

Capital and Investment Strategy - 2022/23 to 2031/32

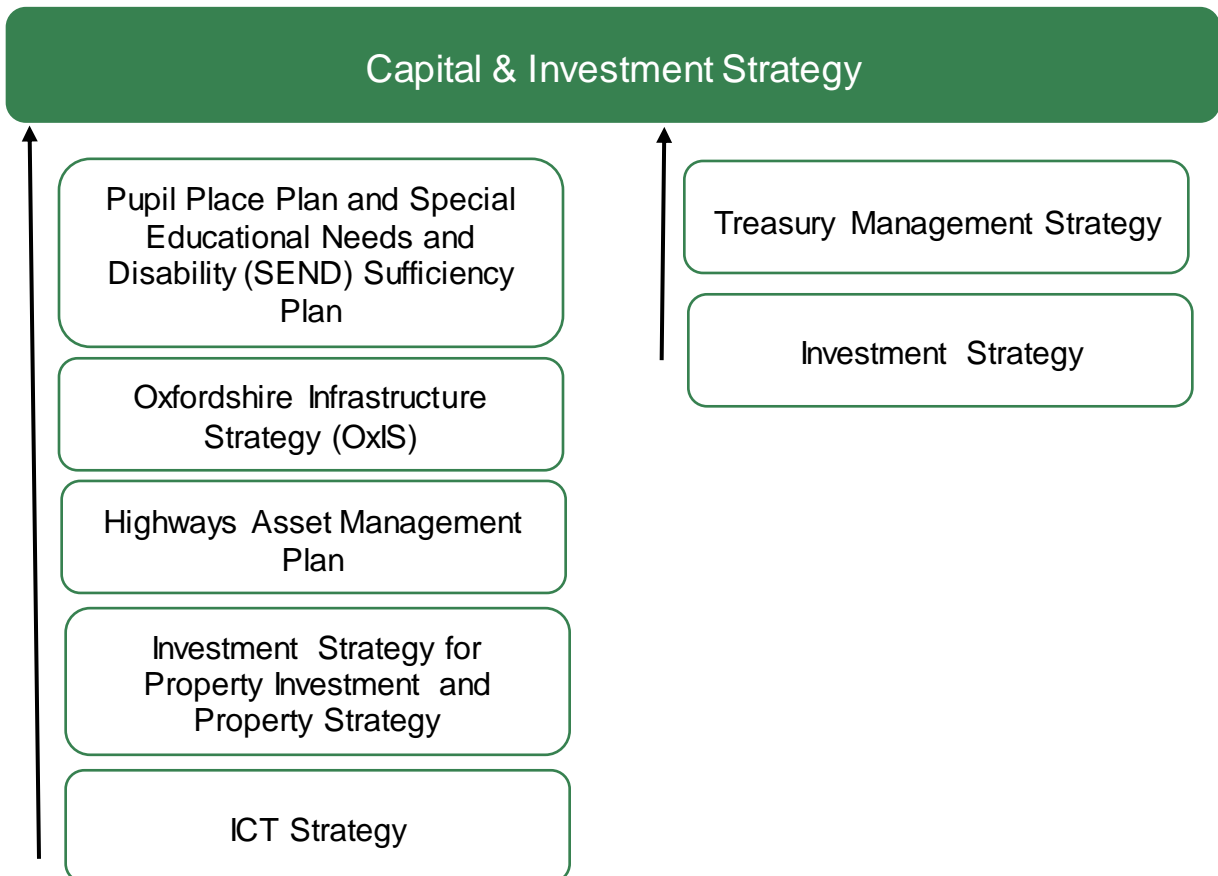
Purpose and Objectives

1. The Prudential Code for Capital Finance in Local Authorities 2021 requires that for each financial year, a local authority should prepare at least one Investment Strategy containing the disclosures and reporting requirements specified in the guidance. The Strategy must be approved by full Council.
2. The definition of an investment covers all the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.
3. The objectives of the Prudential Code 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.
4. The Prudential Code requires authorities to look at capital plans, investments, and debt in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long-term financing implications and potential risks to the authority.
5. The Prudential Code sets out that in order to demonstrate that the authority takes capital expenditure, investment and borrowing decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy. The capital strategy should set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
6. This Capital and Investment strategy sets out the requirements of the Prudential Code covering all the investments of the authority and covers the following areas:
 - Approach to capital investment
 - Capital financing principles
 - Capital programme approach and overview of existing Capital Programme
 - Capital investment proposals for 2022/23 – 2031/32
 - Capital governance and decision-making
 - Minimum Revenue Provision Policy Statement for 2022/23 (Annex 1)

- Prudential Indicators for Capital Finance (Annex 2)
- Pupil Place Plan (Annex 3)

