

Section 5

Capital Budget Strategy

**Section 5.0
Capital Budget Strategy**

1. Section 5 of the report sets out the revenue plans, strategies and policies that the Council is required to approve as part of the budget setting process. The content of this section is as follows:

Section	Title
5.1	Capital and Investment Strategy - 2023/24 to 2032/33
5.2	Treasury Management Strategy Statement & Annual Investment Strategy for 2023/24
5.3	Proposed changes to the Capital Programme
5.4	Capital Programme 2022/23 to 2032/33

Capital and Investment Strategy 2023/24 to 2032/33

Executive Summary

The Capital and Investment Strategy outlines the council's approach to capital investment over the next ten years and incorporates the requirements of the CIPFA Prudential Code for Local Authorities.

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.

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.

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.

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.

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 outcome. In line with the Code's requirements the following annexes are also included in this strategy:

- Minimum Revenue Provision Policy Statement for 2023/24 (Annex 1)
- Prudential Indicators for Capital Finance (Annex 2)

The Capital and Investment Strategy supports the Council's Financial Strategy, which sets out the approach the Council will take to ensure it is financially sustainable over the medium and long term. It also supports the Council's more detailed objectives of service strategies and plans. Integrated and aligned strategies and plans are imperative to financial resilience and stability as the

impact of actions or decisions on one or more of these strategies will have an impact on the others.

Long term context

The Council's Strategic Plan has set out a clear vision for the county, centred around strong local communities, healthy places to live, and a zero-carbon economy that benefits everyone. The strategic plan has nine priorities with a set of objectives for each. This capital and investment strategy articulates how the Council's capital investment will help achieve this vision and the nine priorities.

The Council's capital investment will support the following Strategic Plan objectives:

'Greener' objectives

- Implement together with partners the county's 'pathways to zero carbon' route map, a comprehensive plan for **decarbonising** Oxfordshire.
- **Bring our own buildings, operations** and supply chains to **net zero by 2030**, and support the retrofit of residential homes to improve energy efficiency.
- Support and promote a shift towards **active travel** (walking, cycling and use of public transport), reducing the need for private cars and accelerate the transition to electric vehicles by **expanding charging capacity** across the county.
- Work with partners to continue to **build a greener, more resilient and fairer renewable energy network**.
- Deliver our **LED street lighting replacement programme** to further reduce the energy, visual and environmental impacts of street lighting.
- Deliver the countywide **20mph programme** in line with our agreed policy.
- **Prioritise active travel** and public transport **on the existing and planned highway network** to support healthy lifestyles and address inequalities in transport
- Develop a countywide nature recovery strategy, including a tree and woodland plan that involves taking part in the Queen's Green Canopy programme, and support the development of a new local nature partnership for Oxfordshire
- Ensure our **public rights of way network** is safe and effectively maintained.

'Fairer' objectives:

- Implement the delivery plan for Oxfordshire's **digital inclusion** strategy together with partners, including how assistive technology can support vulnerable groups to access services and lead a better quality of life
- **Provide technology to improve processes** around signposting, self-assessment and information about sources of help for local residents

‘Healthier’ objectives:

- Maximise access to the opportunities provided by **libraries, museums, nature and green spaces** and other services to support the health and wellbeing of residents.
- Help people to **live independently** and support themselves through personal and **local facilities**, using the Oxfordshire Way approach
- Deliver our **children’s home programme** to provide more places in Oxfordshire
- Increase activity that supports pupils with special educational needs and disabilities to have their needs met in mainstream school settings and **deliver our special school capacity expansion programme**

The Capital programme also supports statutory functions such as school placements and urgent health and safety capital maintenance works.

A ten-year Capital Programme sets out how the Council will use capital expenditure to deliver these council priorities. The Capital Programme is updated quarterly and fully refreshed annually as part of the Budget and Business Planning Process to ensure that it remains aligned to the latest priorities, reflects the latest cost projections and profile for delivery, and incorporates the current funding position

Current schemes within the capital programme are challenged at project gateways to ensure the project’s objectives and benefits align with the Council’s current strategic plan.

Capital prioritisation framework

There are a number of external factors increasing the risk to the future deliverability and cost of capital schemes in the council’s capital programme. There are also challenges arising from the availability of workforce – both skilled and unskilled and construction materials. Inflation is impacting on contract values and the ability to maintain an agreed price. These pressures place further demands on council resources and the ability to meet the Council’s ambitions, expected outcomes and benefits.

In response to these pressures, a prioritisation framework has been developed to ensure future capital expenditure and investment decisions not only align to the strategic plan objectives but that they continue to be affordable.

Capital Programme Principles:

- a. For **all** projects, the funding cannot exceed the budget allocation. Where cost increases occur, value engineering and/or de-scoping will be required (or additional external funding secured)
- b. any new inclusion of projects and/or approval of exceptions/change requests will require an equivalent reduction in schemes or funding (one in, one out principle)
- c. all projects demonstrate benefits realisation, clearly setting out direct and indirect benefits linked to the nine corporate priorities

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- d. where schemes fall outside these categories but are well progressed (ie have approved full business case) and have RAG status of green for deliverability* can be considered for inclusion, where funding is available
- e. schemes with major proportion (80% or more) of the capital from external sources which will be lost if the project fails to go ahead but subject to consideration of future revenue requirements can be considered
- f. Major Infrastructure schemes align to OXIS prioritisation and the Local Transport and Connectivity plan
- g. All projects undertake equality and climate impact assessments (and carbon accounting when methodology is available), considering impact on deprivation, health and wellbeing in any given area
- h. Projects that do not demonstrate alignment to these priorities will be stopped/paused
- i. All mainstream school expansions/new schools be managed within basic need grant and available S106 contributions supported by the basic need programme and growth contingency provision
- j. Major Infrastructure schemes be considered under five subcategories:
 - I. HIF1
 - II. A40 Corridor (including HIF2)
 - III. A423 Kennington Improvement Programme
 - IV. Active Travel Tranche 3
 - V. Housing & Growth Deal

Capital Programme Prioritisation Categories

Category 1 Projects:

That enable compliance with our minimum statutory duties relating to health and safety and schools. For projects in this category, there is still a need to justify the cost level.

Category 2 Projects:

That generate revenue savings (and/or cost avoidance) through the delivery of the new business strategy or service transformation proposals (inc children's homes and supported living). For projects in this category, there is still a need to explore whether or not they could be self-financing, for example through prudential borrowing.

