and overall living standards have fallen in real terms due to the sharp price rises relative to wages. Average real wages have fallen every month since June 2008. The squeeze on households' income will remain a critical factor in the economy over the next few years. Inflation is the main cause and will continue to have the greatest impact on living standards as real income will continue to decline. The weak recovery has meant that social security payments remain high and tax income is low.

A3. Looking ahead the EZ crisis is far from resolved as Greece has failed to achieve the deficit reduction targets so a third bail out may be required. Northern EU countries may not agree to support this. Economic growth is forecast to remain low for the next 24 months and the base rate will not be increased whilst growth is low. This means that investment returns will also remain low.

A4. The government Funding for Lending Scheme has been introduced to improve access to mortgages at lower rates. This has affected lenders need to borrow and money market rates have fallen considerably as a result. There will be a need to increase interest rates and reverse the government bond purchases at some stage, but it is unlikely to happen in the next 12 to 24 months.

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

A6. The interest rate forecast is based on the assumption that growth starts to recover in the next three years. If the EZ crisis worsens or low growth in the UK continues the base rate is likely to remain low for longer than this forecast.

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

Interest rates

A8. The Bank of England changed its forecast significantly in the August Inflation report and reduced growth to 1% in 2013 and 2% in 2014.

A9. **Bank rate** - remained unchanged at 0.5% throughout the first half of 2012/13. The earlier forecast of a rate rise in September 2013 has been postponed until Q4 in 2014.

Bank rate

	Now	Previously
Q1 2013	0.50%	0.50%
Q1 2014	0.50%	0.50%
Q1 2015	0.75%	1.00%

A10. **Deposits rates** have fluctuated in a very narrow range during the first six months of the financial year. Investment rates have remained flat with a range between 0.5 per cent to around 1.5 per cent for up to a year's maturity. This has dropped significantly as banks and building societies were offered further cheap cash supply . The short term rates from one month to six months offer very little differential with six month rates ranging between 0.37 percent and 0.63 percent.

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

Sector's interest rate forecast

	Now	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Bank base rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%
3m LIBID	0.50%	0.50%	0.60%	0.50%	0.50%	0.50%	0.50%	0.60%	0.60%	0.70%	0.80%	1.10%
6m LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.90%	1.00%	1.10%	1.30%
12m LIBID	0.70%	1.00%	1.00%	1.00%	1.00%	1.00%	1.10%	1.10%	1.20%	1.30%	1.30%	1.50%
5 yr PWLB rate	1.60%	1.50%	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.80%	2.00%	2.20%	2.30%
10 yr PWLB rate	2.50%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.30%
25 yr PWLB rate	3.80%	3.70%	3.80%	3.80%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.30%	4.40%
50yr PWLB rate	3.90%	3.90%	4.00%	4.00%	4.00%	4.00%	4.10%	4.10%	4.20%	4.30%	4.50%	4.60%

Investments as at 30 September 2012

Counterparty	Deposit Type	Principal	Rate
Furness Building Society	Fixed	1,000,000	1.60%
Furness Building Society	Fixed	2,000,000	1.60%
Nottingham Building Society	Fixed	3,000,000	1.50%
Furness Building Society	Fixed	1,000,000	1.50%
Barclays Bank plc	Fixed	5,000,000	1.75%
Nottingham Building Society	Fixed	2,000,000	1.85%
Hinkley & Rugby Building Society	Fixed	2,000,000	1.50%
Market Harborough	Fixed	1,000,000	1.70%
Furness Building Society	Fixed	2,000,000	1.40%
National Counties Building Society	Fixed	1,500,000	1.70%
Nationwide	Fixed	3,000,000	1.52%
Nottingham Building Society	Fixed	1,000,000	1.74%
Nottingham Building Society	Fixed	2,000,000	1.70%
Bank of Scotland	Fixed	2,000,000	3.10%
National Counties Building Society	Fixed	2,500,000	1.55%
Barclays Bank plc	Fixed	1,500,000	1.56%
National Counties Building Society	Fixed	2,000,000	1.80%
Nottingham Building Society	Fixed	2,000,000	1.82%
Newcastle Building Society	Fixed	2,000,000	1.75%
National Counties Building Society	Fixed	1,000,000	1.40%
Bank of Scotland	Fixed	1,000,000	2.55%
Brentwood Borough Council	Fixed	2,000,000	2.16%
National Counties Building Society	Fixed	1,500,000	1.80%
Nottingham Building Society	Fixed	2,000,000	1.75%
Saffron Building Society	Fixed	2,000,000	1.65%
Lloyds TSB	Fixed	5,000,000	2.80%
Lloyds TSB	Fixed	4,000,000	2.85%
Doncaster MBC	Fixed	2,000,000	1.05%
Lloyds TSB	Fixed	5,000,000	2.80%
Barclays Bank plc	Fixed	2,000,000	2.60%
Bank of Scotland	Fixed	3,000,000	2.80%
Barclays Bank plc	Fixed	3,000,000	2.75%
Royal Bank of Scotland	Fixed	5,000,000	2.82%
Royal Bank of Scotland	Fixed	1,500,000	3.25%
Royal Bank of Scotland	Fixed	1,500,000	3.10%
Barclays Bank plc	Fixed	1,500,000	2.60%
Barclays Bank plc	Fixed	2,000,000	3.75%
Kingston upon Hull City Council	Fixed	1,000,000	1.90%
HSBC	Fixed	2,000,000	1.90%
Santander	Call	5,170,000	0.90%
Alliance & Leicester 30 Day Notice A/c	Call	1,487,493	0.90%
Royal Bank of Scotland	Call	2,288	0.85%
Goldman Sachs	MMF	1,210,000	Variable
Deutsche Bank	MMF	3,000,000	Variable
Blackrock	MMF	490,000	Variable
L&G Equities	Unit Trust	13,861,240	Variable
Royal Bank of Scotland	Corporate Bond	1,666,800.00	9.63%
Halifax	Corporate Bond	2,183,200.00	11.50%
Santander	Corporate Bond	314,145.00	11.50%
GRAND TOTAL		**116,463,758**	

Prudential indicators as at 30th September 2012

	2012/13 Original Estimate £m	Actual as at 30-Sep £m
Debt		
Authorised limit for external debt		
Borrowing	5	0
Other long term liabilities	5	0
	10	**0**
Operational boundary for external debt		
Borrowing	2	0
Other long term liabilities	3	0
	5	**0**
Interest rate exposures		
Maximum fixed rate borrowing	10	**0**
Maximum variable rate borrowing	10	**0**
Investments		
Interest rate exposures		
Limits on fixed interest rates	100	89
Limits on variable interest rates	30	5
Principal sums invested > 364 days		
Upper limit for principal sums invested >364 days	70	23
Limit to be placed on investments to maturity:		
1 - 2 years	70	18
2-5 years	50	5
5 years+	50	0
Investment portfolio spread		
Supranational bonds	15	0
Gilts	15	0
Equities*	10	14
Corporate bonds	10	4
Money market funds	20	5
Pooled bond fund	5	0
Property - direct investments	30	16
Property related pooled funds	10	0
External fund manager	20	0
Cash and certificates of deposit	85%	81%
Debt management account deposit facility	100%	0%

*Limit at time of purchase - Equities include accumulated dividends

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Report to:
Audit and corporate governance committee
Cabinet
Council

Report of Head of Finance

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To: Audit & Corporate Governance Committee	29 January 2013
To: Cabinet	14 February 2013
To: Council	21 February 2013

Treasury management strategy 2013/14 to 2015/16

Recommendations:

That audit and corporate governance committee:

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

That cabinet recommends council to approve:

2. the treasury management strategy 2013/14 to 2015/16, incorporating the annual investment strategy, which is contained within appendix A of the report of the head of finance to cabinet on 14 February 2013,

3. The prudential indicators and limits for 2013/14 to 2015/16, which are contained within appendix A of the report of the head of finance to cabinet on 14 February 2013.

Purpose of report

1. This report presents the council's Treasury Management Strategy (TMS) for 2013/14 to 2015/16 and sets out the expected treasury operations for this period. It comprises of four elements required by legislation as follows:

- The prudential indicators required by the CIPFA Prudential Code for Capital Finance in Local Authorities (paragraph 8, table 2);
- The treasury management strategy in accordance with the CIPFA Code of Practice on Treasury Management. This sets out how the council's treasury service will support capital investment decisions, and how the treasury management operates day to day. Its sets out the limitations on treasury management activity through prudential indicators, within which the council's treasury function must operate. The strategy is included as appendix A to the report (paragraphs 1-49);
- The annual investment strategy. This sets out the council's criteria for selecting counterparties and limiting exposure to the risk of loss on its investments. This strategy is in accordance with the DCLG investment guidance and forms part of the treasury management strategy. (appendix A, paragraphs 20 – 49);
- A statutory duty to approve a minimum revenue provision policy for 2013/14 (paragraphs 44-45).

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

Strategic objectives

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

Background

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

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

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

6. The council could choose to adopt a totally risk adverse strategy and place all its investments in the government's debt management account. Although this would all but eliminate the possibility of repayment default, it would also result in a poor return on investment. Should the council have adopted such a strategy over the past 10 years it would have earnt £60m less in interest than its adopted strategy delivered. The council therefore sets a strategy that takes marginal risk in return for greater reward.

7. The council's treasury management strategy 2013/14 to 2015/16 is attached in appendix A. Whilst every attempt has been made to minimise the technical content of this report, by its very nature and the need for compliance with associated guidance the report is technical in parts. A glossary of terms in annexe 6 should aid members understanding of some technical terms used in the report.

Recommended changes to the treasury management strategy

8. The biggest operation challenge for officers is to find suitable counter-parties to lend to. As credit rating fall across the board so the options available to officers reduce. The larger, higher rates institutions will not deal in the (relatively) small sums our lending limits impose and so we must look to amending our lending criteria to allow us to place amounts with a larger range of institutions. These recommendations address this reality.

9. Council approved the 2012/13 treasury management strategy on 22 February 2012. The proposed strategy for 2013/14 includes the changes detailed below, which cabinet is asked to recommend to council:

   a. Building societies – more detailed criteria for investment amounts and maturity periods have been set out linked to the asset base of building societies:

      1) Current:
         - Assets over £1bn with a F1 credit rating – we can lend £15m for up to one year
         - Assets over £1bn but unrated – we can lend £15m for up to nine months
         - Assets over £500m but unrated – we can lend £10m for up to six months

      2) Proposed:
         - Assets over £5bn but unrated - we can lend up to £15m for up to one year
         - Assets over £1bn but unrated - we can lend up to £10m for up to ten months
         - Assets over £500m but unrated – we can lend up to £6m for up to nine months
         - Assets over £0.25bn but unrated – we can lend up to £4m for up to six months

      The building society sector has been largely unaffected by the credit issues that have affected the banking sector. Societies' business model is relatively simple and transparent in comparison with banks, with a culture focused on their customers. They are strictly regulated by the building societies Act 1986 within which funding and lending limits control how much of the business is secured in residential property and shares held by individuals. The changes proposed above will add a further 11 building societies to the counterparty list.

   b. Housing Associations – a new category has been set for investments to be made in this sector up to £15 million. Officers are currently exploring the options of this type of investment which would be either through the purchase of corporate bonds and linked to a credit rating of the institution or an investment which would be appropriately secured on the assets.

   c. Institutions individual and support ratings criteria removed. – Rated instiutions are given individual and support ratings and our previously approved limits set out criteria for these ratings. The ratings agencies have in the main downgraded most financial institutions and the support ratings do not reflect any government support provided. This distorts the criteria if used, as it is clear that the UK government has provided a guarantee scheme and financial support to the financial sector. Additional data is now used to support the assessment of counterparties further details are provided in paragraphs 33 to 39 of appendix A.

Financial implications and risk assessment

10. 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.

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

Table 1: Medium term investment income forecast.	2012/13	2013/14	2014/15	2015/16	2016/17
	£000's	£000's	£000's	£000's	£000's
Estimate of average investments	115,500	97,337	92,904	89,380	85,303
Forecast average interest rate	2.26%	2.00%	2.25%	2.50%	3.00%
December 2012 forecast investment income	2,605	1,947	2,090	2,235	2,559

The 2013/14 budget setting report takes into account the latest projections of anticipated investment income.

Legal implications

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

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

Conclusion

14. This report provides details of the proposed changes to the treasury management strategy and the annual investment strategy for 2013/14 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.

Appendices

Appendix A	Treasury Management Strategy 2013/14 – 2015/16
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 2013/14 to 2015/16

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, Sector Treasury Services. The strategy covers:
   - Prudential and treasury indicators in force that will limit the treasury risk and activities of the council;
   - Current treasury position
   - Borrowing strategy
   - Policy on borrowing in advance of need;
   - Investment strategy;
   - Counterparty selection and limits;
   - Policy on use of external service providers;
   - Minimum revenue Provision (MRP) statement;
   - Treasury management scheme of delegation and Section 151 role.

4. It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level where any increases in charges to revenue from:
   - Increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
   - Any increases in running costs from new capital projects

   are identified and limited to a level which is affordable.