Introduction

7. The Capital and Investment Strategy is a policy document that outlines Oxfordshire County Council's approach to investments over the medium term. It is closely linked to other key strategic and policy documents, such as:
 - Strategic Plan
 - The Oxfordshire Infrastructure Strategy (OxIS)
 - Oxfordshire Joint Statutory Spatial Plan
 - Highways Asset Management Plan
 - Oxfordshire Local Industrial Strategy
 - The Financial Strategy including the Medium Term Financial Strategy
8. This strategy reflects the ambition for the Capital Programme where the schemes contained in the programme will all be defined from council strategies that determine the management of its assets, services and needs.
9. This diagram shows relationship between the Capital and Investment Strategy and supporting plans and strategies with the various service plans and strategies as well as the Treasury Management & Investment Strategy all feeding into to the overarching Capital & Investment Strategy:



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10. The Capital and Investment Strategy complements the key documents above by defining the approach, structure and governance for the effective financing and management of the Council's capital investment needs and ambitions. It outlines how capital investment contributes to the Council's priorities and how the Council's existing and proposed capital resources will be effectively managed to meet the planned needs plus opportunities for meeting the ambitions for longer term capital investments.
11. It is inevitable that the level of capital resources required to meet capital investment needs and aspirations will exceed the actual resources available. Therefore, one of the key purposes of the Capital and Investment Strategy is to ensure that capital projects or programmes are only approved where they accord with the capital investment principles.
12. The Council seeks to employ a variety of different resources to close the funding gap. In this context, the second key purpose of the Capital and Investment Strategy is to ensure that capital investment plans are affordable, prudent, sustainable and demonstrate value for money. It provides the framework for determining capital spending plans and the effective use of the Council's capital resources.
13. The capital programme is currently structured as follows:
 - **Pupil Place Plan:** including basic need (new schools and expansion), maintenance, health and safety and improvements
 - **Major Infrastructure:** including Growth Deal Infrastructure programme
 - **Highways and structural maintenance:** including street lighting, and bridges
 - **Property and Estates:** including the Property Investment Strategy health and safety, maintenance and improvements
 - **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
14. The Capital Programme is categorised between firm schemes that have been agreed to address identified need – the **Firm Programme**, and elements of the programme that are forecast costs to address predicted needs – the **Pipeline Programme**. Schemes in the Firm Programme have a defined scope with an initial cost estimate. Schemes in the Pipeline programme are subject to optioneering and feasibility assessment and have estimated costs. As such, these schemes may change in both scope and value before being agreed through the capital governance process and brought forward into the firm programme reflecting changes in the underlying need and value for money assessment.

The Oxfordshire Fair Deal Alliance's Priorities

15. The Capital and Investment Strategy underpins the significant contribution that the capital programme can make in delivering the Oxfordshire Fair Deal Alliance's nine priorities. These include investing in an inclusive, integrated and sustainable transport network, putting action to address the climate emergency at the heart of our work and improving access to nature and green spaces. Capital schemes can also contribute to creating opportunities for children and young people to reach their potential and to supporting carers and the social care system. This strategy also seeks to ensure that resources are used in the most efficient way and support the Council's objectives most effectively.
16. Funding needed for existing capital programmes and schemes has been reviewed alongside emerging investment pressures and the priorities of the Oxfordshire Fair Deal Alliance as part of the Budget & Business Planning Process.

Capital Investment Principles

17. Capital expenditure is defined as spending that creates an asset for the Council (e.g. buildings, vehicles and equipment), and spending which meets the definition in regulations specified under the Local Government Act 2003. This includes spend on non-current assets that are not owned by the Council such as academies and the award of capital grants and funding agreements.
18. The Council's approach to capital investment is integral to the Council's financial planning processes. The approach aims to ensure that:
 - Capital expenditure contributes to the achievement of the Oxfordshire Fair Deal Alliance's priorities and the Strategic Plan including commitment to put action to address the climate emergency at the heart of the council's work and to explore opportunities for social value;
 - An affordable and sustainable capital programme is agreed;
 - Use of resources and value for money is maximised;
 - A clear framework for making capital investment decisions is provided;
 - A corporate approach to the use of capital resources is maintained;
 - Sufficient assets to provide services are acquired, or built, and maintained;
 - Invest to save initiatives to make efficiencies within the Council's revenue budget are encouraged;
 - Investment in existing assets to enhance their value, including acquisition of land, is supported;
 - An appraisal and prioritisation process for new schemes is robust

Capital Programme Financing Principles

19. The Council's capital programme financing principles are:
- Non ringfenced capital grants are treated as a corporate resource and used flexibly.
 - Capital receipts are treated as a corporate resource and used across the capital programme flexibly.
 - The Council will continue to be proactive in ensuring, as far as possible, that all additional capital investment needs arising from new developments are funded from developer contributions.
 - Ringfenced resources are used for the purposes for which they are issued.
 - Prudential borrowing will only be considered where:
 - i. there is a robust invest to save model; or
 - ii. the council has a significant unmet capital need; or
 - iii. It contributes towards the overall investment approach