Category 3 Projects:

That facilitate (***ie majority of the scheme***) the climate action or active travel commitments of the Council, as articulated in the strategic plan

A full review of the capital programme (2022/23 - 2032/33) was undertaken in Summer 2022 against this prioritisation framework. This review resulted in a number of schemes being paused/returned to the pre-pipeline for further development and /or scope revision due to unclear alignment to the prioritisation categories.

As well as supporting the delivery of the Council's strategic plan, the capital programme is also informed by service strategies and plans (a list of the key

strategies are included in Annex 4). These strategies are informed by the latest population forecasts, changes in demography, and changes in service demands.

Infrastructure and Assets

The council owns and manages a range of infrastructure and property assets including maintained schools, offices, roads, bridges, park and ride sites and waste recycling centres.

Effective asset management is one of the key contributing factors to attaining the county's vision to lead positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county.

Approach to Capital Investment

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.

The approach aims to ensure that:

- Capital expenditure contributes to the achievement of the council's priorities set out in 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 (as set out in service specific strategies, see annex 4) 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 Financing Principles

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.

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- 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.
- Community Infrastructure Levy (CIL) funds be secured and directed to the most appropriate capital schemes to help deliver infrastructure to support the development of their area.
- The Council will hold 3% capital contingency in reserves. This contingency is for unforeseen emergency works. Project and programme level contingency is determined and agreed for each project (by gateway) and is agreed within its budget provision.

The Capital Programme

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.

The **capital programme (the firm programme)** is made up of schemes that have been agreed to address identified need. These schemes have an approved initial business case, articulating a clear case for change, a defined scope, an indicative budget/investment and an agreed indicative timeline including a 'go live' date. The Capital Programme is a ten year rolling programme.

The 2023/24 refresh of the ten year programme includes two additional schemes (proposed): Children's Homes project and HWRC urgent repairs Redbridge.

Pipeline capital schemes support our priorities, have an agreed need, a confirmed alignment with the prioritisation framework and a basic mandate. These are our priority schemes but are subject to further development and an approved initial business case. Schemes in the Pipeline are subject to optioneering and feasibility assessment and have only estimated costs. 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. Once approved, these schemes will be included within the firm capital programme.

Pre-pipeline schemes have also been identified – these schemes are at a very the early stage and it is not yet clear if they meet a predicted need and/or align to the prioritisation framework.

Proposed Programme for 2023/24 – 2032/33

The proposed programme is based on the latest capital programme 2022/23 to 2031/32 as reported to Cabinet in the Capital Programme Monitoring Report in December 2022, including recommendations set out in the budget report. Proposed changes to the programme are set out in Section 5.3. Section 5.4 sets out the detailed draft Capital Programme for 2023/24 to 2033/34 by year and programme area. Some of the changes set out below reflect the addition of 2032/33 to the programme and extend the existing programme into that year.

The table below sets out the proposed programme by strategy and the split between the Firm Programme (£661.6m) and Pipeline Programme (£647.9m).

Strategy / Programme	Current Year 2022/23 £m	Proposed Firm Programme (2 years) £m	Proposed Pipeline* Programme £m	Total Programme £m
Major Infrastructure	72.2	380.9	286.6	739.7
Highways Asset Management Plan	50.3	109.5	122.0	281.8
Property Strategy	15.1	29.9	10.4	55.4
Pupil Places Plan	39.6	95.6	124.1	259.3
IT, Digital & Innovation Strategy	9.2	8.2	4.6	22.0
Passported Funding	10.6	9.8	4.4	24.8
Vehicles and Equipment	1.9	1.9	6.4	10.2
Total Estimated Capital Programme Expenditure	198.9	636.8	558.5	1,393.2
Earmarked Reserves	0.0	25.8	89.4	115.2
Total Estimated Capital Programme	198.9	661.6	647.9	1,508.4

The proposed 'firm programme' for 2023/24 includes the addition of two schemes:

1. Urgent health and safety repair work at Redbridge Household Waste Recycling Centre (£700k). This work has been considered as essential (therefore meeting the requirements of the capital prioritisation framework category 1) and has an approved business case for the immediate remedial works. It is anticipated that further work may be required, subject to further strategy development and supporting business case approval.
2. Children's homes £1.2m. This funding tops up external grant funding from central government in order to provide much needed in county provision. This investment is expected to deliver not only a better service but will also deliver financial efficiencies and benefits (therefore meeting the requirements of the capital prioritisation framework category 2). An approved initial business case is in place.

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The proposed pipeline schemes include a range of schemes that are subject to further development, but have demonstrated alignment to the capital prioritisation framework categories.

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

Financing	Total Programme £m
Section 106 and Community Infrastructure Levy	221.4
Grants and contributions	836.8
Prudential Borrowing	290.5
Capital receipts	80.5
Revenue Contribution	50.1
Subtotal	1,479.3
Capital Reserves	29.1
Total Financing	1,508.4

When necessary and where funding is available, the Capital Programme can fund schemes in advance of receiving specific funding by utilising other resources within the wider programme on an interim basis. Any advancements would need to be considered and agreed by the s151 officer.

Property Investment Strategy

The Council's property investment objective is to support growth, regeneration and help deliver the Council's strategic priorities.

The council uses the following two broad investment categories:

- a) Maximise use of and value (both financial and social) of Council owned assets (land and buildings) linked to the council's Property Strategy, and
- b) Investments for service delivery are taken or held primarily and directly for the delivery of public services (including regeneration and local infrastructure).

In addition, property investments are made in accordance with Treasury Management Strategy, including cash, money market funds, property funds, bond funds and equities.

In accordance with the prudential code, the Council does not make investments for commercial purposes.

Capital Governance Arrangements

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.

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.

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.

The governance of the capital programme has been strengthened through new arrangements implemented during 2022. Annex 3 provides a summary overview of the new structure for decision making and management of the programme. This approach continues to be rolled out, striving to achieve sustainable changes to procedures, process and guidance.

These arrangements are intended to improve profiling of projects and, where needed, to re-baseline, and manage any operational aggregated risks across and within the programme board structures. It provides a strong decision making framework and structure, improves visibility to help ensure the delivery of the programme is well monitored and managed by the appropriate Director, with issues and pressures escalated from the programme board Directors to the newly formed Strategic Capital Board (Chaired by the Director of Finance) and to Cabinet.

A comprehensive capital investment handbook has been published for staff guidance and support. This handbook sets out the governance, roles and responsibilities including an overview of the governance structure, terms of reference for each governance level, and a description of key roles and responsibilities. It also includes a reporting framework, set of KPIs, and aggregation method for how reporting will be established by exception. The handbook includes a high level and detailed approval process and description of each stage of capital project delivery, from Stage 0 to Stage 4. It sets out key meetings and documentation required for each step. It also includes specific guidance around capital expenditure, and how key aspects, such as Council strategic outcomes, and the capital and investment strategy, can inform the prioritisation process. Templates for each project stage have been developed and training needs identified and planned for further rollout.