A key requirement of the strategy is to explain the risks, and the management of those risks, associated with providing the treasury service. Legislation requires that as a minimum two further treasury reports are provided: a mid-year monitoring report and an outturn report after the year-end that reports on actual activity for the year.

Treasury Limits for 2013/14 to 2015/16

5. It is a statutory duty, under Section 3 of the Act and supporting regulations for the council to determine and keep under review how much it can afford to borrow. The amount so determined is called the "Affordable Borrowing Limit". The Authorised Limit is the legislative limit specified in the Act.
6. The council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital expenditure remains within sustainable limits and in particular, that the impact upon its future council tax is 'acceptable'.
7. The Authorised Limit is set on a rolling basis, for the forthcoming financial year and two successive financial years.

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

Table 2: Prudential indicators	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt	**£m**	**£m**	**£m**	**£m**
Authorised limit for external debt				
Borrowing	5	5	5	5
Other long term liabilities	5	5	5	5
	10	**10**	**10**	**10**
Operational boundary for external debt				
Borrowing	2	2	2	2
Other long term liabilities	3	3	3	3
	5	**5**	**5**	**5**
Interest rate exposures				
Maximum fixed rate borrowing	nil	100%	100%	100%
Maximum variable rate borrowing	nil	100%	100%	100%
Investments				
Interest rate exposures				
Limits on fixed interest rates	100	100	100	100
Limits on variable interest rates	30	30	30	30
Principal sums invested > 364 days				
Upper limit for principal sums invested >364 days	70	70	70	70
Limit to be placed on investments to maturity:				
1 - 2 years	70	70	70	70
2-5 years	50	50	50	50
5 years+	50	50	50	50
Investment portfolio spread - (upper limits)				
Supranational bonds	15	15	15	15
Gilts	15	15	15	15
Equities*	10	10	10	10
Corporate bonds	10	10	10	10
Money market funds	20	20	20	20
Pooled bond fund	5	5	5	5
Property - direct investments	30	30	30	30
Property related pooled funds	10	10	10	10
External fund manager	20	20	20	20
Cash and certificates of deposit	85%	85%	85%	85%
Debt management account deposit facility	100%	100%	100%	100%
*Limit at time of purchase - Equities include accumulated dividends				

8. The indicators set the parameters within which we manage the overall capital investment and treasury management functions. The specific treasury activity limits aim to contain the activity of the treasury function in order to manage risk and reduce the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. Explanations for the indicators can be found in Annex 4 of the report.

Current position

9. The council's investments at 31 December 2012 were as follows:

Table 3: maturity structure of investments at 31 December 2012:	Total £000's	% holding
Cash deposits:		
Call accounts	23,022	18%
Notice account	1	0%
Up to 1 month	2,000	2%
2 Month	12,000	10%
3 Month	7,500	6%
4 Month	4,000	3%
5-6 Month	11,500	9%
7-12 Month	37,000	30%
1 -2 Year	3,500	3%
2-5Year	3,000	2%
Kaupthing Singer & Friedlander	500	1%
Total cash deposits	**104,023**	84%
Equities	12,481	10%
Corporate bonds	4,174	3%
Money market funds	3,990	3%
Total investments	**124,669**	**100%**

10. The council currently holds 84 per cent of its investments in the form of cash deposits, 60 per cent is invested for fixed terms with a fixed investment return and 18 per cent is currently held on call accounts, with the remainder held in non cash deposits. Typically the council restricts lending activity to UK institutions and the highest rated counterparties.

Icelandic banks – Kaupthing Singer & Friedlander

11. The council has now received £1,999,767 in respect of the claim for £2.6 million (£2.5 million investment plus interest) from the investment made with the failed Icelandic bank Kaupthing Singer & Friedlander (KSF).

12. The administrators intend to make further payments at regular intervals. The latest information states that it is the administrators' current intention to pay the tenth dividend in approximately six months' time. The estimated total amount to be recovered is forecast to be in the range of 81p to 86p in the pound. This equates to between £2,130,975 and £2,262,517

Investment performance for the year to 31 December 2012.

13. The council's budgeted investment return for 2012/13 is £2.5 million, and the actual interest earned to date is shown as follows:

Table 4: Investment interest earned by investment type				
	Interest Earned 2012/13			
Investment type	Annual Budget £000's	Actual To date £000's	Annual Forecast £000's	Variation £000's
Call accounts	43	75	90	47
Cash deposits < 1 yr	1057	426	545	(512)
Cash deposits > 1 yr	705	918	1171	466
MMF	30	26	32	2
Corporate bonds	411	298	395	(16)
Transferred debt	10	0	10	(10)
Equities	250	453	362	112
Total interest	**2,506**	**2,196**	**2,605**	**89**

Borrowing Strategy 2013/14 – 2015/16

14. The council has to provide details of its borrowing requirement, any maturing debt which will need to be re-financed, and the effect this will have on the treasury position over the next three years. This council has no external debt and does not expect to borrow long term to finance the current capital programme. The council will continue to take a prudent approach to its debt strategy. In general, the council will borrow for one of two purposes:

    - To finance cash flow in the short-term;
    - To fund capital investment over the medium to long term.

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

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

17. The treasury management strategy for the forthcoming year aims to efficiently manage the investment portfolio by reducing the amount of funds held extremely short-term for cash flow purposes and operating with an adequate but not excessive level of working capital. This optimum level is dictated by the accuracy of cash flow forecasts and, although unlikely, it is prudent to set a minimum level for the use of short-term borrowing arrangements or overdraft facilities if the cash flow forecasts prove inaccurate at any point in the year.

18. The head of finance, would in such instances take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above.

Policy on borrowing in advance of need

19. The council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure value for money can be demonstrated and that the council can ensure the security of such funds. In determining if any borrowing will be undertaken in advance of need, the council will:

    - Consider the impact of borrowing in advance on investment cash balances and the exposure to counterparty risk. Any risk associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid year or annual reporting process.

Annual investment strategy

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

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

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

21. The strategy aims to provide a high degree of flexibility to take appropriate lending decisions, with a view to producing a portfolio with an even spread of maturity periods as and when institutional security and market confidence returns. This aim is to provide a more even and predictable investment return in the medium term.

22. The head of finance will ensure a counterparty list (a list of named institutions) is maintained in compliance with the recommended credit rating criteria (table 6) and will revise the criteria and submit any changes to the credit rating criteria to council for approval as necessary.

Investment types

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

Specified investment instruments (maximum period 1 year)

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

Non-specified investment instruments (maturities over one year)

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

Other Non-specified investment instruments

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

Approach to investing

24. The council currently holds approximately £85 million core cash balances which are available to invest for more than one year. This is expected to reduce over the medium term as the approved capital expenditure is carried out. In addition the council has funds which are available on a temporary basis to invest. These are held pending payment over to another body such as precept payments and council tax. The amount can vary between £15 million and £30 million throughout the year and can only be invested short term (under one year). Investments will be made primarily with reference to known cash flow requirements.

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

26. Conditions in the financial sector have begun to show signs of improvement, with substantial intervention by the government. Officers will continue to implement an operational strategy which provides tight controls on the investments placed. As a result of a sharp decline in the number of acceptable counterparties, the limits incorporate changes to the councils exposure for both types of investment and time limits. These changes aim to give greater flexibility to improve the spread the investment risk over different types of instruments and sectors, subject to a full assessment of risk and security.

27. The revised limits are shown in detail in table 5. The changes to the previously approved limits are:

a. Institutions individual and support ratings criteria removed. – The previously approved limits set out criteria for individual and support ratings. The ratings agencies have in the main downgraded most financial institutions and the support ratings do not reflect any government support provided. This distorts the criteria if used, as it is clear that the UK government has provided a guarantee scheme and financial support to the financial sector.

b. Housing Associations – a new category has been set for investments to be made in this sector up to £15 million. Officers are currently exploring the options of this type of investment which would be either through the purchase of corporate bonds and linked to a credit rating of the institution or an investment which would be appropriately secured on the assets of the institution.

c. Building societies – more detailed criteria for investment amounts and maturity periods have been set out linked to the asset base of building societies:

3) Current:
- Assets over £1bn with a F1 credit rating – we can lend £15m for up to one year
- Assets over £1bn but unrated – we can lend £15m for up to nine months
- Assets over £500m but unrated – we can lend £10m for up to six months

4) Proposed:
- Assets over £5bn but unrated - we can lend up to £15m for up to one year
- Assets over £1bn but unrated - we can lend up to £10m for up to 10 months
- Assets over £500m but unrated – we can lend up to £6m for up to nine months
- Assets over £0.25bn but unrated – we can lend up to £4m for up to six months

The building society sector has been largely unaffected by the credit issues that have affected the banking sector. Societies' business model is relatively simple and transparent in comparison with banks, with a culture focused on their customers. They are strictly regulated by the building societies Act 1986 within which funding and lending limits control how much of the business is secured in residential property and shares held by individuals. The changes proposed above will add a further 11 building societies to the counterparty list.

28. 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).

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

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

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

Counterparty selection

32. Treasury management risk is the risk of loss of capital to the council. To minimise this risk, the council uses credit rating information when considering who to lend to. Sector provides the council with credit rating updates from all three ratings agencies – Standard & Poors, Fitch and Moodys.

33. The council is also required to supplement the credit rating data with operational market information such as credit default swaps (CDS), negative watches and outlooks, which are considered when assessing the security of counterparties. This additional information is used so that the council does not rely solely on the current credit ratings of counterparties.

34. The council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine the creditworthy counterparties. This is because Moodys have become far more aggressive in allocating low ratings than the other two agencies. If followed, this approach would leave the council with so few institutions on its approved lending list it would be unworkable. The information provided by Sector uses a wider array of information than just primary ratings and does not give undue weight to any one agency's ratings. Credit information is updated and monitored weekly, supplemented by daily emails, which are consulted prior to making an investment decision. The council is alerted to any changes from all three agencies through the use of data provided by Sector. If a downgrade results in the counterparty no longer meeting the council's minimum criteria, it will not be used for future investments. Movements in CDS and other market data is also reviewed on a weekly basis. Extreme market movements may result in a downgrade of an institution or removal from the council's lending list.

35. Where it is felt the council would benefit from utilising government guarantees provided by countries with an AAA rating, the council may lend to institutions covered by such guarantees. Any decision to lend in this way will be subject to consultation with and the agreement of the cabinet member responsible for finance.

Country and sector considerations

36. The council has determined that it will only use approved counterparties outside the UK from countries with a minimum sovereign credit rating of AAA from Fitch Ratings.

Counterparty limits

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

Table 5: Counterparty limits

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

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

38. The criteria for choosing counterparties provides a sound approach to investment in "normal" market circumstances. The head of finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions.

Fund managers

39. The treasury management strategy allows for a total of up to £15 million portfolio to be invested with a fund manager. Fund managers can invest in a variety of investment types such as cash deposits, gilts and certificates of deposits. These types of funds can extend the spread of investment portfolio, access highly rated institutions and capitalise upon opportunities to improve returns, whilst maintaining liquidity. This is reviewed regularly, and at present it is not evident that the council can currently benefit from the service of a fund manager due to the market conditions. However, the situation will continue to be reviewed.

Risk and performance benchmarks

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

41. Performance indicators are set to assess the adequacy of the treasury function over the year. These are distinct historic performance indicators, as opposed to the predominantly forward looking prudential indicators. The indicators used to assess the performance of the treasury function are:

Table 6: investment benchmarks

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

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

Policy on the use of treasury management advisers

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

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

43. Following the collapse of the Icelandic banks, and the subsequent local authority exposure to these defaults, the revised CLG investment guidance notes and the CIPFA Treasury Code of Practice requires the council to recognise that responsibility for treasury management decisions remains with the council at all times and to ensure that undue reliance is not placed upon external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

Minimum revenue provision (MRP) statement 2013/14

44. The council is required to assess its MRP requirement for the year in accordance with the guidance of section 21 of the Act. MRP is a charge made to the revenue account as a proportion of outstanding capital liabilities. The council has no outstanding capital liability and therefore the MRP for 2013/14 is nil.

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

Member and officer training

46. The requirement for increased member 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 members and officers. In compliance with the revised code, the council has provided treasury management training to members in January 2012.

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

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

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

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

III. **Section 151 Officer / Head of Finance**
- Recommending clauses, treasury management policies/practices for approval, review and monitoring compliance;
- Submitting regular treasury management information reports;
- Submitting budgets and budget variations;
- Reviewing the performance of the treasury management function;
- Ensuring adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy of internal audit and liaising with external audit;
- Approving the selection of external service providers and agreeing terms of appointment.

Summary

47. Prior to the beginning of each financial year the council must approve the treasury management strategy. The strategy sets the parameters within which officers can invest the council's surplus fund.

48. 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

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

Global economy – the outlook for the Eurozone (EZ) economy dominates the financial markets and this will remain so until fundamental issues over the structure of the currency in the EZ are resolved. Weak or negative growth will also continue to be a key factor as this determines how much income will be generated in relation to each counties debt repayments. This has affected the UK economy and is likely to affect growth in 2013. The recession is now the worst and slowest recovery of any of the five recessions since 1930.