Investment Strategy for Property Investment

20. The Investment Strategy for Property Investment is required to be approved by Council annually and is included at Section 5.3. The strategy sets out an investment framework under which the Council can undertake investments and offers opportunities for generating long term and sustainable income streams through investment in asset classes with different attributes to investments currently held through Treasury Management activities. This diversifies the overall investment portfolio and enhances the financial resilience of the Council.
21. The Prudential Code requires that where authorities have commercial investments (Category D), they should disclose the contribution they make towards the service delivery objectives and/or place making role of the authority. In addition, the types of investment, due diligence processes, the proportionality of those investments and the local authority's risk appetite are also required to be set out. Currently no investments of this nature have been made but it may be possible to upgrade or extend empty buildings to generate rental income, for example, subject to business cases being agreed.
22. The Investment Strategy for Property Investment is supported by the Property Strategy (Section 5.4) which will identify opportunities for releasing Council owned assets to realise investment opportunities by achieving the key strategic objectives set out in the strategy to:
- support service delivery for the community
 - deliver climate action priorities
 - support and empower a more agile organisation
 - achieve more value from the council's assets

Capital Programme Investment Overview

23. The Council's ten - year Capital Programme underpins the supporting strategies as well as the Oxfordshire Fair Deal Alliance's priorities and strategic plan and sets out the agreed capital investment to deliver those priorities.
24. The Council plans for a ten-year capital programme to ensure that schemes and programmes can be developed, delivered and funded over the medium term in line with the supporting strategies and the Financial Strategy.
25. The proposed capital programme for 2021/22 to 2031/32 totals £1,383.5m (excluding earmarked reserves). The proposed programme is based on the latest capital programme 2021/22 to 2030/31 as reported to Cabinet in the Capital Programme Monitoring Report in December 2021, including recommendations set out in the report. Proposed changes to the programme are set out in Section 5.5. Section 5.6 sets out the detailed draft Capital Programme for 2021/22 to 2031/32 by year and programme area. Some of the changes set out below reflect the addition of 2031/32 to the programme and extend the existing programme into that year.
26. The table below sets out the proposed programme by strategy and the split between the Firm Programme (£607.9m) and Pipeline Programme (£578.6m).

Strategy / Programme	Current Year 2021/22 £m	Proposed Firm Programme (2 years) £m	Proposed Pipeline Programme £m	Total Programme £m
Pupil Place Plan	37.8	86.9	122.2	246.9
Major Infrastructure	65.4	338.1	284.4	687.9
Highways Asset Management Plan	42.8	107.6	128.2	278.6
Property, Estates and Investment Strategy	11.4	47.5	25.4	84.3
ICT	7.6	14.9	7.6	30.1
Passported Funding	31.2	9.7	4.4	45.3
Vehicles and Equipment	0.8	3.2	6.4	10.4
Total Estimated Capital Programme Expenditure	197.0	607.9	578.6	1,383.5
Earmarked Reserves	0.0	12.6	82.0	94.6
Total Estimated Capital Programme	197.0	620.5	660.6	1,478.1

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27. The 2021/22 forecast of £197.0m is a reduction of £8.3m compared to the October Capital Programme and Monitoring report considered by Cabinet in December 2021. The main variation is a reprofile of £4.950m of spend on the LED Street Lighting Programme into 2022/23. The remaining changes are reported within the Major Infrastructure and Property, Estates & Investment programmes to reflect the updated position.

Pupil Place Plan - £246.9m

28. 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. The updated Pupil Place Plan is set out at Annex 3 and is recommended to be endorsed by Cabinet.
29. The programme also includes investment to support the Special Educational Needs and Disability (SEND) Sufficiency Strategy which was agreed in December 2018. A public consultation on the Local area SEND Strategy which encompasses all the education, health and children's social care strands will be launched in January 2022. An update to the Strategy linked to the agreed principles of that consultation will then be completed.
30. Primary Education Sufficiency Planning: The number of primary pupils on roll at Oxfordshire's mainstream schools fell by 0.2% between the academic years 2018/19 and 2019/20, and then rose by 0.4% between 2019/20 and 2020/21. Reception numbers, which had been falling, increased by 1% between academic years 2018/19 and 2019/20, and again by 0.8% between 2019/20 and 2020/21 as a result of large-scale housing development underway and planned across the county. Current pupil projections anticipate a 1.2% increase in primary pupil numbers between 2020/21 and 2025/26.
31. Planning for primary school sufficiency is now more focused on housing growth, rather than birth-rate led pressure, 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.
32. Secondary Education Sufficiency Planning: Demand for secondary school places has been growing strongly in recent years and is expected to peak in 2022 then stabilise until growth resumes later in the decade. However as with primary provision, this pattern is not consistent across the county.
33. Total secondary pupil numbers are continuing to grow strongly – by 2.8% between the academic years 2018/19 and 2019/20 and by 2.6% between 2019/20 and 2020/21 – as the higher numbers in primary schools are now

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feeding through to secondary schools. Current pupil projections anticipate a 7.8% increase in secondary school pupil numbers between 2020/21 and 2025/26. 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.

