

SERVICE & RESOURCE PLANNING 2020/21 – 2023/24 Capital & Investment Strategy and Capital Programme

Executive Summary

1. This annex sets out the proposed Capital & Investment Strategy along with supporting strategies including the Treasury Management Strategy and Investment Strategy as well as the Capital Programme. It should be read in conjunction with the Corporate Plan annex and Revenue Budget and Medium Term Financial Plan annex which sets out the draft council tax precept for 2020/21, the revenue budget for 2020/21 and the Medium Term Financial Plan (MTFP) to 2023/24.
2. The Prudential Code for Capital Finance in Local Authorities requires that for each financial year, a local authority should prepare at least one Investment Strategy which should contain the disclosures and reporting requirements specified in the guidance. The Capital & Investment Strategy alongside the Treasury Management Strategy Statement 2020/21 meet these requirements is set out at within this annex.

Introduction

3. The service & resource planning report to Council in February will be set out in four sections:
 - Section 1 – Leader of the Council’s overview
 - Section 2 – Corporate Plan
 - Section 3 – Chief Finance Officer’s statement on the budget
 - Section 4 – Budget Strategy and Capital Programme
4. This report forms the basis of part of Section 4 to that report. The following appendices are included:

Appendix A	Capital & Investment Strategy 2020 - 2030
Appendix B	Investment Strategy 2020/21
Appendix C	Capital Programme Changes 2020/21 – 2029/30
Appendix D	Pupil Place Plan 2019/20 – 2023/24
Appendix E	Highways Asset Management Plan 2019/20 – 2023/24
Appendix F	Treasury Management Strategy (including prudential indicators and minimum revenue provision policy statement)

Outstanding Information

5. There are several grant notifications, including the Schools Condition Capital Grant, which are outstanding. Where information is outstanding, assumptions have been included in the capital programme for 2020/21 to 2029/30.
6. Once this information is finalised, there could be an impact on the capital programme. In light of the information outstanding, it is proposed that authority is delegated to the Leader of the Council, following consultation with the Director of Finance and the Cabinet Member for Finance, to make appropriate changes to the Cabinet’s proposed capital programme ahead of the Council meeting on 11

February 2020. All Councillors will be notified of any updated information once it is received.

Capital & Investment Strategy

7. The Prudential Code for Capital Finance in Local Authorities was updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2017. The code requires that for each financial year, a local authority should prepare at least one Investment Strategy which should contain the disclosures and reporting requirements specified in the guidance. The Capital & Investment Strategy at Appendix A plus the Treasury Management Strategy at Appendix F meet these requirements.
8. The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long run financing implications and potential risks to the authority. The objectives are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.
9. As part of the service & resource planning process for 2020/21 the council is required to approve a set of prudential indicators which show that the council's prudential borrowing is prudent, affordable and sustainable, the Treasury Management Strategy sets out the draft prudential indicators. Appendix F also incorporates the minimum revenue provision (MRP) policy statement for 2020/21. Legislation requires Council to approve a statement of its policy annually before the commencement of the financial year.
10. The ambition for the Capital Programme is that the schemes contained in the programme will all be defined from council strategies that determine the management of its assets, services and needs. The structure of the Capital Programme has therefore been amended and is now based around the supporting strategies rather than the previous structure that was presented on a Directorate basis. During 2021/22 there will be a fundamental review of the capital programme against these strategies, but in the forthcoming year, the proposal is that only essential requirements will be built into the programme.
11. The Capital & Investment Strategy sets out the priorities for investment, linked to the individual strategies and plans for the following programme areas:
 - **Pupil Place Plan:** including basic need (new schools and expansion), maintenance, health and safety and improvements
 - **Property Strategy (in development):** including estates, health & safety, maintenance, improvements and the Investment Strategy
 - **Highways Asset Management Plan:** including street lighting, and bridges
 - **ICT Strategy:** including broadband and End User equipment
 - **Passported Funds:** including Disabled Facilities Grant and Devolved Schools Capital
 - **Vehicles and Equipment:** including fire and rescue vehicles and equipment

- **Major Infrastructure:** including Housing & Growth Deal, HIF and Local Growth Fund schemes
- **Corporate:** including earmarked reserves and contingency

Capital Programme 2019/20 – 2029/30

12. The following table summarises proposed changes to the existing capital programme and additional funding available, including the addition of the extra year:

Strategy	Proposed Additions £m	Proposed Re-allocations £m	Additional Specific Funding £m	Corporate Resource Requirement £m
Pupil Place Plan	51.6	-0.9	-44.8	5.9
Highways Asset Mgmt Plan	82.9	0.0	-48.0	34.9
Property Strategy	16.5	-20.7	-2.5	-6.7
ICT Strategy	15.9	-14.0	0.0	1.9
Total	166.9	-35.6	-95.3	36.0
Additional Corporate Resources				-24.0
Current Capital Programme Balance: Shortfall (+)				6.4
TOTAL OVERALL CAPITAL PROGRAMME BALANCE: Shortfall (+)				18.4

13. The additional corporate resources are based on changes to assumptions for un-ringfenced grants that have been estimated for over the ten-year programme. The updated assumptions include an additional £5.0m of basic need funding, £1.0m of school's maintenance funding and £18.0m of highways funding. These forecasts will be revised each year as further funding announcements are made.
14. The allocations agreed as part of last years' Service & Resource Planning process have been reassessed in line with the emerging pressures for this year and some allocations have been removed to release funding for priorities.
15. The proposed strategy allocations are based on a combination of identified schemes with known budget requirements, identified schemes with estimated budget requirements and general allocations where services can bring forward business cases to add specific schemes to the programme.
16. Details of the individual proposals are set out in Appendix C to this Annex.
17. The current Capital Programme has an overall shortfall of £6.4m. Ahead of a fundamental review of the programme, it is proposed that an overall shortfall of £18.4m in the new Capital Programme is agreed. This will be reviewed during 2020/21, and a decision made to either remove schemes, rephase schemes or a decision made to borrow to fund the shortfall.

18. The additional specific funding allocations alongside additional corporate resources will increase the capital programme to over £1bn. A shortfall of £18.4m over the 10 year period of the plan can be managed in the short term as cash flow is positive. The capital programme also has an overall contingency to help manage the position if required.
19. The table below shows the total proposed Capital Programme:

Strategy	Programme	Specific Funding	Corporate Resource Requirement
	£m	£m	£m
Pupil Place Plan	242.2	-143.3	98.9
Highways Asset Mgmt Plan	377.3	-260.2	117.1
Property Strategy	103.3	-81.1	22.2
ICT Strategy	29.9	-7.0	22.9
Passported Funds	11.1	-11.1	0.0
Vehicles & Equipment	1.4	0.0	1.4
Corporate	84.8	0.0	84.8
Major Infrastructure	249.4	-211.4	38.0
Total	1,099.4	-714.1	385.3

Total Corporate Resources	-366.9
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TOTAL OVERALL CAPITAL PROGRAMME BALANCE: Shortfall (+)	18.4
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Investment Strategy (Appendix B)

20. A new Investment Strategy was approved by Council in September 2019. This strategy sets out the investment framework, under which the Council can undertake investments against the following broad categories:
- Investments in property funds, bond funds, equities and multi asset classes.
 - Maximising the use of and value of our own assets (land & buildings).
 - Acquisitions & investments, which derive a service outcome or Council priority, and which generate a commercial return.
 - Investments for policy, social, community benefits.
21. The proposed capital programme includes an allocation of £10m within the Property and Asset programme for the new Investment Strategy. As business cases are brought forward, they will be subject to the governance arrangements and criteria as set out in the Investment Strategy.
22. Full Council is required to approve the Investment Strategy on an annual basis. To align with the Capital Programme and financial year, it is set out, unchanged, at Appendix B.

Pupil Place Plan (Appendix C)

23. The Pupil Place Plan includes present and predicted future pupil numbers on roll, together with information about birth rates, school capacity, and new housing. The Plan sets out proposed changes in the number of school places available over the next year and it suggests where other changes may be necessary in the future.
24. Primary Education Sufficiency Planning: Current data indicate that the number of births in Oxfordshire peaked in 2010 and 2011, which corresponds broadly to the very high demand for Reception places for 2015. Demand for Reception places has been falling in most areas since then but is now forecast to start rising again in areas experiencing significant housing growth. The latest pupil projections (submitted to the DfE this summer) show a 5.8% increase in primary pupil numbers between 2018/19 and 2023/24. Planning for primary school sufficiency is now more focused on housing growth, rather than the birth-rate led pressure over the previous decade, and as a result growth in demand for school places will not be evenly spread between schools. In many areas the increases in capacity provided in recent years will be sufficient to meet the demand of the period covered by the Pupil Place Plan, but there will be some further expansions of schools in areas of housing growth. There will also be more new schools opened within significant housing developments.
25. Secondary Education Sufficiency Planning: Secondary pupil numbers are now growing strongly, at a rate of about 2% per year, as the higher numbers in primary schools are now feeding through to secondary schools. The latest pupil projections show a 19.7% predicted rise between 2018/19 and 2023/24. The Council is working closely with secondary schools to ensure sufficient capacity as the population growth moves through into secondary school. As this growth follows a period of falling numbers, in some cases secondary schools have sufficient capacity to meet the population growth expected over the period covered by the Pupil Place Plan. Where schools are expected to need to expand, options for doing so are being explored. There will also be several new schools required, usually related to areas of significant housing growth.
26. Special Education Provision Sufficiency Planning: A new SEND Sufficiency Strategy was approved by Cabinet in December 2018. Work is now underway to implement the strategy, including securing the opening of new special schools in Bloxham and Didcot; rebuilding and expanding Northfield School in Oxford; expanding John Watson School and Bardwell School; and extending the county's network of special needs resource bases.
27. Section 3.3 of the plan sets out the schemes already in development as a result of adopted Local Plans and other known growth. An additional allocation of £50.7m is proposed over the ten-year programme to meet the identified need.