UK economy – In August 2012 the Bank of England lowered its expectations for the speed of recovery and rate of growth. The growth in the UK economy remains weak and forecasts for growth have been reduced for the next two years. The governments austerity measures aimed at getting the public sector deficit under control in the next four years, now look as if they may not meet the original timeframe. Currently the UK is enjoying a major financial benefit from some of the lowest sovereign borrowing costs in the world, as the UK is seen as safe haven from Euro zone debt.

Economic growth – Economic growth has basically, flat lined since the election in 2010, and the economic forecasts for 2012 and beyond were revised substantially lower in the Bank of England Inflation quarterly report for August 2102. Quantitative Easing (QE) was increased again by £50bn in July 2102 to a total of £375bn.

Unemployment – The Government's austerity strategy has resulted in a substantial reduction in employment in the public sector. Despite this, total employment has increased to the highest level for four years (August 2012) and the number of unemployment benefit claimants has also been falling slightly.

Inflation and Bank rate – Inflation has fallen sharply during 2012 from a peak of 5.2% in September 2011 to 2.2% in September 2012. Inflation is expected to fall further to the 2% target level within the two year horizon.

AAA rating – the UK's sovereign rating was recently reaffirmed, but warnings to review the position have been made if the government were to change the deficit reduction programme, or if the desired outcome was not being achieved. The status has provided a safe haven for investors.

Sector's forward view

Economic forecasting remains difficult with so many influences affecting the UK. There does appear to be consensus among analysts that the economy remains fragile. Key areas of uncertainty include:

- The second Greek bailout package could cause greater problems in EZ debt and a higher risk of breakdown of the EZ or even the currency itself;

- The impact of the UK governments austerity plan on confidence and growth and the need to rebalance the economy from services to exporting manufactured goods;
- The economic performance of the UK's trading partners in particular the EU and US as some analysts suggest that recession may return to both;

The overall balance of risks remains weighted to the downside. Many consumers, corporates and banks are still focused on reducing their borrowings rather than spending so will continue to act as a major headwind to a return to robust growth.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to high volumes of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.

Given the weak outlook for economic growth, Sector sees the prospects for any interest rate changes before the end of 2014 as very limited. There is potential for the start of the Bank Rate increases to be delayed further if growth disappoints.

The uncertain economic outlook has several key implications for treasury management:

- The sovereign debt issues provide a clear indication of higher counterparty risk.
- Investment returns are likely to remain low for 2013/14.
- Borrowing rates are historically very low and may remain low for some time.

Prospects for interest rates

The bank base rate is forecast to remain unchanged at 0.5%, rising in Q4 in 2014. Sector's central view for bank rate forecasts is shown below:

	Bank of England base rate	PWLB borrowing rates (adjusted for certainty rate)		
		5 yr	25 yr	50 yr
Dec 2012	0.50%	1.50%	3.70%	3.90%
Dec 2013	0.50%	1.60%	3.80%	4.00%
Dec 2014	0.75%	2.00%	4.10%	4.30%

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

Forecast of long term PWLB rates to March 2016 as provided by Sector Treasury Services Ltd at 20 November 2012 are:

Sector's interest rate forecast

	Now	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Bank base rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%
3m LIBID	0.50%	0.50%	0.60%	0.50%	0.50%	0.50%	0.50%	0.60%	0.60%	0.70%	0.80%	1.10%
6m LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.90%	1.00%	1.10%	1.30%
12m LIBID	0.70%	1.00%	1.00%	1.00%	1.00%	1.00%	1.10%	1.10%	1.20%	1.30%	1.30%	1.50%
5 yr PWLB rate	1.60%	1.50%	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.80%	2.00%	2.20%	2.30%
10 yr PWLB rate	2.50%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.30%
25 yr PWLB rate	3.80%	3.70%	3.80%	3.80%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.30%	4.40%
50yr PWLB rate	3.90%	3.90%	4.00%	4.00%	4.00%	4.00%	4.10%	4.10%	4.20%	4.30%	4.50%	4.60%

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

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

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

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

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

Liquidity is defined as the council "having adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

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

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the weighted average life (WAL) of the portfolio – a shorter WAL would generally embody less risk. In this respect the proposed benchmark is to be used:

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

Security of the investments. In the context of benchmarking, assessing security is very much more a subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poor's). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the period 1990 to 2011.

Average defaults for differing periods of investment

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

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

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

	1 year	2 years	3 years	4 years	5 years
Maximum	0.20%	0.30%	0.45%	0.60%	0.75%

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

Property Investment Policy

1.0 Direct investment in property

1.1 The council is restricted in the different investment vehicles it is legally allowed to invest in notwithstanding the over-riding need for prudence mentioned earlier. Of the options open one is property and the returns from investing in property can be greater than the opportunities in the money markets.

1.2 In broad terms the returns can be higher because the risks are greater. Factors to be taken into account when deciding the principle of investing in property include:

- investment will be for the long term since it may not be possible, or wise, to sell quickly,
- the costs of acquisition and disposal are higher,
- there are management costs, risk of rent default and failure to honour maintenance agreements,
- different types of property and different areas carry different risks,
- generally property tends to appreciate in value, although this will vary by type and area; however, in some cases the value may go down,
- property can become functionally obsolete necessitating major refurbishment,
- without regular repair and maintenance the condition will deteriorate and the responsibility for repairs/maintenance may not always rest with the tenant,
- certain types of property may become less desirable as time goes by; this can make re-letting difficult or attract a lower calibre of tenant.

2.0 <u>How much is invested?</u>

2.1 £16 million is currently held in property and £124 million is invested in treasury investments. The investment in property represents 11% of the overall total.

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

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

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

3.2 Average Yield Levels (%). In general, property can be categorised as prime, secondary or tertiary in terms of its desirability. 'Rack-rented' means that the maximum market rental achievable is being received. Yield derives from both capital and rent. Lower yields can indicate that the investment attracts a lower degree of risk due to the ratio of rent to capital and other factors such as location, security and regularity of income.

4.0 Where should it be located?

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

Only property located in the UK will be considered.

5.0 What level of financial return?

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

6.0 Review

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

Explanation of Prudential Indicators

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

Capital expenditure – shows last year's spending, this year's projected spending and the approved programme until 2014/15.

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

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

In year capital financing requirement – this shows the council has no borrowing.

Capital financing requirement (CFR) as at 31 March – the CFR shows the underlying need of the council to borrow for capital purposes as determined from the balance sheet. The overall CFR is nil , there is no need to borrow.

Incremental impact of capital investment decisions – increase in Council Tax (band D) per annum – this indicator shows the affect of the latest capital programme report on annual council tax. This indicator is based on the estimated decrease or increase in interest payable to the General Fund each year due to the changed funding of the capital programme in the latest capital report to December 2011 cabinet.

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

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

Operational boundary for external debt – this is set as the more likely amount that may be required for day to day cash flow. This has an amount included to allow for cash flow borrowing associated with the canal project.

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

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

Adoption of the CIFPA Code of Practice for Treasury Management

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

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

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

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

The key aim of the guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This council adopted the code on 25 March 2002 and will apply its principles to all investment activity. In accordance with the code, the head of finance has produced its treasury management practices (TMPs). This part, TMP1(5), covering investment counterparty policy requires approval each year.

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

- the strategy guidelines for decision making on investments, particularly non-specified investments.
- the principles to be used to determine the maximum periods for which funds can be committed.

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

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

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

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

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

Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the council has the right to be repaid within 12 months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. These investments are categorised as:

a) UK Government (such as the Debt Management Office, UK Treasury Bills or gilts with less than one year to maturity)
b) Supranational bonds of less than one year's duration
c) A local authority, parish council or community council

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

Non-specified Investments

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

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

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

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

Cash deposits

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

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

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

Gilts

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

Government's debt management account deposit facility (DMADF)

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

Money market funds (MMFs)

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

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

Certificates of deposit

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

Corporate bonds

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

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

interest rates and yields are forecast to remain low in the near term. The strategy permits investments of up to £10 million in corporate bonds (measured at the time of purchase). The current value of corporate bonds held is £4.2 million as at 31 December 2012.

11. The remaining bonds are providing an excellent rate of return. As bond prices tend toward par as they approach maturity, there will be an optimum point at which each bond provides the best return versus the deterioration in capital value. Sector has reviewed the council's current holdings and the analysis shows that in the current interest rate environment they should be held until maturity. The review also explores the possibility of lengthening the maturity profile to maintain the higher rates of return. Given the current uncertainty and higher risk, it is not a recommended option at this time.

Property – direct investment

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

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

14. The council currently retain properties for investment purposes. As at the end of March 2012, the latest period for which audited figures are available, these had an aggregate book value of £16.3 million.

Property – indirect investment

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

Bond funds

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

Equities

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

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

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

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

21. As these investments fluctuate significantly over short periods of time, they are kept under constant review. When the current holdings reach £14 million, a further £2 million will be disposed of.

Supranational bonds

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

Credit and counterparty risk management

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

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

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

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

- *Banks – part nationalised*

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

- *UK government or local authorities*

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

- *Supranational bonds*

  The maximum sum that can be invested in supranational bonds is £15 million.

- *Gilt edged securities*

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

- *Corporate bonds*

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

- *Equities*

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

- *Money Market Funds (MMF)*

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

- *Bond Funds*

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

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

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

- *Pooled Property funds*

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

- *Property- direct investment*

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

Investment spread

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

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

GLOSSARY OF TERMS

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

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

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

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Report to:

Cabinet
Scrutiny Committee
Council

South Oxfordshire District Council
Listening Learning Leading

Report of Head of Finance

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To: CABINET	14 February 2013
To: SCRUTINY COMMITTEE	19 February 2013
To: COUNCIL	21 February 2013

Revenue Budget 2013/14 and Capital Programme to 2017/18

RECOMMENDATIONS

1. That cabinet recommends to council that it:

   a. sets the revenue budget for 2013/14 at £11,684,623 and the council tax requirement as £6,187,635, as set out in appendix A1 to this report
   b. approves the capital programme for 2013/14 to 2017/18 as set out in appendix C to this report, together with the capital growth bids set out in appendix D of this report
   c. sets the council's prudential limits as listed in appendix F to this report
   d. approves the medium term financial plan to 2017/18 as set out in appendix G to this report
   e. allocates £1 million to fund the Community Investment Fund grant scheme.

2. That cabinet agrees that the cabinet member for finance, in conjunction with the leader, may make minor adjustments to this report and the prudential indicators, in conjunction with the head of finance, should they prove necessary prior to its submission to council on 21 February 2013

Purpose of report

1. This report:

    - brings together all relevant information to allow cabinet to recommend to council a revenue budget for 2013/14 and a capital programme for 2013/14 to 2017/18

    - details changes from the information presented in the "2013/14 budget update report" that was considered by scrutiny committee on 15 January 2013

    - 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 strategic director and chief financial officer on the robustness of estimates and adequacy of the council's financial reserves

    - contains the medium term financial plan which provides details of the forward budget model for the next five years.

2. This report should be read in conjunction with the scrutiny committee report, as it builds on the base budget information contained in that report and does not seek to cover the whole budget setting process.

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. The budgets also identify disinvestment from non-priority services in order to pay for new investment without the whole burden falling on the council tax.

5. Where officers have made growth proposals (known as growth bids), each bid sets out how it will help achieve the council's objectives. The cabinet member for finance has chosen to include some officer growth bids in his budget proposals and these are identified in **appendix A2** (revenue) and **appendix D** (capital). The full set of growth bids is available as background papers on request.

Revenue budget 2013/14 – changes since scrutiny committee report

6. The scrutiny committee report discussed the composition of the council's base revenue budget for 2013/14, and reported at that time that the provisional budget requirement for 2013/14 was £11,766,520. Since that report was considered there has been further review of the budget by both officers and the cabinet member for finance. As a result, the proposed budget requirement is now £11,684,623.

7. **Appendix A1** shows the movements in the budget since the scrutiny committee report was completed, which are discussed in the following paragraphs.

One-off and ongoing revenue growth

8. Paragraphs 49-52 of the scrutiny committee report discussed growth, revenue bids submitted being shown in appendix D of that report.

9. The cabinet member for finance has, since the scrutiny committee meeting, selected those that are to go forward, including a new bid in health and housing for the extension of a fixed term contract for a lettings officer (reference JHAHREV2). As a result of the changes to revenue growth the amount shown in **appendix A2** has reduced since the scrutiny committee report by £53,000 to £529,070.

Revenue consequences of capital growth

10. A full list of capital growth is in **appendix D**. The revenue consequence of that growth is £12,170 for 2013/14 and is a mixture of one-off costs and ongoing maintenance of new assets. This is a decrease of £2,400 since scrutiny committee. Capital growth is considered in more detail later in this report.

Other budget revisions

11. Officers have continued to refine budgets since the scrutiny committee report and a number of revisions to budgets have resulted from this work. These revisions amount to a budget saving of £608,998 and are detailed in **appendix A3**.