34. Special Education Provision Sufficiency Planning: The SEND Sufficiency Strategy was approved by Cabinet in December 2018. Implementation of the strategy includes securing the opening of new special schools in Bloxham and Didcot; rebuilding and expanding Northfield School in Oxford (completed 2021); expanding John Watson School and Bardwell School (completed 2021/22); and extending the county's network of special needs resource bases. Work is underway to update the Strategy given that the rapid growth in demand for special school places continues to exceed the rate of population growth.
35. It is proposed to increase the Pupil Place Pipeline programme by £12.5m to reflect additional emerging need over the ten-year programme and to include an additional year for the annual maintenance programme in 2031/32. This is expected to be funded through basic need grant allocations and includes the additional School Condition Funding of £2.3m received in 2021/22.
36. Contingency of £7.0m, held in capital reserves, has been earmarked for potential additional costs of building new schools arising from changes to building regulations and consideration of a zero - carbon initiative for new schools.

Major Infrastructure - £687.9m

37. The current programme includes delivery of the Growth Deal Infrastructure Programme, Didcot Garden Town and the Science Bridge (HIF1) and the A40 Smart Corridor (HIF2). These schemes underpin the Oxfordshire Infrastructure Strategy (OxIS) which was agreed in 2017.
38. An updated Oxfordshire Infrastructure Strategy (OxIS) was commissioned on behalf of the Future Oxfordshire Partnership, to provide a holistic assessment of the infrastructure needs of the county aligned to the priorities of both the Future Oxfordshire Partnership and the district and city councils and to support the emerging Oxfordshire Plan 2050.
39. The OxIS Stage 1 Report provides a strategic framework for Oxfordshire County Council (OCC), Oxfordshire's four District and City Councils and key strategic partners to prioritise currently proposed infrastructure scheme

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investment aligned to the five OxIS themes as well as identify potential delivery and funding opportunities to 2040. This report will be followed by the OxIS Stage 2 Report in 2022 that will consider new proposals for strategic infrastructure required to meet Oxfordshire's needs in the period to 2050. The OxIS Stage 2 Report will be aligned with the Oxfordshire Plan 2050. This is a forthcoming Joint Statutory Spatial Plan identifying key areas where sustainable housing and employment growth can occur to 2050 and which will underpin the next iteration of Oxfordshire's Local Plans.

40. Cabinet will be asked to endorse OxIS Stage 1 in February 2022 and future schemes will be considered and prioritised against the strategic framework set out in the Stage 1 report.

Zero Emission Bus Regional Areas (ZEBRA)

41. As set out in the report elsewhere on the January 2022 Cabinet agenda, Oxfordshire is one of 17 local transport authorities in England to be invited to submit a full Business Case for its Zero Emission Bus Regional Areas (ZEBRA) scheme, in support of the Government's Road to Zero Strategy for transition to zero emission transport by 2050.
42. If successful, this bid would support a number of the Oxfordshire Fair Deal Alliance's priorities related to health and well-being, climate action, and air quality. A reduction in bus emissions in Oxford would contribute to better air quality and better environments for all users as well as reducing transport's contribution to climate change. Electric buses may also improve the image of buses and the passenger experience, helping to boost bus use and reduce traffic congestion.
43. The total cost of the buses and associated works is estimated at £78.7m. This would be met through bus operator investment of £40.6m plus a bid for Department for Transport grant funding of £32.1m. However, Oxford Bus Company and Stagecoach have indicated that they may require additional financial assistance to make the ZEBRA scheme financially feasible. It is proposed to add £6m funding to the capital programme in 2022/23 to fund additional council grant towards the costs of the ZEBRA scheme. This will be funded from the council's reserves (see Section 5.6 for more detail).
44. Part of the cost to be met by the bus companies will be supported through savings to be achieved as a result of improvements to bus journey times expected to be achieved through the Bus Service Improvement Plan. If these do not materialise or are not agreed there is a risk that the council's contribution would need to increase.

A423 Improvements Programme (incorporating Kennington Bridge)

45. Routine planned maintenance of the A423 at Kennington was planned to take place in 2018/19. Following commencement of this work it was identified that the bridge was in worse condition than expected and that the cost of fully repairing the bridge would be similar to replacing it.