Measuring the delivery of this Strategy

The overall performance of the Council-wide Capital Programme will be reported to the Cabinet on a quarterly basis.

This will include an overview of the performance across each of the capital programmes with a specific focus on:

- The most significant variances (in terms of timeline, scope, and budget);
- The most significant risks and issues (e.g. those with the largest potential impact etc.);
- The most significant successes; and,
- Overall benefit realisation and strategic alignment to Council outcomes

In line with the Council's financial regulation, the Cabinet will also take decisions on any changes to the existing programme on any proposed variation that meets the following thresholds:

- *Any new scheme not already in the firm programme*
- *Any cost variation over £1m*
- *Any material scope variation that impacts the projects ability to achieve its overall objective/benefits/savings*
- *Any time variation that impacts the 'go live' date*

Minimum Revenue Provision Policy Statement for 2023/24

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 2021 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 2023 capital programme which will be approved by Council on 14 February 2023 as part of 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 2023/24 and the following two financial years. The Council must also approve the actual expenditure for 2021/22 and revised forecast expenditure for 2022/23. The table shows the actual capital expenditure for 2021/22 and how that was financed. It also shows the estimated capital expenditure and financing from 2022/23 to 2026/27.

Capital Programme Estimates	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Capital Expenditure	173.4	198.9	248.8	412.8	288.9	118.9
Financed by:						
Prudential Borrowing	50.6	41.5	71.5	77.5	53.0	44.1
Grants and Contributions	122.2	154.2	156.6	320.9	216.0	40.1
Capital Receipts	0	0	0	0	17.4	28.6
Revenue	0.6	3.2	20.7	14.4	2.5	1.9
Reserves	0	0	0	0	0	4.2
Total Capital Investment	173.4	198.9	248.8	412.8	288.9	118.9

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 2022 that are recommended for approval are set out in the table below. The actual CFR for 2021/22 was £385.381m. The estimate for 2022/23 is £437.547m and 2023/24 for £508.413m.

Year	Actual/Estimate	£m
2021/22	Actual	385.381
2022/23	Estimate	437.547
2023/24	Estimate	508.413
2024/25	Estimate	526.579
2025/26	Estimate	568.582
2026/27	Estimate	562.507

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 as finance leases. It is consistent with the Authority's existing commitments,

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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.

	2022/23 Probable outturn £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Operational Boundary for External Debt					
Borrowing	440.000	530.000	560.000	600.000	600.000
Other long-term liabilities	25.000	25.000	25.000	25.000	25.000
TOTAL	465.000	555.000	585.000	625.000	625.000
Authorised Limit for External Debt					
Borrowing	450.000	540.000	570.000	610.000	610.000
Other long-term liabilities	30.000	30.000	30.000	30.000	30.000
TOTAL	480.000	570.000	600.000	640.000	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 March 2022 was £329.774m.

Total External Debt as at 31.03.22	£m
External Borrowing	313.383
Other Long-term Liabilities	15.740
Total	329.123

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 the gross debt does not, except in the short term, exceed the total of the capital

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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	31.03.22 Actual £m	31.03.23 Revised £m	31.03.24 Estimate £m	31.03.25 Estimate £m	31.03.26 Estimate £m	31.03.27 Estimate £m
External Borrowing	313.383	306.383	294.383	291.383	359.383	408.383
Long Term Liabilities	15.740	14.997	14.161	13.217	12.153	10.955
Total Debt	329.123	321.380	308.544	304.600	371.536	419.338

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 4.3% in 2021/22.

Year	Actual/ Estimate	Financing Cost £m	Net Revenue Stream £m	Ratio %
2021/22	Actual	22.8	534.4	4.3
2022/23	Estimate	24.0	554.0	4.3
2023/24	Estimate	25.0	614.2	4.1
2024/25	Estimate	27.9	640.8	4.4
2025/26	Estimate	31.5	661.2	4.8

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 2022/23 to 2025/26.

Year	Actual/ Estimate	Commercial & Service Income (*) £m	Net Revenue Stream £m	Ratio %
2022/23	Estimate	0.109	554.0	0.02
2023/24	Estimate	0.197	614.2	0.03
2024/25	Estimate	0.280	640.8	0.04
2025/26	Estimate	0.292	661.2	0.04

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

Governance framework and decision making overview

Capital Programme – approval process



For projects / programmes that are part of the ten year Capital Programme, they have already been approved by the Strategic Capital Board and Cabinet.

As they progress across the stages, they are managed by the Capital Programme Board and do need to go back to the Strategic Capital Board or Cabinet, unless there is a variation against the previous approved budget.

For new in year projects / programmes, the IBC needs to be initially approved by the relevant governance board, as per the schemes of delegation. From Stage 1, they are managed by the Capital Programme Board and do need to go back to the Strategic Capital Board or Cabinet, unless there is a variation against the previous approved budget.

Strategies that have informed and help us deliver our Capital Strategy

The Capital Programme is informed by, and supports the achievement of, the following county council strategies and plans:

- Highway Infrastructure Asset Management Strategy 2022
- Property and Assets Strategy 2022
- Local Transport and Connectivity Plan 2022
- Pupil Place Plan and Special Educational Needs and Disability (SEND) Sufficiency Plan 2022
- Household Waste Recycling Strategy 2015
- Libraries and Heritage Strategy 2022
- Climate Action Framework 2021
- IT & Digital Strategy

It also supports the delivery of the following Oxfordshire wide partnership strategies:

- Oxfordshire Infrastructure Strategy (OxIS)
- Oxfordshire Local Industrial Strategy

Treasury Management Strategy Statement & Annual Investment Strategy for 2023/24

Executive Summary

1. The Treasury Management Strategy & Annual Investment Strategy for 2023/24 outlines the Council's strategic objectives in terms of its debt and investment management for the financial year 2023/24.
2. The forecast average cash balance for 2023/24 is £480m. The Council will maintain its investment in strategic pooled funds with a purchase value of £101m (21%). The remaining £379m (79%) will be managed internally with a mixture of short, medium and long-term deposits.
3. The Bank of England Base Rate is forecast to peak at 4.50% during the 2023/24 financial year.
4. UK Government Gilt yields are forecast to fall from 3.80 to 2.40% over the medium term.
5. Changes to the Treasury Management Strategy will be recommended to Council to be delegated to the Director of Finance in consultation with the Leader of the Council and Cabinet Member for Finance