Funding changes

12. A number of proposed changes to funding are identified in **appendix A1**, and are explained below.

Enabling fund

13. Inclusion of one-off growth items in the budget proposal has resulted in an increased use of the enabling fund of £418,440.

Other reserves

14. The essential growth bid for the Didcot and Science Vale co-ordinator post, which as shown in **appendix A3** has been reduced, can be funded from previously received revenue grant funding for Didcot growth points, rather than the enabling fund as originally proposed.

Efficiency support for services in sparse areas

15. On 4 February 2013 government announced additional grant funding for councils in rural areas. The council will receive in 2013/14 an additional £19,456. Officers are not aware of the full details of the grant but currently anticipate that this will be for one year only.

Investment income

16. Estimates of investment earnings have been revised since the scrutiny committee report and £94,000 more will be available to support the revenue budget during 2013/14. The remaining £500,000 increase reflects a change to using all distributed investment income to support the revenue account, with Community Investment Fund grant schemes being funded separately as part of capital programme financing. Previously, investment income was specifically ring-fenced into an earmarked reserve to fund these grants. However to simplify accounting for investment income this will not be done in future and the grants will be funded in the same way as the rest of the capital programme.

Transfer to revenue budget smoothing reserve

17. As a result of the budget changes since the scrutiny committee report the budget proposal includes a budgeted transfer of £876,566 to the revenue budget smoothing reserve. In the scrutiny committee report it was estimated that a transfer of £175,919 from the reserve would be required. The total movement since that report equals £1,052,485 as shown in **appendix A1**. With the considerable uncertainty concerning the future funding of local government this transfer will assist the council in dealing with the challenges ahead, which are discussed further later.

Government and tax funding changes

Finalised local government settlement

18. The government issued the finalised local government settlement for 2013/14 and revised provisional settlement for 2014/15 on 4 February 2013. The impact on the funding receivable by the council is minimal and outlined in the table below.

Table 1: changes to start-up funding allocation

	Start-up funding allocations					
	2013/14			**2014/15**		
	Provisional £	**Finalised £**	**Change £**	**Provisional £**	**Revised £**	**Change £**
CT freeze	171,240	**171,240**	**-**	171,240	**171,240**	**-**
CTRS	665,141	**665,085**	**(56)**	-	**-**	**-**
Homelessness	50,000	**50,000**	**-**	50,000	**50,000**	**-**
Other	4,810,001	**4,809,807**	**(194)**	4,747,344	**4,747,494**	**150**
Total	**5,696,382**	**5,696,132**	**(250)**	4,968,584	**4,968,734**	**150**

Business rate retention scheme

19. Since the scrutiny committee report, the NNDR1 form has been completed and the estimate of amounts due has been revised downwards. This brings expected receipts to below the government's safety net, so after receipt of safety net payments the council will be £170,669 below the business rates baseline. This reduction is mainly due to a number of schools in south Oxfordshire planning to convert to academy status in 2013/14. Academies have exempt charitable status and receive mandatory relief from payment of business rates.

Collection fund

20. The surplus on the collection fund is now estimated to be £217,492, an increase of £6,590 since the scrutiny committee report.

Cabinet member for finance's revenue budget proposal

21. Based on the amendments detailed above, and as shown in **appendix A1** of this report, the cabinet member's budget proposal, including growth, is for a net revenue budget of **£11,684,623, a reduction of £469,735 from 2012/13**. This revenue budget as proposed would result in a reduction of 2.5 per cent to current band "D" council tax. The council tax requirement is £6,187,635. **Appendix B** shows the breakdown of the revenue budget.

22. 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".

23. The cabinet member for finance's revenue budget proposal of £11,684,623 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.

Capital programme 2013/14 to 2017/18

Current capital programme

24. The scrutiny committee report gave details of the full capital programme (approved and provisional) as it then stood and of funding. A latest capital programme (before growth) is attached at **appendix C** and is summarised in table 2 below. It is the capital programme as set by council in February 2012 plus:-

    - slippage (caused by delays to projects) carried forward from 2011/12
    - new schemes approved by council during 2012/13
    - re-profiling of expenditure on schemes from the 2012/13 financial year to future years where delays to schemes have occurred
    - cabinet approved movement of schemes from the provisional to the approved capital programme
    - deletion of previously agreed schemes that are no longer to be pursued
    - deletion of completed schemes.

Table 2: current capital programme (before growth)

	2012/13 latest estimate £000	2013/14 estimate £000	2014/15 estimate £000	2015/16 estimate £000	2016/17 estimate £000	2017/18 estimate £000
Approved programme	4,834	4,209	867	845	845	845
Provisional programme	2,296	6,083	9,733	1,720	720	500
Total	**7,130**	**10,292**	**10,600**	**2,565**	**1,565**	**1,345**

25. Monies that can be used to fund capital expenditure only (e.g. capital receipts, developer contributions, interest earmarked to fund capital expenditure) are called on first when determining how to finance the capital programme. Once these specific resources are exhausted, the capital programme is funded from the enabling fund.

Cabinet capital programme proposals

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

27. A number of new capital schemes have been proposed since the scrutiny committee report. Some of these will be funded from receipts from Section 106 agreements. The other new schemes are as follows:

- SCMTCAP2 – capital contingency
- SCMTCAP3 – new homes bonus
- SELPCAP13 – EA FDGiA grant for flood alleviation at Wheatley
- SELPCAP15 – improvement to car park pay stations and new “pay and display” machines
- SELPCAP16 – broadband fund.

Financing the capital programme

28. **Appendix E** 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. The strategic director and chief finance officer comments on the adequacy of reserves and balances below and in **appendix H**.

Future pressures on the capital programme

29. Officers advise cabinet not to earmark all available resources in proposing the budget to council, as the prudential code requires local authorities to set sustainable budgets. By retaining an unallocated balance, cabinet can

demonstrate that through a combination of this and future income (that can be expected beyond the period of the budget) it can fund future pressures.

The prudential code and prudential indicators

30. In setting its revenue and capital budgets for 2013/14, 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.

31. 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.

32. 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.

33. 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.

34. 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.

35. Under the code, the strategic director and chief finance officer is responsible for ensuring that the council considers all relevant matters when setting or revising indicators through a report. The strategic director and chief finance officer 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.

36. **Appendix F** contains the recommended prudential indicators, which have been calculated based on the budget proposals attached (**appendices A1 and E**). 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)

37. The MTFS for 2013/14 to 2017/18 agreed by cabinet on 6 December 2012 and council on 13 December 2012 sets out the objectives to be achieved and the principles to be followed in setting the budget.

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

39. **Appendix G** contains the MTFP for 2013/14 to 2017/18**.** This is a projection of the revenue budget up to 31 March 2018. The projection includes an amount for unknown budget pressures in later years and assumes that council approves all the budget proposals within this report. Officers have made no adjustments for the costs of contracts that will be re-let during this period. These could rise or fall depending on market conditions.

40. The MTFP identifies some significant challenges ahead for the council. It assumes that government grant funding will fall by 35 per cent from 2013/14 to 2017/18. This is only an estimate by officers, and the fall could be greater or less. It also incorporates assumptions on interest income, and other known pressures on the council, such as inflation and salary increments.

41. The 2013/14 budget includes £245,967 for payments to town and parish councils in respect of their share of the government's council tax support grant. The council tax support grant is included within the start-up funding allocation and for 2013/14 the share applicable to town and parish councils was explicitly identified. The government is funding 60 per cent of the grant through revenue support grant and 40 per cent through the business rates spending baseline.

42. For 2014/15 onwards the element of the start-up funding allocation applicable to the council tax reduction scheme will not be explicitly identified by the government. Whilst the business rates element of the start-up funding allocation will increase each year with inflation, the revenue support grant element will fall considerably. At this stage it is proposed to budget for the town and parish council share of the council tax support grant originally included within the business rates baseline (i.e. 40 per cent) to continue to be paid out, and be inflated by inflation. A decision on whether to pay more than this amount to town and parish councils will be taken annually as part of the budget setting process, and will be based on further information received from government.

43. Estimates of future receipts of new homes bonus have been revised since the scrutiny committee report. The results are shown in table 3 below, and are also included in the MTFP (detailed in row 36). In total the council is expected to have received in excess of £11.7 million by the end of the MTFP period.

44. The element of the bonus that relates to the new homes bonus premium (expected to be approximately £85,000 in total over the period) is ring-fenced to support the provision of additional affordable housing. In addition, £433,000 has been set aside for community led schemes in locations that are accommodating

new housing, of which £250,000 has already been allocated. A capital growth bid (SCMTCAP3) proposes to allocate a further £317,000 for new schemes. The remaining balance is currently unallocated.

Table 3: new homes bonus

Year earned	Year of receipt				
	2013/14 indicative £000	2014/15 indicative £000	2015/16 indicative £000	2016/17 indicative £000	2017/18 indicative £000
2011/12	260	260	260	260	
2012/13	347	347	347	347	347
2013/14	536	536	536	536	536
2014/15	0	402	402	402	402
2015/16	0	0	556	556	556
2016/17	0	0	0	681	681
2017/18	0	0	0	0	797
Total	**1,143**	**1,545**	**2,101**	**2,782**	**3,319**

45. To continue to set a balanced budget with no call on reserves in future years the required ongoing savings are shown in table 4 below:

Table 4: ongoing annual savings required to set balanced budget

	Ongoing savings required £000
2014/15	989
2015/16	2,132
2016/17	2,923
2017/18	3,597

46. As identified in row 53 of the MTFP, based on current assumptions, if no further savings were identified the council would need to use £8.8 million of reserves by 2017/18. This is officers' working assumption until further savings are identified and assumes no annual outturn under-spends or over-spends.

47. 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, making the savings required to balance the budget in future years will be a significant challenge. Management team is already looking at ways in which the budget gap in future years can be closed.

CIF grant scheme funding

48. On an annual basis, the council considers the amount to be made available for the Community Investment Fund grant scheme, based on investment income earned in the previous financial year. Investment income is predicted to be £2.6 million in 2012/13. On that basis it is recommended that a grants budget of £1 million be set. This is an increase of £500,000 over the previous financial year, as reflected in the capital growth bid reference SCORCAP1. Any underspend against this will not be carried forward.

49. Over the course of administering the grant scheme a balance has built up in an earmarked reserve of unallocated funds, totalling £3.2 million at 31 March 2013. This balance will be added to the enabling fund balance.

The robustness of the estimates and the adequacy of reserves

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

51. The construction of the budget has been managed by qualified accountants and has been subject to challenge, specifically by the strategic director and chief finance officer, head of finance, other heads of service, management team and the cabinet member for finance. Informal meetings of cabinet have considered the budget, and a report detailing the base budget has gone to the council's scrutiny committee. In view of the process undertaken and his own knowledge of the budget, the strategic director and chief finance officer is satisfied that the budget is both prudent and robust.

52. The council's practice is not to use interest in the year it is earned, but in later years. The strategic director and chief finance officer 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 2018 is estimated to be £3.8 million.

53. **Appendix H** contains the strategic director and chief finance officer's full report.

Legal Implications

54. 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 21 February 2013 in order to set the budget, and the council tax (including amounts set by Oxfordshire County Council and the Thames Valley Police and Crime Commissioner).

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

Other Implications

56. 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

57. This report provides details of the revenue base budget for 2013/14, the capital programme 2013/14 to 2017/18, government grants (the settlement), uncommitted reserves and balances, the cabinet member for finance's budget proposals and the resulting prudential indicators.