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46. In June 2020, an outline business case was approved for a more comprehensive A423 Improvement Programme. This was developed from 2020-21 and offers the following benefits:
 - a. The replacement of the Kennington Railway Bridge
 - b. Improvements to the Hinksey streams as an enabler to the Oxford Flood Alleviation Scheme
 - c. A new eastbound lane dedicated for bus and Park & Ride traffic from Old Abingdon Road to Redbridge Park & Ride
 - d. An upgrade to existing foot and cycleways in line with LTN1/20
47. The A423 improvements programme and the Oxford Flood Alleviation Scheme combined will offer vital benefits for access to Oxford, as well as improvements for National Highways and Network Rail.
48. The inclusion of the new bus lane and the benefits offered are only able to be realised due to the bridge replacement. The bus lane offers an improvement in journey time in both the morning and afternoon peak and is expected to reduce queuing on the A34.
49. The replacement of the bridge enables the additional height required by Network Rail for future electrification of the main line.
50. The Railway Bridge replacement is a crucial part of the Oxford Flood Alleviation Scheme (OFAS) as floodwater from the scheme needs to pass under it to re-join the River Thames and ensure the efficient movement of water through the floodplain; the scheme can only work if there are larger channels in this location.
51. The current approved budget for the scheme is £53.0m based on the feasibility design work undertaken at June 2020. However, the design has since progressed and it is proposed to increase the budget provision by £37.2m to £90.2m.
52. The reasons for the increase are as follows:
 - Additional cost related to the bus lane and shared use path.
 - Increase in bridge height to allow for Network Rail futureproofing for overhead line electrification
 - Scope changes to include in-channel works for the Environment Agency.
 - Additional design costs
 - Additional utility diversion & Network Rail costs
 - Inflationary impacts
53. The scheme cost reflects the construction constraints and complexities of working near the railway line, watercourse, and utilities at the site including

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high power overhead electricity cables, water, gas and telecoms crossing the site. Traffic management and enabling works requirements to accommodate maintaining traffic flow are a substantial cost to the scheme.

54. £4.0m funding from the Environment Agency related to the Oxford Flood Alleviation Scheme will be used to support the £37.2m increase in the scheme cost. A further £6.0m is being sought from Network Rail to support the cost of futureproofing for electrification. If this funding is not secured a further decision would be required on whether to continue with this element of the scheme. The remaining £27.2m is proposed to be met through prudential borrowing.

Major Infrastructure Contingency

55. As noted in the capital monitoring reports to Cabinet in 2021/22 there are a number of factors increasing the risk to the deliverability and cost of capital schemes in 2021/22 and beyond. These include supply chain issues and inflation, labour market supply, the on-going impact of COVID-19, and the HS2 project absorbing market capacity
56. The combined impact of these factors is affecting delivery across three key areas:
- i. Workforce – both skilled and unskilled
 - ii. Availability of materials
 - iii. Contract price
57. Difficulties in obtaining the right skills and or materials, at the right time could put further pressure on the overall cost of projects and will present increased challenges with programming. General uncertainty in the market is also impacting on the risk contractors are comfortable to take when bidding for work. Prices, which used to be held for several months, are now being held for a number of days so contract prices are much more volatile. These risks are particularly significant for major infrastructure projects where the Council is potentially exposed to any increases in costs and where there are fixed-value grants or contributions from other parties.
58. The Council needs to allow for a series of potential outcomes in respect of these major schemes. Forecasting precise need is difficult in a very uncertain environment. However, reflecting this increased risk, £50m is proposed to be added to the contingency held for major infrastructure schemes. This would be funded through prudential borrowing, and the cost of this borrowing is allowed for in the revenue budget. Pending this risk materialising, the funding to support the cost of the borrowing will be held in the prudential borrowing reserve.

Highways Asset Management Plan - £278.6m

59. The current [Highways Asset Management Plan](#) was agreed by Council in February 2020 and reviewed in January 2021. Locality engagement underpinning an update to the Plan will be undertaken in early 2022 and the expectation is that a revised plan will be agreed by Cabinet in July 2022. The programme includes an additional £80m investment funded by prudential borrowing that was agreed in September 2018. This investment is being made over five years so 2022/23 will be the fourth year.
60. It is proposed to increase the funding for bridges structural maintenance by £2.7m funded by prudential borrowing to support feasibility work to underpin a robust forward programme, as well as undertaking some additional lower cost repairs.
61. It is also proposed to provide funding of £0.5m towards the pedestrianisation of Broad Street in Oxford. Building on the trial undertaken by Oxford City Council in 2021 the intention is to undertake further work to provide a space for the benefit of pedestrians and to support improvements to the environment through the removal of on-street parking.
62. On 19 October 2021 Cabinet agreed a new countywide 20mph speed restriction approach in areas that have traditionally mainly been 30mph limits. The intention is to enhance and create an environment that is more appropriate for our active neighbourhoods: promoting lower vehicle speeds, encouraging more walking and cycling, and supporting a sense of a community place. A key part of the new approach is to promote implementation of 20 mph orders using signage only so it is proposed to add funding of £8m to the capital programme, funded by reserves (see Section 5.5 for more detail), to support the implementation of 20mph speed limits across Oxfordshire for roads that are clearly part of a residential setting, or in areas where people are moving around for leisure, business, or services. This proposal is consistent with Cabinet's commitment to "accelerate our support for communities in implementing 20mph zones" and is made to help to deliver the policy objective of "increased investment in an inclusive, integrated, county-wide active and sustainable travel network fit for the 21st century to improve choice and reduce car journeys across the county".
63. It is proposed to increase the Structural Maintenance Pipeline programme by £15.2m to include an additional year for the annual maintenance programme in 2031/32. This will be funded from the annual block allocation.
64. It is also proposed to add £0.8m additional funding for improvements to Public Rights of Way funded by S106 contributions that the council is holding. Funding of £2.7m is proposed to be added for cameras to enforce the Part 6 Moving Vehicle Violations to improve road safety and traffic flow. £1.3m is expected to be funded by prudential borrowing with the remainder expected to be funded by income from the fines.