Highways Asset Management Plan (Appendix D)

28. The draft Highways Asset Management Plan (2020 – 2025) sets out the focus and prioritisation for Highway Maintenance investment. It seeks to balance local community needs with efficient asset condition decisions. The document also sets out the principles of how risk-based decisions will be made.

29. To support value for money and effective programme management, the plan sets out investment for different activity for the next 5 years, including identification of specific schemes over the next two years for the larger maintenance schemes.
30. In addition to the general maintenance, a focussed programme on Road Safety, Accessibility, and bus journey times is being developed. New programme inclusions are set out in Appendix B.

Property Strategy

31. An outline of the property strategy to cover the needs of all of OCC directorates is anticipated to be set and agreed by the end March 2021. Implementation of the property strategy will take approximately another two to three years.
32. The development of the new strategy will act as a mechanism for assessing the property portfolio from all angles and will be directly linked with the wider ongoing work to:
 - support service areas across the county to deliver their services to residents
 - enable and support the Council's workforce strategy
 - act as a catalyst for service co-location and integration
 - inform opportunities that can feed into the investment strategy
33. All service directorates will be involved in the development of the property strategy through providing information required in terms of their service delivery needs from a property point of view. This will allow the most appropriate strategy to be developed which fits the needs and objectives of services. A draft Implementation plan will then be developed which optimises the use of existing assets and considers the necessity of the creation of new assets to meet the ongoing needs of the council over the next five to 10 years.

ICT Strategy

34. The Information and Communication Technology Strategy was approved by Cabinet in December 2019. The proposed ICT programme includes the reallocation of existing £9m block in the programme to meet the initial outcomes of the strategy. This includes investment of £7.8m in an End User Computing refresh to Improve ICT services for all staff and customers which is tangible in the day to day use of technology and in how ICT staff operate. It is expected that investment in ICT will support better decision making, reduce the overall cost of ICT to the Council and provide better value for money.

Treasury Management Strategy (Appendix F)

35. Treasury management is the management of the council's cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. The treasury management strategy statement and the annual investment strategy for 2020/21 are set out in Appendix F. They set out, amongst other things the investment strategy for the Council's temporary cash flow surpluses.

36. The prime objective of the council's investment strategy is to maintain capital security whilst ensuring that there is the necessary liquidity to carry out its business and only once these have been satisfied should the return on the investment be considered. The annual investment strategy for 2020/21 continues with this premise. The strategy for financing prudential borrowing during 2020/21 maintains the option of using temporary internal balances.
37. During 2019/20, due to higher than forecast cash balances, a decision was made to increase the limit for longer term lending from £150m to £180m to take advantage of peer to peer lending rates (loans to other Local Authorities) which also offer greater security than some other investment types. It is proposed to increase this limit to £200m for 2020/21, then reduce back down to £150m by 2023/24 as the average forecast balance reduces. This has an impact on the revenue budget and is reflected in Annex 2 of this report.
38. The treasury management strategy sets out an investment approach that maintains a balance between medium and long term deposits with local authorities and short-term secured and unsecured deposits with high credit quality financial institutions. With the prospect of interest rate remaining low for the medium term, and with an increase in peer to peer lending rates amongst Local Authorities, it is proposed to increase the duration for deposits with other Local Authorities from three years to five years.
39. It is proposed that any changes required to the 2020/21 treasury management and investment strategies are delegated to the Director of Finance in consultation with the Leader of the Council and the Cabinet Member for Finance. This is included in the recommendations at the beginning of the report.

LORNA BAXTER
Director of Finance