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

Appendices

Appendix A1	Revenue budget 2013/14
Appendix A2	Revenue growth bids
Appendix A3	Other budget revisions
Appendix B	Service budget analysis
Appendix C	Capital programme before growth
Appendix D	Capital growth bids
Appendix E	Financing of capital programme and growth proposals
Appendix F	Prudential indicators
Appendix G	Medium term financial plan
Appendix H	Report on the robustness of the estimates and the adequacy of reserves and balances

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Appendix A1

South Oxfordshire DC Revenue budget 2013/14

	£	£
Previous provisional budget requirement		11,766,520
(as reported in scrutiny committee report of 19 January 2013)		
1) Amendments to items included in scrutiny committee report		
One off and ongoing revenue growth		
Net revisions - a full list of revised growth can be seen in **appendix A2**	529,070	
Revenue consequenses of capital growth		
Net revisions - a full list of revised growth can be seen in **appendix D**	12,170	
		541,240
2) Further budget adjustments		
Other budget revisions (appendix A3)	(608,998)	
Funding changes		
Enabling fund	(418,440)	
Other reserves	(34,728)	
Efficiency support for services in sparse areas	(19,456)	
Investment income	(594,000)	
Transfer to revenue budget smoothing reserve	1,052,485	
		(623,137)
Revised budget requirement for 2013/14		**11,684,623**
Funded by:		
Start-up funding allocation		(5,696,132)
Parish contribution - council tax support funding		245,967
NNDR under / over baseline		170,669
Balance on collection fund		(217,492)
Council tax		(6,187,635)
Total funding		**(11,684,623)**
Council tax at band 'D' equivalent 2013/14		**117.62**
Council tax at band 'D' equivalent 2012/13		120.64
Percentage increase / (reduction)		(2.5%)

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Appendix A2
South Oxfordshire DC - 2013/14 revenue growth bids

No	Title of bid	Summary	South only or joint bid?	Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
One-off growth bids								
CORPORATE STRATEGY AND WASTE								
SCORREV2 (revised)	Increase the level of street cleansing	Extend the deep cleanse undertaken in 2012/13, to those areas that have not been covered such as footpaths between parishes and extending the cutting back of some paths. The size of the team required would be four, the cost approximately £90,000. This cost would vary depending on what areas we choose to focus on and how many people would be required.	South	90,000	0	0	0	0
JCORREV2	Membership of Green Deal Community Interest Company	The councils have an opportunity to join other authorities in setting up a Community Interest Company (CIC) with the purpose of becoming a Green Deal Provider. South Oxfordshire and the Vale of White Horse District Councils can jointly become a shareholder member of the CIC at a combined one off cost of £35,000. Green Deal is a mechanism which will allow householders to get energy efficiency measures installed without having to pay for them up front. This is a commercial operation and the councils would exercise shared control over the uses to which the profits generated by the CIC might be put, to benefit residents.	Joint	17,500	0	0	0	0
				107,500	**0**	**0**	**0**	**0**

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Appendix A2
South Oxfordshire DC - 2013/14 revenue growth bids

No	Title of bid	Summary	South only or joint bid?	Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
ECONOMY, LEISURE AND PROPERTY								
SELPREV1	Continuation of participation activator role to August 2014	GO Active was initially a three year externally-funded project that ran from December 2008 – December 2011 focussing on adult (16 plus) participation in sport and activity. Additional funding made it possible to employ a participation activator to support the co-ordinator in July 2012 and this role is due to finish July 2013. We would like to continue this role for a further year so that the co-ordinator is supported to deliver additional projects, including potential projects with NGBs and community games, to tie in with when the leisure contracts need to be renewed from August 2014.	South	14,400	10,000	0	0	0
JELPREV1	Strategic property technical support officer	The strategic property team requires a part-time post to assist with ongoing project, such as assisting with initial population and upkeep of data for the new estate management software, and assisting with the voluntary registration process planned for Vale in 2013/14. They would also free up existing officers for other tasks, such as fulfilling a more pro-active role in inspections of corporate property, by taking responsibility for Agresso function and providing additional clerical support. The proposal is that the cost would be split on a one third/two thirds basis between South and Vale respectively.	Joint	4,500	0	0	0	0
JELPREV3	Additional leisure staff – five year leisure projects officer post and leisure administration assistant (apprenticeship) post	SMB has agreed some additional staff to manage and support the procurement of the 2014 leisure management contract (s) and in parallel, the procurement and construction process for the new leisure centre for Didcot and any other facilities that are agreed during this time period (potentially Berinsfield and Wantage / Grove). The two members of staff are being recruited in 2012 and will be funded by existing ELP budgets until the end of this financial year. This bid will extend that funding for a further three years	Joint	42,170	42,170	42,170	31,080	0

Appendix A2
South Oxfordshire DC - 2013/14 revenue growth bids

No	Title of bid	Summary	South only or joint bid?	Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
ECONOMY, LEISURE AND PROPERTY continued								
SELPCAP3 (revised)	Berinsfield co-location project - preliminary option assessments	OCC is looking to rationalise its property stock in the Berinsfield area and has approached officers regarding their initial thoughts on co-locating the leisure centre, library, youth service and the information and advice service all within the existing leisure centre site. Instead of embarking on a project to locate all these facilities within the existing constraints of the site, it is proposed that a new, purpose-built facility is constructed.	South	100,000				
				161,070	**52,170**	**42,170**	**31,080**	**0**

HEALTH AND HOUSING								
JHAHREV2 (new bid)	Extension of fixed term contract- Lettings Officer	Both councils have seen an increase in homelessness and TA placements as a consequence of the economic situation. This has led to increased workloads for the homelessness officer and the TA officer. This growth bid is to help people in mortgage difficulties, to fund additional resource until March 2014.	Joint	16,750				
				16,750	**0**	**0**	**0**	**0**

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Appendix A2
South Oxfordshire DC - 2013/14 revenue growth bids

No	Title of bid	Summary	South only or joint bid?	Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
HR, IT & CUSTOMER SERVICES								
JHICREV1	Enabling mobile websites	The council websites are not optimised for viewing on mobile devices. Although they do mostly work, the rendition is slow and some functionality is poor. More and more users want to browse websites from mobile devices, particularly smart phones. If we are serious about extending our reach and making council services accessible then we need to develop our websites so that they provide a fully-featured and responsive service to smart phone users. We anticipate that the necessary research and development could be done within a total budget of £20,000, shared equally between the two councils.	Joint	10,000	0	0	0	0
				10,000	**0**	**0**	**0**	**0**

Appendix A2
South Oxfordshire DC - 2013/14 revenue growth bids

No	Title of bid	Summary	South only or joint bid?	Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
PLANNING								
SPLAREV2	Up-to-date aerial photographs	This bid is to update our coverage of aerial photographs across the district. This will allow better and quick desk top assessments for planning enforcement investigations and planning applications. Such information provides valuable evidence in planning assessments and at the planning committee and is used regularly by other council teams to help deliver services or in consultations. The last set of aerial photos date from 2009.	South	10,000	0	0	0	0
SPLAREV3	Planning policy function	Following the adoption of the core strategy, there is now a programme of prospective work, in part required to implement commitments made in the core strategy and in part driven by other internal and external factors. The actual work programme will need to be agreed by SMB and cabinet. The growth bid represents the estimated cost of this work, less existing available budget.	South	85,500	0	0	0	0
SPLAREV5	Updating the South Oxfordshire Ancient Woodland Inventory	There are many areas of ancient woodland throughout South Oxfordshire, identified from survey work undertaken in the mid 1980s which would no longer be considered as being sufficiently up to date. The National Planning Policy framework specifically identifies ancient woodlands as irreplaceable habitats which should be protected from loss or damage from development. The Thames Valley Environmental Records Centre is running a project in Oxfordshire to update the inventory for which they received initial funding, but additional funding is required	South	35,000	0	0	0	0

Appendix A2
South Oxfordshire DC - 2013/14 revenue growth bids

No	Title of bid	Summary	South only or joint bid?	Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
PLANNING continued								
JPLAREV2 (revised)	Neighbourhood planning resources	This bid covers the need to support town and parishes in developing neighbourhood plans for their area, following government's requirement as set out in the Localism Act for councils to provide technical support for neighbourhood bodies. The proposal is for an officer at both South and Vale. This would be a temp 3 yr post, funded up front by the council, but government funding should cover the staff and on-costs	Joint	46,000	46,000	46,000	0	0
				176,500	**46,000**	**46,000**	**0**	**0**
	Total one-off			**471,820**	**98,170**	**88,170**	**31,080**	**0**

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Appendix A2
South Oxfordshire DC - 2013/14 revenue growth bids

No	Title of bid	Summary	South only or joint bid?	Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Ongoing growth bids								
CORPORATE STRATEGY AND WASTE								
SCORREV1 (revised)	Improvements to council owned areas of Ladygrove estate in Didcot	Increase our investment in grounds maintenance to further enhance the attractiveness of the district. **Ladygrove:** there are a number of sites that residents complain about on Ladygrove which we currently own but are not included in the grounds maintenance contract on a routine basis. These could be added to the GM contract but would need to be assessed and a specification created. We estimate the cost would £20K per annum.	South	20,000	20,000	20,000	20,000	20,000
CORPORATE STRATEGY AND WASTE (CONTINUED)								
JCORREV4	Garden waste scheme price increase	This growth bid would mean that the cost of the garden waste service would remain the same rather than be increased by 2.9 per cent. This would mitigate the concern that customers who have reluctantly moved to DD would phone or write to complain about the increased charge	South	22,900	22,900	22,900	22,900	22,900
				42,900	**42,900**	**42,900**	**42,900**	**42,900**

ECONOMY, LEISURE AND PROPERTY								
JELPREV2	New shared South and Vale post to assist emergency planning officer	The Civil Contingencies Act places a legal obligation upon local authorities to have an emergency planning officer to ensure their organisation is in compliance with the Act and share information with other responders. Currently the shared technical and facilities manager carries out the role of emergency planning officer. This new part time post would provide resilience for both councils and cover for the shared technical and facilities manager in order to react and co-ordinate resources in times of emergency.	Joint	5,850	5,850	5,850	5,850	5,850
				5,850	**5,850**	**5,850**	**5,850**	**5,850**

Appendix A2
South Oxfordshire DC - 2013/14 revenue growth bids

No	Title of bid	Summary	South only or joint bid?	Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
HR, IT & CUSTOMER SERVICES								
JHICREV2	Harmonisation of pay	When employees' terms and conditions of service were harmonised with effect from April 2010, the councils committed to harmonise pay and grading by 31 March 2013. This commitment was enshrined in a collective agreement with UNISON. 78 Vale employees remain on the old Vale pay scales. This bid is the anticipated cost of harmonising these posts.	Joint	8,500	8,500	8,500	8,500	8,500
				8,500	**8,500**	**8,500**	**8,500**	**8,500**
	Total ongoing			**57,250**	**57,250**	**57,250**	**57,250**	**57,250**
	GRAND TOTAL			**529,070**	**155,420**	**145,420**	**88,330**	**57,250**

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Appendix A3

South Oxfordshire DC - 2013/14 other budget build changes

Ref:	Summary	Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
CHANGES TO ESSENTIAL GROWTH						
CORPORATE MANAGEMENT TEAM						
VCMTESS2	Didcot and Science Vale - funding of co-ordinaor post. Post now assessed only 30 per cent south for staff costs, so budget revised down from £59,380 to £34,728. Cost will be funded from grant funding received	(24,652)	(24,652)	(24,652)	(24,652)	(24,652)
		(24,652)	**(24,652)**	**(24,652)**	**(24,652)**	**(24,652)**

LEGAL & DEMOCRATIC						
SLEGREV2	Reduction in licensing income - budget for 2013/14 revised following in-year budget monitoring	(11,430)	(11,430)	(11,430)	(11,430)	(11,430)
		(11,430)	**(11,430)**	**(11,430)**	**(11,430)**	**(11,430)**

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Appendix A3

South Oxfordshire DC - 2013/14 other budget build changes

Ref:	Summary	Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
OTHER CHANGES						
ECONOMY LEISURE AND PROPERTY						
1	Revision of estimated car parking fees for 2013/14 in line with predicted outturn for 2012/13	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)
		(90,000)	**(90,000)**	**(90,000)**	**(90,000)**	**(90,000)**
FINANCE						
2	Revised housing benefit cost estimates have resulting in a reduction of related budgets	(244,749)	(244,749)	(244,749)	(244,749)	(244,749)
3	Removal of budgets associated with NNDR discretionary reliefs which are budgeted within the estimate of NNDR income	(158,541)	(158,541)	(158,541)	(158,541)	(158,541)
4	Reduction to external audit fees budget based on fee estimate from auditor	(32,555)	(32,555)	(32,555)	(32,555)	(32,555)
		(435,845)	**(435,845)**	**(435,845)**	**(435,845)**	**(435,845)**
HEALTH & HOUSING						
5	Revised housing benefit cost estimates have resulting in a reduction of related budgets	19,608	19,608	19,608	19,608	19,608
		19,608	**19,608**	**19,608**	**19,608**	**19,608**

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Appendix A3

South Oxfordshire DC - 2013/14 other budget build changes

Ref:	Summary	Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
HR, IT & CUSTOMER SERVICES						
6	Reduction in hidden pension costs budget in line with expected costs	(59,573)	(59,573)	(59,573)	(59,573)	(59,573)
7	Other minor changes	194	194	194	194	194
		(59,379)	**(59,379)**	**(59,379)**	**(59,379)**	**(59,379)**
LEGAL & DEMOCRATIC						
8	Reduction in CCTV costs	(7,300)	(7,300)	(7,300)	(7,300)	(7,300)
		(7,300)	**(7,300)**	**(7,300)**	**(7,300)**	**(7,300)**
TOTAL OTHER BUDGET BUILD CHANGES		**(608,998)**	**(572,916)**	**(572,916)**	**(572,916)**	**(572,916)**

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South Oxfordshire DC Service budget analysis 2013/14

Budget head	Final Budget £
Corporate management team	429,177
Corporate strategy	5,249,122
Econony leisure & property	922,141
Finance	2,326,335
Health & housing	1,756,266
Human resources, IT & customer services	1,590,624
Legal & democratic services	816,855
Planning	1,659,506
Fit for the future savings	(50,000)
Managed vacancy factor	(182,237)
Sub-total	**14,517,789**
Budget contingency	341,000
Net cost of delivering services	**14,858,789**
Net property income	(1,034,243)
Gross treasury income	(1,947,000)
Net expenditure	**11,877,546**
Government grant funding:	
Council tax freeze grant	(67,405)
Efficiency support for services in sparse areas	(19,456)
New Homes Bonus	(1,143,231)
Transfer to reserves	
New Homes Bonus	1,143,231
Revenue budget smoothing reserve	876,566
Funding from existing resources:	
Net use of interest	(296,000)
Enabling fund - one off growth	(651,900)
Revenue grants reserve	(34,728)
Total net revenue budget	**11,684,623**