Estates and Strategy for Property Investment - £84.3m

The current programme includes a budget of £11.7m to support the Investment Strategy. It is proposed to increase this by £5.5m funded by prudential borrowing to fund additional invest to save projects. These will include gaining planning consent to add value to surplus land and buildings, rationalising office space, co-locating services in fewer buildings and upgrading or extending empty buildings to maximise income generation. Co-location is expected to bring opportunities to reduce running costs, release assets for income generation, enhance customers' experience and enable cross fertilisation between council service areas. Savings arising from these schemes will need to be considered through future Budget and Business Planning processes.

65. Investment grade audits of key council's properties will be carried out in the first quarter of 2022/23. The outcome of that exercise will be used to inform a full review of the Property Strategy later in the year. It will also identify the investment needed to bring the Council's key property assets up to the necessary standard, including enhancements to achieve carbon zero.
66. The Council's emerging Decarbonisation Strategy will identify the scale of the future investment necessary to achieve net carbon zero by 2030
67. It is proposed to increase the corporate estates programme by £1.0m funded through prudential borrowing to fund decarbonisation and condition related works to the corporate estate.

Service Requirements

68. A further £11.0m funding funded by prudential borrowing is proposed to be added to the programme to support new service requirements, in addition to £1.0m Section 106 funding towards the proposed relocation of Banbury Library linked to the [Libraries & Heritage Services: A Strategic Framework 2021-2026](#). Subject to business cases being developed and approved corporate funding is expected to be used to support the development of schemes that help to deliver service strategies, reduce demand and increase service provision in Oxfordshire, and support the Oxfordshire Fair Deal Alliance's priorities. For example, the types of schemes that could be supported by the £11.0m are:
 - Additional children's residential care provision: The national shortage, or sufficiency of children placements is impacting Oxfordshire's ability to place children and the council has identified local expansion of residential placements for children as one of its priorities for 2022/23.
 - Additional Supported Living Housing provision to enable more adults of working age with assessed social care needs to live independently within Oxfordshire.
 - Improvements to Household Waste Recycling Centres.

69. Where schemes are funded by prudential borrowing the business case will need to set out the potential for future service savings to offset the cost of the borrowing as well as wider service benefits.

ICT - £30.1m

70. The Information and Communication Technology Strategy was approved by Cabinet on 19 December 2019. It is proposed to utilise £1.0m surplus funding available through the Better Broadband for Oxfordshire project to support the roll out of fibre Broadband for public buildings.
71. The ICT programme also includes the Rural Broadband and the Rural Gigabit Hub site programmes.

Passported Funding - £45.3m

72. Passported funds are funds transferred to third parties to deliver schemes, usually through a funding agreement.
73. Most of the on-going funding from 2022/23 onwards relates to the Disabled Facilities Grant which is part of the Better Care Fund and is required to be passported to the City and District Councils for delivery. A further year of funding has been added to the programme in 2022/23 (£6.7m).
74. As the Accountable Body for the Oxfordshire Local Enterprise Partnership (OxLEP), the Council's capital programme also includes schemes delivered by third parties on behalf of OxLEP which are funded by government grant. These schemes are expected to be completed by the end of 2021/22 but there are expected to be some residual costs in 2022/23 relating to the council's use of Freedoms and Flexibilities to support the delivery of schemes.

Vehicles and Equipment - £10.4m

75. It is proposed to increase the programme by £0.8m to add an additional year for the annual Fire & Rescue Service vehicle replacement programme in 2031/32. This will be funded from revenue.

Capital Programme Financing Overview

76. The Capital Programme is fully funded over the ten - year period. The table on the next page sets out the resources expected to be used to deliver the capital programme.