Changes from 2023/24 Strategy

6. Reflecting the anticipated level of cash balances over the medium term and the long term lending limits are proposed to be updated as follows:

	From	To
2023/24	£185m	£200m
2024/25	£185m	£145m
2025/26	£185m	£110m
2026/27	£185m	£100m
2027/28	n/a	£100m

Background

7. The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the 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.
8. 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). The Annual Investment Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
9. Treasury management is defined as: "The management of the organisation's borrowing, investments and cash flows, including its banking, money market and

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capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

10. The proposed strategy for 2023/24 is based upon the views of the Council’s Treasury Management Strategy Team (TMST)¹, informed by market forecasts provided by the Council’s treasury advisor, Link Treasury Services. The forecast and economic background provided by Link Treasury Services can be found in Section 5.2 Annex 1.
11. It is proposed that any further changes required to the Annual Treasury Management Strategy & Annual Investment Strategy, continue to be delegated to the Director of Finance in consultation with the Leader of the Council and Cabinet Member for Finance.

Forecast Treasury Portfolio Position

12. The Council’s treasury forecast portfolio position for the 2023/24 financial year comprises:

	Principal £m	Average Rate %
Opening External Debt Balance		
Public Works Loans Board (PWLB)	248.383	4.467
Lender’s Option Borrower’s Options (LOBOs) ²	45.000	3.943
Money Market Loans	5.000	3.950
TOTAL EXTERNAL DEBT	298.383	
<u>2023/24 Average Forecast Cash Balance</u>		
Average In-House Cash	379.144	
Average Externally Managed	101.006	
TOTAL INVESTMENTS	480.150	

13. The average forecast cash balance for 2023/24 is comprised of the following:

	Average Balance £m
Earmarked Reserves	99.247
Unusable DSG Reserve	-61.200
Capital and Developer Contributions	379.068
General & School Balances	49.261
Cashflow and Working Capital Adjustments	178.583
Internal Borrowing	-178.976
Provisions and Deferred Income	14.167
TOTAL	480.150

¹Comprising the Director of Finance, Service Manager (Pensions), Head of Financial Strategy and Treasury Manager.

² See paragraphs 23 & 24 for detail

14. Cash balances for 2023/24 are higher than anticipated when the Treasury Management Strategy for 2022/23 was agreed. This reflects the updated profile of capital expenditure as set out in the Capital Monitoring Reports to Cabinet in 2022/23.

Prospect for Interest Rates

15. The Council's TMST, taking into account the advice from Link Treasury Services, market implications and the current economic outlook, have determined the interest rates to be included in the Strategic Measures budget for 2023/24 and over the medium term. TMST forecast a rise to 4.25% before the start of the financial year, rising to 4.50% during in the first quarter of 2023/24, before dropping back to 4.00% by the end of 2023/24. The bank rate is then forecast to drop to 2.50% over the medium term.

16. The TMST team has agreed that based on the current portfolio of deposits and market rates, the target in-house rate of return is as set out below. These rates have been incorporated into the strategic measures budget estimates and reflect the mix of rates expected to be achieved on existing and new deposits:

2023/24	3.00%
2024/25 -2027/28	2.80%

Borrowing Strategy

17. The Council's Capital Programme Financing Principles require the application of capital grants, developer contributions, capital receipts and revenue contributions to fund capital expenditure. 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

The Capital Financing Requirement sets out the council's requirement to prudentially borrow for capital purposes. This borrowing can either be met through external loads of by using existing cash balances held by the council.

18. The Council's chief objective when borrowing money is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

19. Borrowing rates are forecast to fall from the high of 5.50% in October 2022 to 3.20% over the medium term.

20. External borrowing taken out by the council is expected to fall well below the Capital Financing Requirement due to increased capital expenditure and £25m of debt repayments by 2027/28. If no new external borrowing is arranged during this time, the council will be temporarily financing the capital programme via internal borrowing.

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21. Given the high level of balances and the forecast for borrowing rates to significantly reduce in the medium term, the Council's TMST have agreed that the council should maintain the option to fund new or replacement borrowing through internal borrowing. The limit of internal borrowing will be combined with the long term lending limit, and will not exceed £380m in 2023/24.
22. The TMST monitor the borrowing rates on a daily basis. If changes in interest rate forecasts mean the policy to borrow internally is no longer in the short term or long-term interests of the council, the TMST may agree to take out new or replacement borrowing to give the council certainty of costs over the long term, and to reduce Interest Rate Risk and Refinancing Risk in the short to medium term. Any increase in borrowing costs as a result of new external borrowing will be offset by an increased return of interest on balances. Any new external borrowing will be reported to Cabinet.

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board and any successor body
 - UK local authorities
 - any institution approved for investments (see below)
 - any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
 - UK public and private sector pension funds
 - capital market bond investors
 - special purpose companies created to enable joint local authority bond issues.
23. The Council has historically set a maximum limit of 20% of the debt portfolio to be borrowed in the form of Lender's Option Borrower's Option (LOBOs). As at 30 November 2022 LOBOs represent 14.5% of the total external debt. The council has no intention of entering into any new LOBO arrangements, however as the level of PWLB debt is due to fall over the medium term, the percentage of LOBOs compared to total external debt will increase. Therefore, it is recommended that the limit for 2023/24 remains at 20%.
 24. The Council has five £5m LOBOs with call options in 2023/24, three of which have two call options in year, whilst two have a single call option in year. At each call date, the lender may choose to exercise their option to change the interest rate payable on the loan. If the lender chooses to do so, the Council will evaluate alternative financing options before deciding whether or not to exercise the borrower's option to repay the loan or to accept the new rate offered. It is likely that if the rate is changed the debt will be repaid. The TMST will explore early repayment of LOBOs if there were to arise and where there is a financial benefit to do so.