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SOUTH OXFORDSHIRE DISTRICT COUNCIL

CAPITAL PROGRAMME TO 31 MARCH 2018 LAST UPDATED 30 JANUARY 2013

	Spend to 31/03/11 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
APPROVED PROGRAMME								
Corporate Management Team	877	2,122	1,647	1,675	0	0	0	0
Corporate Strategy	4,756	363	768	494	0	0	0	0
Economy, Leisure and Property	36,802	517	883	729	22	0	0	0
Finance	867	3	3	0	0	0	0	0
HR, IT and Customer Services	15	0	75	0	0	0	0	0
Housing and Health	5,046	995	1,445	1,307	845	845	845	845
Legal and Democratic Services	35	0	0	4	0	0	0	0
Planning	457	0	13	0	0	0	0	0
TOTAL APPROVED PROGRAMME	48,855	4,000	4,834	4,209	867	845	845	845
PROVISIONAL PROGRAMME		1,814	2,296	6,083	9,733	1,720	720	500
GRAND TOTAL	48,855	5,814	7,130	10,292	10,600	2,565	1,565	1,345

Cumulative Total Budget (Approved & Provisional)	33,497

	2012/13 Org Bud	2012/13 Latest	2013/14	2014/15	2015/16	2016/17	2017/18
CAPITAL FINANCING							
CIF interest - grants	750	344	0	0	0	0	0
CIF - usable capital receipts	0	60	5,040	8,900	1,000	0	0
New Homes Bonus	0	433	0	0	0	0	0
Usable capital / revenue reserves	2,935	5,630	3,302	1,198	1,085	1,085	865
Other	2,129	663	1,950	502	480	480	480
GRAND TOTAL	5,814	7,130	10,292	10,600	2,565	1,565	1,345

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GENERAL NOTES

(1) The 2012/13 latest budget figures include:

- unspent provision carried forward from 2011/12;
- budget provision for schemes approved since the original budget was set; and
- transfers to 2013/14 where schemes are not expected to complete in 2012/13.

(2) RP = Rolling Programme

(3) DC = Developers Contributions

KEY TO PROJECT MANAGERS

AD	Adrian Duffield	AR	Anna Robinson
AWD	Andrew Down	PS	Paul Staines
CT	Chris Tyson	MR	Margaret Reed
CK	Clare Kingston	WJ	William Jacobs

AGENDA ITEM 8

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Corporate Management Team

Scheme	No.	Code	RP DC	Project Mgr	Note	Approved Programme Scheme Total £'000	Spend to 31/03/12 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Didcot Station Forecourt	207	A207		AR	(1)	812	0	812	437	375				
Growth Points	136	A136		AR	(2)	2,187	877	1,310	10	1,300				
Didcot land acquistion				AR	(3)	1,200	0	0	1,200					
						4,199	877	2,122	1,647	1,675	0	0	0	0

Notes

(1) £812k transferred from provisional programme (cabinet 08/11/10)

(2) £553k transferred from provisional programme (cabinet 01/05/08)
£400k added to budget, grant received from DCLG
£906k added to budget, grant received from DCLG

(3) Subject to agreement by cabinet (14/02/13) and council (21/02/13)

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Corporate Strategy

Scheme	No.	Code	RP DC	Project Mgr	Note	Approved Programme								
						Scheme Total £'000	Spend to 31/03/12 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
CIF Grants														
Delegated Powers 2008/09	137	A167		CK	(1)	107	100		7					
Moulsford Parish Council	010	A182		CK	(3)	235	235		0					
Kidmore End Parish Council	010	A185		CK	(3)	200	192		8					
Thame Football Partnership	188	A188		CK	(4)	250	250		0					
All Saints PCC, Didcot	010	A201		CK	(5)	100	68		32					
Thomley Hall	010	A202		CK	(5)	100	100		0					
Didcot Town Council (skate park)	010	A203		CK	(5)	27	27		0					
Henley Baptist Church	010	A204		CK	(5)	100	93		7					
Great Milton Recreation Ground	010	A205		CK	(5)	62	62		0					
CIF Grants - 10/11 Delegated Powers	010	A199		CK	(5)	67	50		17					
Garsington Village Hall	010	A213		CK	(6)	60	45		15					
Goring Village Hall	010	A214		CK	(6)	55	50		5					
Wallingford Rowing Club	010	A215		CK	(6)	82	0	82	0	82				
Tetsworth Memorial Hall	010	A216		CK	(6)	82	0	82	82					
Wallingford Sports Trust	010	A217		CK	(6)	22	22		0					
South Stoke Parish Council	010	A219		CK	(6)	29	5		24					
Aston Rowant Parish Council	010	A220		CK	(6)	38	34		4					
CIF Grants - 11/12 Delegated Powers	010	A221		CK	(6)	99	18	86	81					
CIF grants - 12/13 Delegated Powers	010	A232		CK	(13)	474			62	412				
CIF Grants - 07/08 Delegated Powers	121	X192		CK		80	80		0					
Other Grants														
Cholsey Parish Council - NHB Grants	010	A218		CK	(14)	250	0	82	250					
Waste														
Green Waste Wheeled Bins	118	X173		CK	(7)	408	408		0					
Cigarette Litter Bins	139	A139		CK	(8)	10	7		3					
On Street Recycling Bins	140	A140		CK	(9)	20	9		11					
Waste Management Initiatives	068	A068		CK	(10)	2,608	2,524		84					
Open Spaces														
Ladygrove Loop	180	A180		CK	(11)	440	377	31	63					
Econsultation system	225	A225		CK	(12)	13			13					
						6,018	4,756	363	768	494	0	0	0	0

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Notes

(1) CIF projects agreed by cabinet 08/07/08.
(3) CIF projects agreed by cabinet 02/07/09
(4) Budget transferred from provisional programme (member decision 12/11/10)
(5) CIF projects agreed by cabinet 08/04/10
(6) CIF projects agreed by cabinet 24/06/11
(7) £130k transferred from provisional programme (cabinet 2/3/05)
£58k transferred from provisional programme (member decision 31/10/08)
(8) £10k transferred from provisional programme (member decision 07/11/08)
(9) £20k transferred from provisional programme (member decision 21/04/11)
(10) £2,550 transferred from provisional programme (member decision 27/04/09)
(11) £440k transferred from Provisional Programme (cabinet 02/07/09)
(12) £13k transferred from Provisional Programme (member decision 31/07/12)
(13) £474k transferred from Provisional Programme (member decision 22/06/12)
(14) £82k of CIF funding withdrawn. £250k NHB funding agreed by council 25/10/12

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Economy, Leisure and Property

						Approved Programme										
	Scheme	No.	Code	RP DC	Project Mgr	Note	Scheme Total £'000	Spend to 31/03/12 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
	Arts Development														
	Didcot Arts Centre	026	X125		CT	(1)	8,081	8,041		40					
	Public Art - Orchard Centre	126	X130		CT		75	7	54	28	40				
	Economic Development														
C	Henley Environmental Improvements	170	A170		CT	(6)	0	0		0					
	Didcot Town Centre Redevelopment	004	X126		AR	(2)	21,495	21,348	95	0	147				
C	Didcot Town Square	125	X128	DC	CT		316	316		0					
	Land Drainage	036	X162	DC	CT	(7)	159	29	130	0	130				
	Town Centre Initiatives	111	X197		CT	(5)	300	216	33	40	22	22			
	Leisure														
	Riverside Moorings	153	A153		CT		267	266		0	1				
	Park Sports Centre Gym Equipment	154	A222		CT	(10)	376	19		339	18				
	Thame Fitness Suite	223	A223		CT		30	4		26					
	Riverside Water Feature	193	A224		CT	(19)	165	1		143	21				
	Didcot Leisure Centre	227	A227		CT	(20)	60	0		20	40				
	Thame LC	155	A155		CT	(11)	215	215		0					
	Abbey Sports Centre Gym	169	A169		CT		130	130		0					
	Carbon Management Programme	176	A176		CT	(8)	180	25		30	125				
	Park & Thame LC Refurbishment	187	A187		CT	(12)	460	456		4					
	Didcot ATP	191	A191		CT	(13)	6	3		3					
	Leisure Centre - capital works	078	X155		CT		1,508	1,416		92					
	Leisure Centre - design works	079	X156		CT		51	51		0					
	Henley Leisure Centre Refurbishment	104	X157		CT	(9)	3,223	3,223		0					
	Technical														
	Didcot Broadway Car Parks	133	X194		CT	(16)	76	76		0					
	Minor Land Drainage Schemes		X169		CT			3							
	Housing Act Works Refurbishment	103	X170		CT	(14)	780	585	200	10	185				
	Improvement to Public Conveniences		X177		CT	(15)	100	77	5	23					
	Car Park Resufacing & Improvement	142	A142		CT	(21)		48		62					
	Flood Alleviation Schemes	143	A143		CT	(17)	270	247		23					
							38,323	36,802	517	883	729	22	0	0	0

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Notes

(1)	Original budget £6320k
	£132k budget transfer (cabinet 8/2/07)
	£15k vired from revenue
	£100k vired from Didcot Town Centre budget (X126)
(2)	Budget reduced and balances moved to 07/08
	£300k transferred from provisional programme (cabinet 18/12/03)
	£3,000k added to approved programme (urgent decision 21/06/07)
(5)	£22k moved from provisional programme (member decision 23/04/07)
	£40k moved to Improvement to Public Conveniences - Environmental Services
	£50k transferred from provisional programme (cabinet 03/06/10)
(6)	£4k transferred from provisional programme 13/02/09
(7)	These schemes will be funded from developers contributions, or expenditure may be limited to contributions available.
	Budget reduced and balances moved to 07/08
(8)	£21k transferred from provisional programme (MD 25/09/09)
(9)	Separation of budget for Henley LC Refurbishment from Recreation Initiatives - see note (13)
	£200k transferred from provisional programme (cabinet 03/08/06)
	£15k added to approved programme (cabinet 03/08/06)
	£375k transferred from provisional programme (cabinet 07/12/06)
	£452k added to approved programme (council 14/12/06)
	Budget reduced and balances moved to 07/08
	£180k added to balance per cabinet report 6/9/07
(10)	£125 transferred from provisional programme (member decision 21/11/08)
(11)	£215k transferred from provisional programme (member Decision 10/10/08)
(12)	£50k transferred from provisional programme (MD 11/09/09)
(13)	£6k transferred from provisional programme (MD 04/03/11)
(14)	£400k transferred from provisional programme (cabinet 08/02/07)
	£200k transferred from provisional programme (member decision 23/09/10)
(15)	£100k transferred from provisional programme (member decision 23/07/10)
(16)	£80k transferred from provisional programme (cabinet 05/07/07)
(17)	£95k transferred from provisional programme (member decision 07/11/08)
	£20k grant for Tiddington scheme received and budget increased.
	£10k received from EA
	£23k received from EA
(18)	£440k transferred from Provisional Programme (cabinet 02/07/09)
(19)	£165 transferred from provisional programme (MD 13/01/12)
(20)	£60k transferred from provisional programme (cabinet 13/04/12)
(21)	£55k transferred from provisional programme (MD 30/11/12)

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Finance

Scheme	No.	Code	RP DC	Project Mgr	Note	Scheme Total £'000	Spend to 31/03/12 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
						Approved Programme								
Financial Services Contract	119	X107		WJ	(1)	863	860	3	3					
Fixed Asset System	190	A190		WJ		7	7		0					
						870	867	3	3	0	0	0	0	0

(1) £839,445 transferred from provisional programme (cabinet 12/10/06)
Re-profiled costs to relevant years

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HR, IT and Customer Services

Scheme	No.	Code	RP DC	Project Mgr	Note	Approved Programme Scheme Total £'000	Spend to 31/03/12 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Information and Communications Technology														
PCs - new and upgrades	016	X116	RP	AWD	(1)	N/A	N/A		17					
File servers, central h'ware, s'ware & equipment	017	X117	RP	AWD	(2)	N/A	N/A		0					
Desktop Software Upgrades	019	X119	RP	AWD	(3)	N/A	N/A		1					
Communications and Network Equipment	021	X121	RP	AWD		N/A	N/A		41					
E-Government Rolling Programme	023	X123	RP	AWD	(4)	N/A	N/A		11					
Upgrade GIS	088	A088		AWD		20	15		5					
						20	15	0	75	0	0	0	0	0

Notes

(1) This provides for the replacement of PCs over a five year period.
£10k transferred from provisional programme (cabinet 07/12/06)
£20k transferred from provisional programme (member decision 04/01/08)
£72k transferred from provisional programme (member decision 14/11/08)