Financing	Total Programme £m
Section 106 and Community Infrastructure Levy	236.4
Grants and contributions	790.7
Prudential Borrowing	314.3
Capital receipts	69.0
Revenue Contribution	38.6
Subtotal	1,449.0
Capital Reserves	29.1
Total Financing	1,478.1

77. When necessary, the Capital Programme can fund schemes in advance of receiving specific funding by utilising other resources within the wider programme on an interim basis.
78. The Capital Programme includes a total prudential borrowing requirement of £314.3m. The Treasury Management Strategy (Section 5.2) sets out the Council's strategy for financing this borrowing requirement through both internal and external borrowing.
79. The Treasury Management Strategy also sets out the Council's approach to the investment of cashflows arising from the Council's Capital Programme and Medium Term Financial Strategy.

Governance Arrangements

80. The Prudential Code sets out that the responsibility for decision making and on-going monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, sits with full council. However, detailed implementation and monitoring may be delegated to a committee.
81. Council and the Cabinet are the key democratic decision-making bodies as per the Council's constitution. The Council approves the key policy documents and the capital programme as part of the Council's Policy and Budgetary Framework. The Cabinet recommends priorities, policy direction and the capital programme to the Council for approval. The Cabinet also approves new inclusions to the capital programme in line with the scheme of delegation and the financial procedure rules.
82. Delegations to officers are set out in full in Section 5 of the Council's Financial Regulations and all officers are bound by the scheme of delegation.
83. The Section 151 Officer, jointly with the Corporate Directors with responsibility for delivery of the Capital Programme, are responsible for ensuring that

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appropriate arrangements are in place to monitor the capital programme and resources. To facilitate this, capital budgets and project scope are agreed and updated through a Business Case process from scheme optioneering through to scheme completion.

84. A review of the governance processes underpinning the capital programme and delivery is being undertaken in early 2022. Linked to this the revenue budget includes proposed funding of £0.130m from 2022/23 for additional on-going staffing capacity to strengthen the co-ordination and oversight of the capital programme.

Minimum Revenue Provision Policy Statement for 2022/23

1. The Council is required by statute to charge a Minimum Revenue Provision (MRP) to the General Fund Revenue account each year for the repayment of debt. The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for by council taxpayers.
2. Legislation¹ requires local authorities to draw up a statement of their policy on the annual MRP, for full approval by Council before the start of the financial year to which the provision will relate.
3. The implementation of the International Financial Reporting Standards (IFRS) requirements brought some service concession arrangements on balance sheet and resulted in some leases being reclassified as finance leases instead of operating leases. Part of the service charge or rent payable is taken to reduce the balance sheet liability rather than being charged to revenue accounts. To ensure that this does not result in a one-off increase in the capital financing requirement and in revenue account balances, an amount equal to the amount that has been taken to the balance sheet is included in the annual MRP charge.
4. The Council is recommended therefore to approve the following statement:

For capital expenditure incurred before 1 April 2008, the MRP policy for 2017/18 onwards will be a straight-line charge of the outstanding pre-2008 expenditure as at 1 April 2017 calculated over a 50-year period.

For all unsupported (prudential) borrowing, the MRP policy will be based on the estimated life of the assets for which the borrowing is undertaken (Option 3 – Asset Life Method or Annuity Method).

In the case of finance leases and on-balance sheet Private Finance Initiative (PFI) type contracts, the MRP requirement will be regarded as being met by a charge equal to the element of the rent/charge that goes to write-down the balance sheet liability, including the retrospective element in the first year (Option 3 in modified form).

¹ Statutory Instrument 2008 no. 414 s4

Prudential Indicators for Capital Finance

1. The Prudential Code for Capital Finance in Local Authorities (2017) requires the Council to set and monitor against Prudential Indicators in the following categories:
 - Prudence – Capital Expenditure and External Debt
 - Affordability
 - Treasury Management
2. The indicators have been based on the February 2022 capital programme which will be approved by Council on 9 February 2022 with the Business and Budget Planning Report.
3. The capital expenditure figures for beyond 2023/24 will be able to be revised in twelve months' time.

Prudence

Estimates of Capital Expenditure

4. The Council is required to make reasonable estimates of the total of capital expenditure (including earmarked reserves) that it plans to incur during 2022/23 and the following two financial years. The Council must also approve the actual expenditure for 2020/21 and revised forecast expenditure for 2021/22. The table shows the actual capital expenditure for 2020/21 and how that was financed. It also shows the estimated capital expenditure and financing from 2021/22 to 2025/26.

Capital Programme Estimates	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Capital Expenditure	153.5	197.0	300.1	320.3	285.2	150.4
Financed by:						
Prudential Borrowing	0.2	65.6	63.3	84.4	34.1	62.0
Grants and Contributions	151.7	130.4	230.8	181.1	232.7	77.1
Capital Receipts	0.0	0.0	0.0	32.5	1.9	1.9
Revenue	1.6	1.0	6.0	17.9	4.0	1.0
Reserves	0.0	0.0	0.0	4.4	12.5	8.4
Total Capital Investment	153.5	197.0	300.1	320.3	285.2	150.4

The Capital Financing Requirement

5. Estimates of the end of year Capital Financing Requirement (CFR) for the Authority for the current and future years and the actual Capital Financing Requirement at 31 March 2021 that are recommended for approval are set out in the table below. The actual CFR for 2020/21 was £328.092m. The estimate for 2021/22 is £386.445m and for 2022/23 £451.827m.