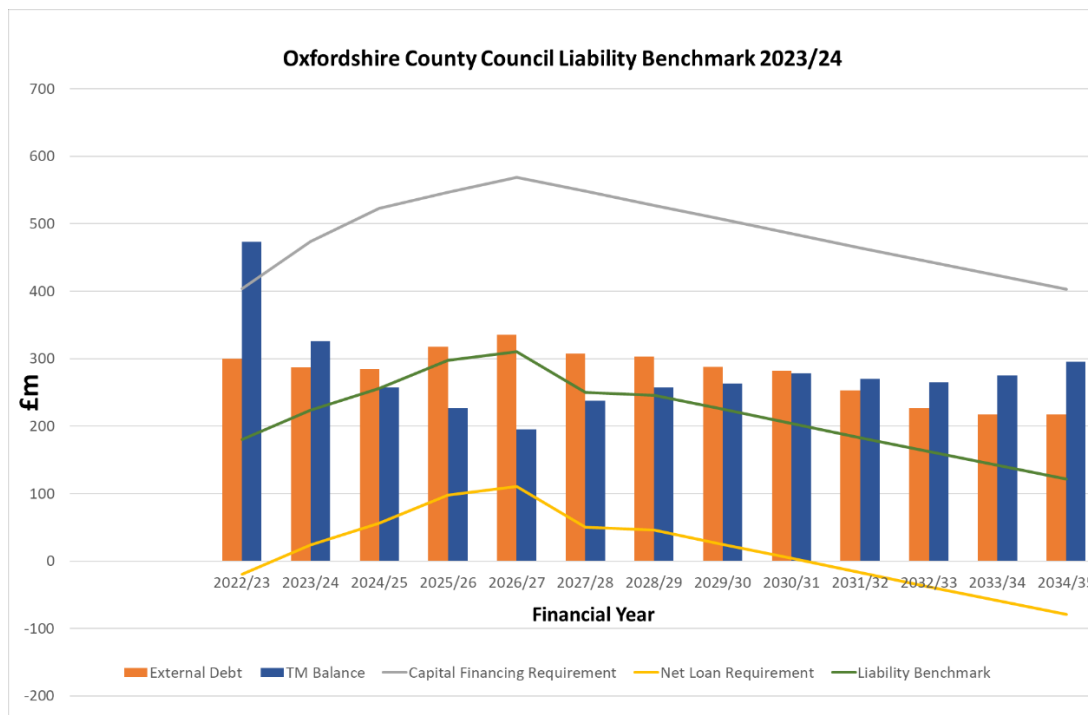
Liability Benchmark

25. Changes to the Prudential Code for Capital Finance in Local Authorities were consulted on in 2021. The Liability Benchmark (i.e. the real need to borrow) is an additional prudential indicator introduced in the updated code. This identifies the

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minimum future borrowing needs, compared to the capital financing requirement and the actual level of external debt.

26. The gap between the capital financing requirement and the minimum borrowing requirement³ represents the maximum amount of financing that can be temporarily funded through internal borrowing. Based on the assessment below the council could internally borrow up to £250m in 2023/24. The forecast internal borrowing position for 2023/24 is £178m.



Treasury Management Prudential Indicators for Debt Upper and lower limits to maturity structure of fixed rate borrowing

27. This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

28. It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

29. LOBOs are classified as maturing on the next call date, this being the earliest date that the lender can require repayment.

³ The minimum borrowing requirement is calculated by taking the capital financing requirement, netting off usable reserves and working capital, and adding on a liquidity allowance.

Maturity structure of fixed rate borrowing during 2023/24	Lower Limit %	Upper Limit %	2023/24 Forecast %
Under 12 months	0	20	10.44
12 months and within 24 months	0	25	2.61
24 months and within 5 years	0	35	25.13
5 years and within 10 years	5	40	27.87
10 years and above	25	95	33.94

Annual Investment Strategy

30. The Council complies with all relevant treasury management regulations, codes of practice and guidance. The Council's investment priorities are:

- The security of capital and
- The liquidity of its investments

31. The Council also aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.

32. The Treasury Management Code of Practice requires the Council to approve a Treasury Management Policy Statement. Good practice requires that this statement is regularly reviewed and revised as appropriate. Council approved the statement in February [2019](#). The statement has been reviewed and there are no revisions proposed for 2023/24.

Investment Instruments

33. Investment instruments identified for use in the 2023/24 financial year are set out in the Specified and Non-Specified instrument tables below

34. Guidance states that specified investments are those requiring "minimal procedural formalities". The placing of cash on deposit with banks and building societies 'awarded high credit ratings by a credit rating agency', the use of Money Market Funds (MMFs) and investments with the UK Government and local authorities qualify as falling under this phrase as they form a normal part of day to day treasury management.

35. Money market funds (MMFs) will be utilised, but good treasury management practice prevails and the council will also seek to diversify any exposure by using more than one MMF where practical. It should be noted that while exposure will be limited, the use of MMFs does give the council exposure to institutions that may not be included on the approved lending list for direct deposits. This is deemed to be an acceptable risk due to the benefits of diversification.

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Specified Investment Instrument	Minimum Credit Criteria	Use
Term Deposits – UK Government	N/A	In-house
Term Deposits – other Local Authorities	N/A	In-house
Debt Management Agency Deposit Facility	N/A	In-house and Fund Managers
Treasury Bills	N/A	In-house and Fund Managers
UK Government Gilts	N/A	In-house on a buy and hold basis and Fund Managers
Term Deposits – Banks and Building Societies	Short-term F1, Long-term BBB+, Minimum Sovereign Rating AA+	In-house and Fund Managers
Certificates of Deposit issued by Banks and Building Societies	A1 or P1	In-house on a buy and hold basis and Fund Managers
Money Market Funds	AAA	In-house and Fund Managers
Other Money Market Funds and Collective Investment Schemes ⁴	Minimum equivalent credit rating of A+. These funds do not have short-term or support ratings.	In-house and Fund Managers
Reverse Repurchase Agreements - maturity under 1 year from arrangement and counterparty is of high credit quality (not collateral)	Long Term Counterparty Rating A-	In-house and Fund Managers
Covered Bonds – maturity under 1 year from arrangement	Minimum issue rating of A-	In-house and Fund Managers

36. The Treasury team use an online portal to provide details of underlying holdings in MMFs. This enables more effective and regular monitoring of full counterparty risk.

37. All specified investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the 'high' credit rating criteria where applicable.

38. Non-specified investment products are those which take on greater risk. They are subject to greater scrutiny and should therefore be subject to more rigorous justification and agreement of their use in the Annual Investment Strategy; this

⁴ I.e., credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

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applies regardless of whether they are under one-year investments and have high credit ratings.

39. A maximum of 50% of internal investments, and 100% of external investments will be held in non-specified investments.