(2) This provides for additions, upgrades and replacement of central servers and equipment, printers and scanners and central software.
£56,885 transferred from provisional programme (member decision 02/05/08)
£31k transferred from provisional programme (member decision 14/11/08)

(3) This provision meets the cost of the progressive upgrade of software on personal computers used by the council.
£6k transferred from provisional programme (cabinet 1/6/06)
£23k transferred from provisional programme (cabinet 07/12/06)

(4) Funding to meet ongoing e-government implementation and development staffing costs.
£38k tranferred from provisional programme (cabinet 07/12/06)
£7k transferred from provisional programme (member decision 14/11/08)

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Health and Housing

	Scheme	No.	Code	RP DC	Project Mgr	Note	Scheme Total £'000	Spend to 31/03/12 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
	Private housing renovation														
	Mandatory disabled facilities grants	011	X108	RP	PS	(1)	N/A	N/A	950	955	950	800	800	800	800
	Discretionary assistance	012	X109	RP	PS		N/A	N/A	45	45	45	45	45	45	45
	Social Housing Initiatives	057	X110		PS	(2)	5,620	4,883		425	312				
C	Empty Homes Initiatives	056	X111		PS	(3)	92	92		0					
C	Choice Based Lettings	129	A129		PS	(4)	51	51		0					
	Environmental Services									0					
C	Berinsfield Sewer System	181	A181		PS	(5)	40	20		20					
							5,803	5,046	995	1,445	1,307	845	845	845	845

Notes

(1) £300k increase approved by cabinet 04/10/03
£39k vired to CEM10023 (cabinet 03/08/06)
£209k moved to 2007/08
£85k vired to revenue to fund Choice Based Lettings (cabinet 4/10/07)

(2) £2,000k moved from provisional programme. Split between 04/05 and 05/06 (cabinet 2/9/04).
£1,000 transferred from provisional programme (cabinet 03/08/06)
£540k transferred from provisional programme (cabinet 01/11/07)
£550k transferred from provisional programme (cabinet 08/07/10)
£275k transferred from provisional programme (MD 03/08/12)

(3) £100k transferred from provisional programme (cabinet 7/4/05)
£100K moved to 07/08
Budget moved to 08/09

(4) £52k transferred from provisional programme (member decision 20/12/07)

(5) £40k transferred from provisional programme (member decision 01/06/09)

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Legal and Democratic Services

Scheme	No.	Code	RP DC	Project Mgr	Note	Approved Programme Scheme Total £'000	Spend to 31/03/12 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
CCTV Control Room Update	208	A208		MR	(3)	6	6		0					
C DVR system	209	A209		MR	(1)	29	29		0					
Legal Case Management System	025	X124		MR	(2)	4	0		0	4				
						39	35	0	0	4	0	0	0	0

Notes
(1) £29k transferred from provisional programme (member decision 17/06/11)
(2) Purchase of software to enable the electoral register to be maintained in house - cabinet report 4 Apr 2002.
(3) £6k transferred from provisional programme (MD 15.12.11)

Planning

Scheme	No.	Code	RP DC	Project Mgr	Note	Approved Programme Scheme Total £'000	Spend to 31/03/12 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Planning Delivery Grant - capital works	112	X168		AD	(1)	465	457		8					
Wallingford Castle Restoration	230	A230		AD	(2)	5	0		5					
						470	457	0	13	0	0	0	0	0

Notes
(1) £84k transferred from provisional programme (cabinet 01/06/06)
£35k added to approved programme (cabinet 01/06/06)
£25k added to approved programme (cabinet 06/07/06)
£240k transferred from provisional programme (cabinet 13/9/07)
(2) £5k transferred from provisinal programme (MD 04/05/12)

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Provisional Capital Programme

Scheme	No.	RP DC	Project Mgr	Note	Date Added	Spend to 31/03/12 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
						Provisional Programme							
CORPORATE MANAGEMENT TEAM													
Didcot Station Forecourt	207		AR	(11)	10/11			0					
CORPORATE STRATEGY													
On Street Litter Bins for Recycling	140		CK	(2)	08/09		15	35					
Replacement Waste Containers	192		CK	(4)	10/11		63	63	63	63			
Carbon Management Programme	210		CK	(12)	11/12			0					
Ecoconsultation System	225		CK	(13)	12/13		13	0					
NHB Capital Grants	233		CK	(14)	12/13			183					
External Capital Grants	009, 010	RP	CK	(5)			500	0	500	500	500	500	500

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Provisional Capital Programme Continued

Scheme	No.	RP DC	Project Mgr	Note	Date Added	Provisional Programme Spend to 31/03/12 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
ECONOMY, LEISURE & PROPERTY													
Wallingford cemetery - additional land	069		CT	(1)	-				35				
Car Park Resurfacing & Improvement	142		CT	(2)	08/09		55	0					
HAW Moulsford	194		CT	(4)	10/11		20	20					
Ladygrove - land east of Abingdon Road	063	DC	CT	(8)	?		155	155					
Didcot Town Centre Development	150		CT	(2)	08/09			500					
Essential Capital Works at Leisure Centres	062	RP	CT	(2)	08/09			0					
Park / Thame Leisure Centres - capital investment	154		CT	(2)	08/09			250					
New Gym Equipment for Leisure Centres	155		CT	(2)	08/09			30					
Leisure Centres Essential Works	173		CT	(3)	09/10		160	160	200	200	220	220	
Carbon Management Programme	176		CT	(3)	09/10			0					
Didcot Artificial Turf Pitch (ATP)	191		CT	(4)	10/11			194					
Leisure Projects	193		CT	(4)	10/11			35					
FMP plot development	226		CT	(13)	12/13		80	80	40				
Didcot Leisure Centre	227		CT	(13)	12/13		100	40	5,000	8,900	1,000		
Building Emergency Fund	059		CT	(9)	-			45					

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Provisional Capital Programme Continued

Scheme	No.	RP DC	Project Mgr	Note	Date Added	Spend to 31/03/12 £'000	2012/13 Org Bud £'000	2012/13 Latest £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
							Provisional Programme						
FINANCE													
Fixed Asset Register Software	190		WJ	(4)	10/11			13					
HR, IT AND CUSTOMER SERVICES													
Upgrade Geographical Information System	088		AWD	(6)	05/06			0					
Rolling Programme		RP	AWD		-			12					
Transforming the Website	178		AWD	(3)	09/10			8					
IT Investment Plan	211		AWD	(12)	11/12		65	65	145	70			
HOUSING AND HEALTH													
Social Housing Initiatives (Affordable Housing New Build)	057	RP	PS	(10)	04/05		550	160					
Contaminated land	212		PS		08/09			150	100				
Online Housing Advice	228		PS	(13)	12/13		25	25					
LEGAL AND DEMOCRATIC SERVICES													
On-Line Register of Electors Project	089		MR	(6)	05/06			22					
CCTV Control Room Upgrade	208		MR	(12)	11/12			0					
CCTV Control Room DVR System Upgrade	209		MR	(12)	11/12			6					
Case Management System	229		MR	(13)	12/13		8	8					
PLANNING													
Parking for Wallingford Cemetery & Castle Meadows	172		AD	(3)	09/10			37					
Wallingford Castle Restoration	230		AD	(13)	12/13		5	0					
							1,814	2,296	6,083	9,733	1,720	720	500
											21,052		

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Notes

(1) Growth bid for preliminary works regarding the purchase of additional burial land to meet future needs.
(2) Additions to capital programme approved by cabinet 08/02/08.
(3) Addition to capital programme approved by cabinet 05/02/09
(4) Additions to capital programme approved by cabinet 08/02/10
(5) 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)
(8) 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.
(9) Emergency Building Fund set up to deal with unprogrammed works.
(10) Growth bids approved by council on 24/2/04.
Additions to capital programme approved by cabinet 08/02/07.
(11) Budget added to provisional programme
(12) Additions to capital programme approved by cabinet 14/02/11
(13) Additions to capital programme approved by cabinet 13/02/12
(14) Addition to capital programme approved by council 25/10/12

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Appendix D

South Oxfordshire DC - 2013/14 capital growth bids

No	Title of bid	Summary	South only or joint bid?	CAPITAL SPEND Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	One-off or rolling	REVENUE CONSEQUENCES Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
CORPORATE MANAGEMENT TEAM														
SCMTCAP1	Town Centre Boost	A set of projects that together will make Didcot town centre more visually attractive to visitors, including better pedestrian flow around the town centre, improved access to information promoting facilities available within the centre, leading to higher spending, business confidence and private sector investment.	South	250,000	0	0	0	0	One-off	0	0	0	0	0
SCMTCAP2 (new)	Capital contingency	This contingency budget will be called upon when capital project ideas occur outside the normal budget build period. Calls upon this will be subject to the normal constitutional authorisation process, with items in excess of £100,000 going to full council for approval.	South	2,000,000	0	0	0	0	One-off	0	0	0	0	0
SCMTCAP3 (new)	New Homes Bonus	Under the council's interim New Homes Bonus policy, £433,000 of funding received to date was allocated to community led schemes in locations accommodating new housing. This bid is to provide a total of £500,000 to fund schemes coming forward in 2013/14, to be funded from further New Homes Bonus receipts	South	317,000	0	0	0	0	One-off	0	0	0	0	0
				2,567,000	**0**	**0**	**0**	**0**		**0**	**0**	**0**	**0**	**0**
CORPORATE STRATEGY & WASTE														
SCORCAP1	Community Investment Fund – Capital Grants	This bid is to increase the Community Investment Fund (CIF) capital grant budget by £500,000. There is currently a budget of £500,000 and this proposal would increase the grant budget to £1m.	South	500,000	500,000	500,000	500,000	500,000	Rolling	0	0	0	0	0
SCORCAP2	To upgrade one of Cornerstones disabled toilets to a Changing Places facility	Changing Places toilets are different to standard disabled toilets with extra features and more space. Standard disabled toilets do not meet the needs of all people with a disability – or their carers. People with profound and multiple learning disabilities, as well as other serious impairments such as spinal injuries or muscular dystrophy often need extra facilities to allow them to use the toilets comfortably.	South	8,000	0	0	0	0	One-off	170	170	170	170	170
SCORCAP3	Energy Grant Scheme/Fuel Poverty	An energy grants scheme focussed on those households in the district who are living in fuel poverty. The energy grant scheme the council provided would need to be worked through once the government's Green Deal scheme is fully in place and we are able to asses the full extent of the potential impact upon fuel poor households.	South	15,000	15,000	15,000	0	0	One-off	0	0	0	0	0
				523,000	**515,000**	**515,000**	**500,000**	**500,000**		**170**	**170**	**170**	**170**	**170**

Appendix D

South Oxfordshire DC - 2013/14 capital growth bids

No	Title of bid	Summary	South only or joint bid?	CAPITAL SPEND Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	One-off or rolling	REVENUE CONSEQUENCES Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
ECONOMY LEISURE AND PROPERTY														
SELPCAP1	Cornerstone's website	To bring Cornerstone's digital marketing strategy and platforms up to date: 1. Research to improve usability and interactivity 2. Website upgrade 3. Integration of Cornerstone's digital marketing tools 4. Training of staff on new website	South	31,500	0	0	0	0	One-off	1,800	1,800	1,800	1,800	1,800
SELPCAP2	Leisure centre essential works 2017/18	Essential capital maintenance works at the leisure centres for 2017/18. The funds will be used to maintain the physical condition of the facilities, including plant and equipment, to a standard that maintains customer satisfaction, usage and income.	South	0	0	0	0	220,000	Rolling	0	0	0	0	0
SELPCAP4	Refurbishment of changing facilities in the South Oxfordshire District Council offices	The current changing and shower facilities in the South offices (block D) are dated, shabby and of a low standard. Facilities have received complaints by members of staff about the poor state of the changing facilities. There is only one shower and changing area for both sexes. It would be possible to carry out some minor cosmetic changes in-house. However, what is proposed would be to have single sex facilities and changing rooms that are compliant with building regulations and include for use by disabled people.	South	25,000	0	0	0	0	One-off	0	0	0	0	0
SELPCAP5	Car park improvements	Five year programme 2013-2018 of resurfacing and relining of district car parks - this is a continuation of a current programme that has been running since 2008.	South	45,000	45,000	45,000	45,000	45,000	Rolling	0	0	0	0	0
SELPCAP6	Improvement to public conveniences in Greys Road and Station car parks, Henley	The current public conveniences in Greys Road car park and Station car park in Henley were built in the 1980s to an identical design. The design is robust, but the pans and doors are made of stainless steel and there are no seats on the pans. The floor is Terazzo (sealed sprinkles of granite/marble/quartz) and has ingrained dirt, which is very difficult to clean without damaging the floor itself. Overall, the toilets appear to be of a low standard. Henley Town Council is considering a refurbishment of the Mill Meadows toilets in 2013/14 and officers have contacted and agreed with the town council that some economies of scale could be made by having a contract to carry out improvement works on all three public conveniences at the same time.	South	100,000	0	0	0	0	One-off	0	0	0	0	0