Year	Actual/Estimate	£m
2020/21	Actual	328.092
2021/22	Estimate	386.445
2022/23	Estimate	451.827
2023/24	Estimate	512.789
2024/25	Estimate	537.096
2025/26	Estimate	580.920

6. The Capital Financing Requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice the County Council does not associate borrowing with particular items or types of expenditure. The authority has an integrated Treasury Management Strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day-to-day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for a capital purpose.

Authorised Limit and Operational Boundary for External Debt

7. The Authority has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Authority and not just those arising from capital spending reflected in the CFR.
8. The Authorised Limit sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Authority. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such

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as finance leases. It is consistent with the Authority's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

9. The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).
10. The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst-case scenario with sufficient headroom over and above this to allow for unusual cash movements. The Operational Boundary links directly to the Authority's estimates of the CFR and estimates of other cashflow requirements. The table shows the operational boundary for external debt remains within the authorised limit for external debt throughout the period 2021/22 to 2025/26.

	2021/22 Probable outturn £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Operational Boundary for External Debt					
Borrowing	400.000	470.000	530.000	560.000	600.000
Other long-term liabilities	25.000	25.000	25.000	25.000	25.000
TOTAL	425.000	495.000	555.000	585.000	625.000
Authorised Limit for External Debt					
Borrowing	410.000	580.000	540.000	570.000	610.000
Other long-term liabilities	30.000	30.000	30.000	30.000	30.000
TOTAL	430.000	610.000	570.000	600.000	640.000

Actual External Debt

11. This indicator enables the comparison of Actual External Debt at year end to the Operational Boundary and Authorised Limit. Total external debt as at 31.03.21 was £352.253m.

Total External Debt as at 31.03.21	£m
External Borrowing	335.383
Other Long-term Liabilities	16.970
Total	352.353

Gross Debt and the Capital Financing Requirement

12. This is a key indicator of prudence. In order to ensure that the medium-term debt will only be for a capital purpose, the local authority should ensure that

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the gross debt does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

13. In 2020/21 the CFR was marginally lower than gross debt, indicating a level of borrowing in advance of need. However, from 2021/22 onwards the CFR is forecast to be higher than the level of external borrowing which indicates a level of internal borrowing over the medium term, consistent with the approach set out in the Treasury Management Strategy, taking into account current commitments, existing plans and the proposals in the approved budget.

Debt	31.03.21 Actual £m	31.03.22 Revised £m	31.03.23 Estimate £m	31.03.24 Estimate £m	31.03.25 Estimate £m	31.03.26 Estimate £m
External Borrowing	335.383	313.383	352.383	413.383	437.383	481.383
Long Term Liabilities	16.970	16.391	15.736	14.997	14.161	13.217
Total Debt	352.353	329.774	368.119	428.380	451.544	494.600

Affordability

The Ratio of Financing Costs to the Net Revenue Stream

14. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code. The ratio of financing costs to the net revenue stream is estimated to remain within 4-6% in each year and was 4.56% in 2020/21.

Year	Actual/ Estimate	Financing Cost £m	Net Revenue Stream £m	Ratio %
2020/21	Actual	23.218	509.160	4.56
2021/22	Estimate	23.272	532.521	4.37
2022/23	Estimate	25.541	549.355	4.65
2023/24	Estimate	29.183	560.534	5.21
2024/25	Estimate	33.246	578.626	5.75
2025/26	Estimate	35.731	598.082	5.97

15. Financing costs include interest payable on borrowing, interest and investment income and the amount required for the minimum revenue provision (MRP).

The Ratio of Net Income from Commercial and Service Investments to the Net Revenue Stream

16. This is an indicator of affordability and is intended to show the financial exposure of the authority to the loss of income from commercial and service investments. The definition of commercial and service income is set out in the Prudential Code. Based on current activity the ratio of service income compared to the net revenue stream remains at a maximum of 0.05% from 2021/22 to 2025/26.

Year	Actual/ Estimate	Commercial & Service Income (*) £m	Net Revenue Stream £m	Ratio %
2021/22	Estimate	0.000	532.521	0.00
2022/23	Estimate	0.109	549.355	0.02
2023/24	Estimate	0.197	560.534	0.04
2024/25	Estimate	0.280	578.626	0.05
2025/26	Estimate	0.292	598.082	0.05

(*) Estimated annual cash yield from the council's £5m Service Investment in the Resonance Supported Homes Fund.