Non-Specified Investment Instrument	Minimum Credit Criteria	Use	Max Maturity Period
Term Deposits – other Local Authorities (maturities in excess of 1 year)	N/A	In-house	5 years
UK Government Gilts with maturities in excess of 1 year	N/A	In-house and Fund Managers	5 years in-house, 10 years fund managers
Collective Investment Schemes ⁵ but which are not credit rated	N/A	In-house and Fund Managers	Pooled Funds do not have a defined maturity date
Registered Providers	As agreed by TMST in consultation with the Leader and the Cabinet Member for Finance	In-house	5 years
OxLEP Ltd	As agreed by TMST in consultation with the Leader and the Cabinet Member for Finance	In-house	5 years
Term Deposits – Banks and Building Societies (maturities in excess of 1 year)	Short-term F1+, Long-term AA-	In-house and Fund Managers	3 years
Structured Products (e.g. Callable deposits, range accruals, snowballs, escalators etc.)	Short-term F1+, Long-term AA-	In-house and Fund Managers	3 years
Bonds issued by Multilateral Development Banks	AAA	In-house and Fund Managers	25 years

⁵ Pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

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Non-Specified Investment Instrument	Minimum Credit Criteria	Use	Max Maturity Period
Bonds issued by a financial institution which is guaranteed by the UK Government	AA	In-house and Fund Managers	5 years in-house
Sovereign Bond Issues	AAA	In-house on a buy and hold basis. Fund Managers	5 year in-house, 30 years fund managers
Reverse Repurchase Agreements - maturity in excess of 1 year, or/and counterparty not of high credit quality.	Minimum long term rating of A-	In-house and Fund Managers	3 years
Covered Bonds	AAA	In-house and Fund Managers	20 years

Changes to Instruments

40. There are no proposed changes to instruments

Credit Quality

41. The CIPFA Code of Practice on Treasury Management (2021) recommends that Councils have regard to the ratings issued by the three major credit rating agencies (Fitch, Moody's and Standard & Poor's) and to make decisions based on all ratings. Whilst the Council will have regard to the ratings provided by all three ratings agencies, the Council uses Fitch ratings as the basis by which to set its minimum credit criteria for deposits and to derive its maximum counterparty limits. Counterparty limits and maturity limits are derived from the credit rating matrix as set out in the tables at paragraphs 51 and 52 respectively.
42. The TMST may further reduce the derived limits due to the ratings provided by Moody's and Standard & Poor's or as a result of monitoring additional indicators such as Credit Default Swap rates, share prices, Ratings Watch & Outlook notices from credit rating agencies and quality Financial Media sources.
43. Notification of any rating changes (or ratings watch and outlook notifications) by all three ratings agencies are monitored daily by a member of the Treasury Management Team. Updates are also provided by the Council's Treasury Management advisors Link Treasury Services and reported to TMST. Appropriate action will be taken for any change in rating.

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44. Where a change in the Fitch credit rating places a counterparty on the approved lending list outside the credit matrix (as set out in tables at paragraphs 50 and 51), that counterparty will be immediately removed from the lending list.
45. The Authority defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher with the Fitch ratings agency.

Prior to lending to other local authorities, due diligence is undertaken on their financial resilience. . The council will not arrange investments with local authorities that are deemed to have poor financial management and/or standing, or whose operations are deemed to be inconsistent with the council’s priorities.

Liquidity Management

46. The Council forecasts its cash flow to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium term financial plan and cash flow forecast. The Council uses instant access bank deposit accounts and money market funds for balances forecast to be required at short notice to meet commitments due. The TMST will continue to monitor options available to maintain the required liquidity and will open new accounts with approved counterparties as appropriate.

Lending Limits

47. In addition to the limits determined by the credit quality of institutions, the TMST apply further limits to mitigate risk by diversification. These include:
 - Limiting the amount lent to banks in any one country (excluding the UK) to a maximum of 20% of the investment portfolio.
 - Limiting the amount lent to any bank, or banks within the same group structure to 10% of the investment portfolio.
 - Actively seeking to reduce exposure to banks with bail in risk
48. Where the Council has deposits on instant access, this balance may temporarily exceed the 10% bank or group limit. However, the limits as set out in paragraphs 50 and 51 will still apply.
49. Counterparty limits as set out in paragraphs 50 and 51, may be temporarily exceeded by the accrual and application of interest amounts onto accounts such as call accounts, money market funds or notice accounts. Where the application of interest causes the balance with a counterparty to exceed the agreed limits, the balance will be reduced when appropriate, dependent upon the terms and conditions of the account and cashflow forecast.
50. Any changes to the approved lending list will be reported to Cabinet as part of the Business Management and Monitoring Report.

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51. The Council also manages its credit risk by setting counterparty limits. The matrix below sets out the maximum proposed limits for 2023/24. The TMST may further restrict lending limits dependent upon prevailing market conditions. BBB+ to BBB- ratings is included for overnight balances with the Council's bank, currently Lloyds Bank Plc. This is for practical purposes should the bank be downgraded.

LENDING LIMITS - Fitch Rating	Short Term Rating	
	F1+	F1
Long Term Rating	F1+	F1
AAA	£30m	£20m
AA+	£30m	£20m
AA	£25m	£15m
AA-	£25m	£15m
A+	£20m	£15m
A	£20m	£15m
A-	£15m	£10m
BBB+, BBB, BBB- (bank with which the Council has its bank account)	£20m	£20m

52. The Council also manages its counterparty risk by setting maturity limits on deposits, restricting longer term lending to the very highest rated counterparties. The table below sets out the maximum approved limits. The TMST may further restrict lending criteria in response to changing market conditions.

MATURITY LIMITS – Fitch Rating	Short Term Rating	
	F1+	F1
Long Term Rating	F1+	F1
AAA	3 years	364 days
AA+	2 years	364 days
AA	2 years	9 months
AA-	2 years	9 months
A+	364 days	9 months
A	9 months	6 months
A-	6 months	3 months
BBB+, BBB, BBB- (bank with which the Council has its bank account)	Overnight	Overnight

External Funds

53. The Council uses external fund managers and pooled funds to diversify the investment portfolio through the use of different investment instruments, investment in different markets, and exposure to a range of counterparties. It is expected that these funds should outperform the Council's in-house investment performance over a rolling three-year period. The Council will have no more than 50% of the total portfolio invested with external fund managers and pooled funds (excluding MMFs). This allows the Council to achieve diversification while limiting the exposure to funds with a variable net asset value. And, in order to ensure appropriate diversification within externally managed and pooled funds these should be diversified between a minimum of two asset classes.