AGENDA ITEM 8

Appendix D

South Oxfordshire DC - 2013/14 capital growth bids

No	Title of bid	Summary	South only or joint bid?	CAPITAL SPEND Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	One-off or rolling	REVENUE CONSEQUENCES Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
ECONOMY LEISURE AND PROPERTY (CONTINUED)														
SELPCAP7 (revised)	Town / larger village centre infrastructure	To work with town councils, parish councils and town partnerships to develop an action plan of physical town centre improvements needed in the towns of Henley, Thame, Wallingford and larger villages, alongside the existing annual economic development action plans for each town. This includes the creation of new seating areas, better signage and other enhancements to the public realm infrastructure. The creation of such infrastructure will help attract residents and visitors to the town centres, encouraging people to spend longer in the town centres and help improve the vitality of the town centres.	South	75,000	75,000	0	0	0	One-off	5,000	0	0	0	0
SELPCAP8 (revised)	Cornerstone capital works	Rolling programme of replacement and upgrade to essential infrastructure and operational kit at Cornerstone	South	60,000	25,000	25,000	25,000	25,000	Rolling	0	0	0	0	0
SELPCAP9	External signage and advertising for Cornerstone	To plan and install external signage and advertising to improve awareness of Cornerstone and its programme and wayfinding to the venue	South	18,350	0	0	0	0	One-off	0	0	0	0	0
SELPCAP10	Enhancement to café bar at Cornerstone	The cafe bar is situated on the lower ground floor of the venue, opening out onto the town square opposite the cinema. The café bar is run as a concession under contract to the council and to date two different companies have managed it consecutively. As Didcot expands even further with the development of Phase 2 of the shopping centre and 300 new dwellings at Great Western Park one mile away, it will be even more important for the café bar at Cornerstone to be able to service the town and its social needs. Working with the current café bar operators and a design company we propose investment in infrastructure to increase presence, attractiveness and comfort and, therefore, increase footfall, dwell time, spend and income.	South	74,100	0	0	0	0	One-off	(1,000)	(3,500)	(7,500)	0	0
SELPCAP12	New entrance to Riverside Park, Crowmarsh Gifford	The developer (Croudace) of the new houses on the Lister Wilder site in The Street, Crowmarsh Gifford, has provided the council with a sum of £61,000 under a section 106 agreement. This developer contribution is to provide for a new link road through the development to Riverside car park, pool, splash park and campsite. s106 funding	South	61,000 (61,000)	0	0	0	0	One off (Section 106 funded)	0	0	0	0	0

South Oxfordshire DC - 2013/14 capital growth bids

No	Title of bid	Summary	South only or joint bid?	CAPITAL SPEND Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	One-off or rolling	REVENUE CONSEQUENCES Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
ECONOMY LEISURE AND PROPERTY (CONTINUED)														
SELPCAP13 (new)	EA FDGiA grant for flood alleviation at Wheatley	The Environment Agency is encouraging local authorities to make requests for bids to spend on flood alleviation schemes. A number of properties in Wheatley were affected by flooding in July 2012 and again in November. Officers are due to make an application to the EA for £70,000 of funding. It may be, under Partnership Funding arrangements that the EA request match funding. We are unsure how much money we will be awarded, if any. In order to allow officers to spend the money, if the application is successful, then £70,000 needs to be in the approved budget.	South	70,000	0	0	0	0	One-off	0	0	0	0	0
SELPCAP14 (new)	Public art at Chinnor cement works	£24,800 has already been received from s106 developer contributions for public art at Chinnor cement works. We wish to include these monies in the approved capital programme in order to secure approval to spend th monies on the public art project. Over the course of the development build we anticipate receiving some £56,500 in total, which will be paid to the council in staged payments.	South	24,800	0	0	0	0	One-off (Section 106 funded)	0	0	0	0	0
		Section 106 funding		(24,800)										
JELPCAP1 (new)	Public art at Great Western Park	Some £76,480 has already been received from s106 developer contributions for public art at Great Western Park. Some of this funding has already been spent, with Cabinet member approval, on consultant's fees researching and producing the strategy. The developers contributions are held by SODC as the accountable body, although some of the monies relate to the VWHDC, since the development straddles the dsitrict boundary. We wish to include the remaining funding in the approved capital programmes in order to secure authorisation to spend the monies in line with the recommendations set out in the councils' adopted Great Western Park public art strategy.	Joint	13,970	13,960	0	0	0	One-off (Section 106 funded)	0	0	0	0	0
		Section 106 funding:		(13,970)	(13,960)									
SELPCAP15 (new)	Improvements to car park pay stations and new ‘pay and display’ machines	Officers have identified an opportunity to help improve the user experience of our car parks by investing in improvements to the car park furniture and environment. The most costly aspect of this is replacing the current ‘pay and display’ machines and improving the appearance of the pay stations overall. There are a total of 27 ticket machines, which vary in age and usage, but all are at least four years old. It would be an option for new machines to produce tickets that require vehicle registration plate details and/or the ability to pay using new technology like ‘chip and pin’. Added to this would be improved safety barriers and ground markings at the pay stations.	South	95,000	0	0	0	0	One-off	0	0	0	0	0

Appendix D

South Oxfordshire DC - 2013/14 capital growth bids

No	Title of bid	Summary	South only or joint bid?	CAPITAL SPEND Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	One-off or rolling	REVENUE CONSEQUENCES Spending profile: 2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
ECONOMY LEISURE AND PROPERTY (CONTINUED)														
SELPCAP16 (new)	Broadband fund	The council's corporate plan for 2012-2016 sets out the council's corporate priority to "work with partners to improve broadband services across the district". There are significant issues with the coverage, availability and speed of broadband provision in South Oxfordshire affecting residents and businesses. The purpose of creating this fund is to provide a provisional capital budget for a two years to enable the council to be in a position to support improvements to broadband coverage across the district.	South	500,000	500,000	0	0	0	One-off	0	0	0	0	0
				1,093,950	**645,000**	**70,000**	**70,000**	**290,000**		**5,800**	**(1,700)**	**(5,700)**	**1,800**	**1,800**
HR, IT& CUSTOMER SERVICES														
JHICCAP1	IT infrastructure	The IT infrastructure for both councils is rapidly approaching its end of life. A review has been carried out as part of the Fit For The Future programme, and our consultant partners have recommended a series of actions. At present the programme is only costed at a very high level, broken into six elements totalling £905,000 although some funds already exist in the programme.	Joint	215,000	35,000	0	0	0	One-off	4,200	1,800	1,800	1,800	1,800
				215,000	**35,000**	**0**	**0**	**0**		**4,200**	**1,800**	**1,800**	**1,800**	**1,800**
HEALTH AND HOUSING														
JHAHCAP1	Implementation of new Housing Allocations Policy	Both councils are currently reviewing their Allocations Policies in response to the Localism Act. New policies will be agreed late 2012/ early 2013. The ICT provider cannot provide definitive costings until the Allocations Policies are approved by Council. However they have provided indicative costings, which are in the region of £13,000 per authority. There will also be a need to re-canvass all applicants which will cost approximately £2,000. Total bid of £15k per authority	Joint	13,000	0	0	0	0	One-off	2,000	0	0	0	0
SHAHCAP3	Local Authority Mortgage Scheme (LAMS)	This scheme provides competitive mortgages for local first time buyers and the councils finances are used as a security against potential loss upon sale. Whilst the council's money is held as security interest is earned.	South	1,000,000	0	0	0	0	One-off	0	0	0	0	0
				1,013,000	**0**	**0**	**0**	**0**		**2,000**	**0**	**0**	**0**	**0**
	GRAND TOTAL			**5,411,950**	**1,195,000**	**585,000**	**570,000**	**790,000**		**12,170**	**270**	**(3,730)**	**3,770**	**3,770**

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Appendix E

Financing of capital programme and growth proposals

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Capital programme before growth						
- approved	4,834	4,209	867	845	845	845
- provisional	2,296	6,083	9,733	1,720	720	500
	7,130	**10,292**	**10,600**	**2,565**	**1,565**	**1,345**
Cabinet capital growth proposals	0	5,412	1,195	585	570	790
Total expenditure	**7,130**	**15,704**	**11,795**	**3,150**	**2,135**	**2,135**
Financing						
CIF interest - grants	344	0	0	0	0	0
CIF - usable capital receipts	60	5,040	8,900	1,000	0	0
New Homes Bonus	433	317	0	0	0	0
Usable capital / revenue reserves	5,630	8,397	2,415	1,670	1,655	1,655
Other	663	1,950	480	480	480	480
Total financing	**7,130**	**15,704**	**11,795**	**3,150**	**2,135**	**2,135**
Estimated balances as at 31 March 2018		**£000**				
Community investment fund		48,906				
Enabling fund		3,813				
Unallocated capital receipts		200				

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Medium Term Financial Plan to 2017/18 Appendix G

	A	H	I	J	K	L
1	**South Oxfordshire DC**	**Budget**	**Indicative**	**Indicative**	**Indicative**	**Indicative**
2		**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
3		**£000**	**£000**	**£000**	**£000**	**£000**
4	**Base budget**					
5	Corporate management	391	391	391	391	391
6	Corporate strategy	5,364	5,364	5,364	5,364	5,364
7	Economy, leisure and property	995	995	995	995	995
8	Finance	2,593	2,593	2,593	2,593	2,593
9	Housing and health	1,654	1,654	1,654	1,654	1,654
10	HR, IT, customer	1,648	1,648	1,648	1,648	1,648
11	Legal and democratic	819	819	819	819	819
12	Planning	1,559	1,559	1,559	1,559	1,559
13	Contingency	333	333	333	333	333
14	**Total base budget**	**15,355**	**15,355**	**15,355**	**15,355**	**15,355**
15	**Revisions to base budget**					
16	Opening budget adjustments	(470)	(582)	(594)	(594)	(594)
17	Inflation, salary increments and adjustments	233	623	1,021	1,427	1,841
18	Essential growth - one-off	109	59	59	59	59
19	Essential growth - ongoing	224	224	224	224	224
20	Base budget savings	(293)	(293)	(293)	(293)	(293)
21	Managed vacancy factor	(182)	(186)	(190)	(193)	(197)
22	Fit for the Future savings	(50)	(200)	(200)	(200)	(200)
23	**Total revised base budget**	**14,927**	**15,001**	**15,383**	**15,785**	**16,195**
24	**Growth, savings and other budget adjustments**					
26	Growth proposals					
27	Revenue - one-off	472	98	88	31	0
28	Revenue - ongoing	57	57	57	57	57
29	Capital (revenue consequences of)	12	0	(4)	4	4
30	Other budget changes post Scrutiny committee	(609)	(573)	(573)	(573)	(573)
31	Future pressures	0	200	550	600	800
32	**Net cost of services**	**14,859**	**14,783**	**15,501**	**15,904**	**16,483**
33	Net property income	(1,034)	(1,034)	(1,034)	(1,034)	(1,034)
34	Gross treasury income	(1,947)	(2,090)	(2,235)	(2,559)	(2,559)
35	**Net expenditure**	**11,878**	**11,660**	**12,232**	**12,311**	**12,890**
36	New Homes Bonus	(1,143)	(1,545)	(2,101)	(2,782)	(3,319)
37	CT freeze grant 2013/14 tranche	(67)	(67)	0	0	0
38	Efficiency support for services in rural areas	(19)	0	0	0	0
39	Transfers to / from earmarked reserves	161	1,796	2,231	3,291	3,534
40	**Amount to be financed**	**10,808**	**11,843**	**12,362**	**12,819**	**13,105**
41	**Financing**					
42	Revenue support grant	(3,421)	(2,623)	(2,079)	(1,674)	(1,214)
43	Business rates retention scheme	(2,276)	(2,345)	(2,392)	(2,440)	(2,489)
44	**Total start-up funding allocation**	**(5,696)**	**(4,969)**	**(4,472)**	**(4,114)**	**(3,702)**
45	Less - Parish share of council tax support grant	246	101	103	105	107
46	+ / - estimated NNDR over/under baseline	171	176	179	183	187
47	Collection fund surplus/deficit	(217)	(100)	(100)	(100)	(100)
48	**Council tax requirement before use of reserves**	**5,311**	**7,052**	**8,073**	**8,894**	**9,597**
49	Use of reserves to balance budget	(877)	989	2,132	2,923	3,597
50	**Council tax requirement after use of reserves**	**6,188**	**6,063**	**5,941**	**5,971**	**6,001**
51	Tax base	52,607.0	52,870.0	53,134.4	53,400.1	53,667.1
52	Band D Council tax	117.62	114.68	111.81	111.81	111.81
53	**Cumulative use of reserves (total row 47)**	**(877)**	**112**	**2,244**	**5,167**	**8,764**
55						
56	**Projected revenue balances at year end:**					
57	General fund balance					
58	Enabling fund	13,282	11,385	10,126	8,865	3,813
59	Other (held for long term investment)	11,359	11,359	11,359	11,359	11,359
60	Earmarked revenue reserves					
61	New Homes Bonus	1,260	2,805	4,906	7,688	11,007
62	Other	5,877	4,853	2,686	138	103

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