54. As at 30 November 2022, the Council had £97m (original purchase value of £101m) invested in external funds (excluding MMFs), representing 16% of the Council's total investment portfolio. Whilst market volatility has seen the capital value of the funds temporarily decrease from £105m as at 31 March 2022, they are held with a long term view, and there is no intention to divest from any of the funds at present.
55. At present, fluctuations in the value of the external funds do not impact on the council's revenue account, because they are held in an unusable reserve via the statutory override arrangements set out in IFRS9. Following a consultation in autumn 2022, the statutory override has been extended to 31 March 2025. At present it is unclear what will happen beyond 2025, however this may become clearer when the DLUHC publish the formal consultation response, which is expected in the first half of 2023. The impact of the future of the override on the revenue budget will need to be considered in the Budget and Business Planning process with variations managed through reserves to smooth the impact over time.
56. The external funds have a higher targeted income return than in house deposits of 3.75% which has been incorporated into the medium-term financial strategy.
57. The performance of the pooled funds is monitored by the TMST throughout the year against the funds' benchmarks and the in-house investment returns. The TMST will keep the external fund investments under review and consider alternative instruments and fund structures, to manage overall portfolio risk. It is recommended that authority to withdraw, or advance additional funds to/from external fund managers, continue to be delegated to the TMST.

Investment Approach

58. The TMST will aim to maintain the balance between medium and long-term deposits with local authorities and short-term secured and unsecured deposits with high credit quality financial institutions. Money Market Funds will continue to be utilised for instant access cash. This approach will maintain a degree of certainty about the investment returns for a proportion of the portfolio, while also enabling the Treasury Management team to respond to any increases or decreases in interest rates in the short-term.

Treasury Management Indicators for Investments

Upper limit to total of principal sums invested longer than 364 days

59. The purpose of this limit is to contain exposure to the risk of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.
60. The long term lending limit is based on 50% of the forecast average cash balance. Based on forecast balances reducing to £200m over the medium term, the proposed limits for investments longer than 364 day is set out below:

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	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Upper limit on principal sums invested longer than 364 days	215	145	110	100	100

Other Treasury Management Prudential Indicators

Upper limits on fixed and variable rate interest exposures

61. These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates.

Fixed interest rate exposure

62. The limits set out offer the Council protection in an uncertain interest rate environment by allowing the majority of the debt portfolio to be held at fixed interest rates, thus not subjecting the Council to rising debt interest.

Upper limit for fixed interest rate exposure	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27
Net principal re fixed rate borrowing / investments	£350m	£350m	£350m	£350m	£350m	£350m

63. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Variable interest rate exposure

64. The council will maintain a zero (or negative) net variable interest rate exposure. This is maintained by ensuring the Council's variable rate debt is lower than variable rate investments

65. Prudential Indicators are reported to and monitored by the TMST on a regular basis and will be reported to the Audit & Governance Committee and Cabinet in the quarterly Treasury Management reports and the Treasury Management Annual Performance Report.

Policy on Use of Financial Derivatives

66. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not

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be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

67. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
68. It is the view of the TMST that the use of standalone financial derivatives will not be required for Treasury Management purposes during 2022/23. The Council will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

Performance Monitoring

69. The Council will monitor its Treasury Management performance against other authorities through its membership of the CIPFA Treasury Management benchmarking club.
70. Link Treasury Services benchmark the performance of their clients against each other on a quarterly basis, looking at a variety of indicators including investment risk and returns.
71. Latest performance figures will be reported to the Audit & Governance Committee and Cabinet in the quarterly Treasury Management reports and the Treasury Management Annual Performance Report.

Investment Training

72. All members of the Treasury Management Strategy Team are members of CIPFA or other professional accounting bodies. In addition, key Treasury Management officers receive in-house and externally provided training as deemed appropriate and training needs are regularly reviewed, including as part of the staff appraisal process.
73. The Council has opted up to 'professional client' categorisation with under the second Markets in Financial Instruments Directive (MiFID II). In order to achieve this, evidence was required that the person(s) authorised to make investment decisions on behalf of the authority have at least one year's relevant professional experience and the expertise and knowledge to make investment decisions and understand the risks involved. Members of the TMST currently meet these criteria and training needs will be regularly monitored and reviewed to ensure continued compliance.

Annex 1

5.1 INTEREST RATE FORECASTS 2022-2025

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

PWLB forecasts are based on PWLB certainty rates.

ECONOMIC BACKGROUND

- Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.
- Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

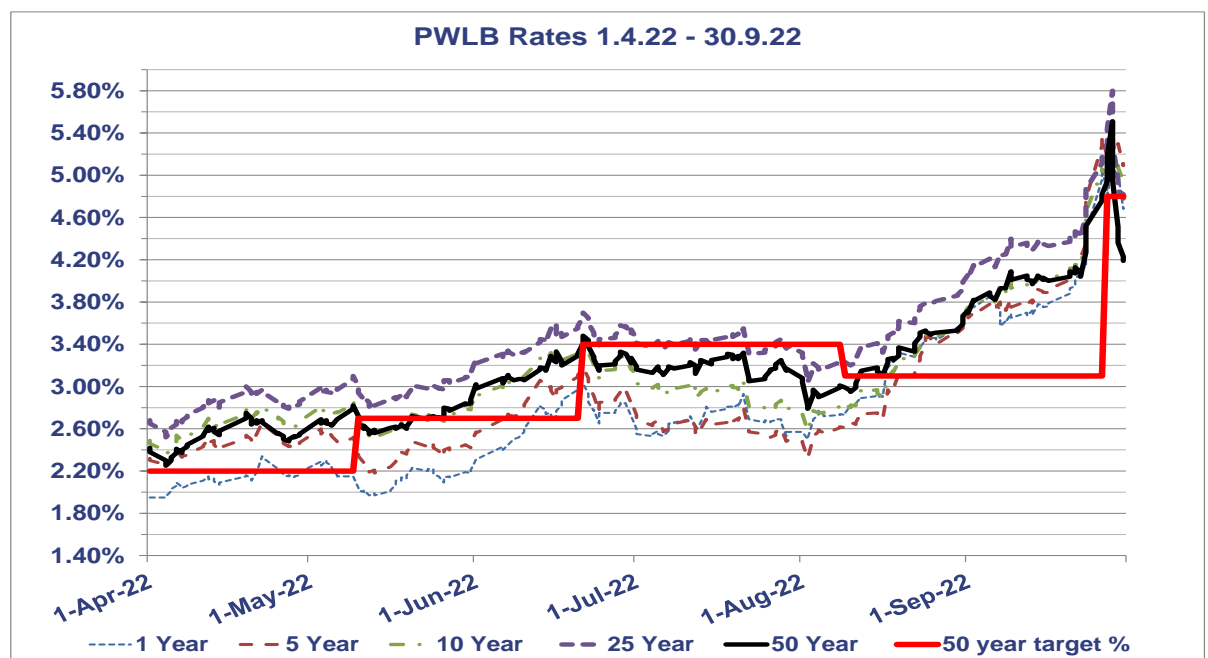
	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	11.1%y/y (Oct)	10.0%y/y (Nov)	7.7%y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

- Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.
- The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how

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the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

- Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.
- Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.
- Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.
- The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.
- In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



- However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower.

Section 5.2

PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

- After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

- At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

CAPITAL INVESTMENT PLANNING 2023/24 - 2032/33
BUDGET PRIORITY PROPOSALS - Changes to existing Capital Programme

Strategy - Capital Investment Need	Budget	Prudential Borrowing	Specific Funding	Corporate Need
	£'000	£'000	£'000	£'000
Capital Programme				
Children's Homes	10,450	0	6,425	4,025
Household Waste Recycling - Maintenance	700	0	0	700
Capital Programme Inclusions - Sub-total	11,150	0	6,425	4,725
Annual Programmes & Other Funding				
Basic Need & S106 towards School Expansions	7,069	0	7,069	0
School Condition (School Structural Maintenance)	6,900	0	6,900	0
Schools Devolved Formula Capital	1,554	0	1,554	0
Structural Maintenance - Additional Year 2032/33	15,300	0	15,300	0
Disabled Facilities Grant 2023/24	6,658	0	6,658	0
Fire & Rescue Service (Vehicles) - Additional Year 2032/33	800	0	800	0
Annual Programmes & Other Funding - Sub-total	38,281	0	38,281	0
Total Inclusions to Capital Programme	49,431	0	44,706	4,725
Pipeline Schemes (indicative funding subject to initial business case)				
Prioritisation Category 1 (Statutory H&S and Schools)				
Replacement Mortuary	5,000	0	0	5,000
Gypsy & Traveller site improvements	1,000	0	0	1,000
Thames Towpath, Oxford - Bank repair & reconstruction	1,500	0	0	1,500
Vision Zero (Road Safety & Accessibility Programme)	5,000	0	0	5,000
Prioritisation Category 1 - Total	12,500	0	0	12,500
Prioritisation Category 2 (Invest to save)				
Expansion of Oxfordshire Special School Capacity (phase 2)	8,000	0	0	8,000
Supported Living (Charlbury)	200	0	0	200
Central Oxford Property Strategy	11,000	0	11,000	0
Prioritisation Category 2 - Total	19,200	0	11,000	8,200
Prioritisation Category 3 (Climate or active travel)				
Fleet Replacement Programme	18,000	18,000	0	0
Low Carbon Business Travel Project	800	0	800	0
Energy Efficiency Recycling Fund (Maintained Schools)	800	0	800	0
Climate Action including Tree Replacement	3,000	0	3,000	0
Transport Hubs	1,500	0	1,500	0
Workplace Charging Levy	200	0	200	0
Prioritisation Category 3 - Total	24,300	18,000	6,300	0
PROPOSED STRATEGY ALLOCATIONS (Earmarked Reserves) Total	56,000	18,000	17,300	20,700
TOTAL BUDGET PROPOSALS	105,431	18,000	62,006	25,425
General Funding, Accounting, Realignment				
Building Enhancements	-11,000			-11,000
Service Improvements	-10,227			-10,227
Final Accounts / Small adjustments	-473			-473
Drawdown from earmarked reserves				3,725

Capital Financing	£'000
Capital Receipts	11,000
Capital Grants	35,637
Revenue Contributions	4,100
Revenue (Budget Priority Fund)	4,200
Prudential Borrowing	18,000
S106 & CIL	7,069
Total Funding	80,006
Budget Realignments	21,700
Drawdown from Reserves	3,725
General Funding & Accounting - Total	105,431

Earmarked Reserves	
Capital Investment from Borrowing Agreed February 2022 (Balance of £90m)	20,103
Provision towards capital proposals February 2023	-3,725
Revised Provision held in Earmarked Reserves	16,378

Pre-pipeline Schemes
Carterton Community Safety Centre
Blackbird Leys Library
Didcot Library
Expansion of Oxfordshire Special School Capacity (Phase 3)
Additional Children's Homes
Decarbonisation of Council Buildings - Phase 1
Decarbonisation of Council Buildings - Phase 2
ERP system replacement or upgrade
Highways Maintenance 2025/26 onwards
Bridge Structures
Household Waste Recycling Centres (Replacements / upgrade)
Household Waste Recycling Centres (condition survey works)

Capital Programme 2022/23 to 2032/33

Strategy/Programme	Capital Investment Programme (latest forecast)						CAPITAL INVESTMENT TOTAL £'000s
	Current Year	Firm Programme		Provisional Programme			
	2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s	
Major Infrastructure *	72,182	114,437	266,441	210,687	47,654	28,272	739,673
Highways Asset Management Plan	50,336	62,117	47,400	18,958	17,000	86,045	281,856
Property Strategy	15,055	13,403	16,482	6,757	980	2,696	55,373
Pupil Places Plan	39,600	42,097	53,487	24,664	16,800	82,622	259,270
IT, Digital & Innovation Strategy	9,224	5,632	2,612	1,000	750	2,826	22,044
Passport Funding	10,553	8,408	1,350	1,000	950	2,454	24,715
Vehicles & Equipment	1,907	1,158	800	800	800	4,800	10,265
TOTAL ESTIMATED CAPITAL PROGRAMME EXPENDITURE	198,857	247,252	388,572	263,866	84,934	209,715	1,393,196
Pipeline Schemes (Indicative funding subject to initial business case)	0	1,600	17,350	18,900	18,150	0	56,000
Earmarked Reserves	0	0	6,830	6,116	15,778	30,515	59,239
TOTAL ESTIMATED CAPITAL PROGRAMME	198,857	248,852	412,752	288,882	118,862	240,230	1,508,435
TOTAL ESTIMATED PROGRAMME IN-YEAR RESOURCES	184,117	242,979	362,437	226,121	93,046	215,298	1,323,998
In-Year Shortfall (-) / Surplus (+)	-14,740	-5,873	-50,315	-62,761	-25,816	-24,932	-184,437
Cumulative Shortfall (-) / Surplus (+)	184,437	169,697	113,509	50,748	24,932	0	0

* includes risk assessed forecast adjustment

Capital Investment Total: Approved budget, development budget, financial contribution or available funding

SOURCES OF FUNDING	2022 / 23	2023 / 24	2024 / 25	2025 / 26	2025 / 26	up to 2031 / 32	CAPITAL RESOURCES TOTAL
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Formulaic Capital Allocations	69,830	51,242	91,298	69,789	22,500	125,400	430,059
Devolved Formula Capital- Grant	700	1,100	1,000	650	600	654	4,704
Prudential Borrowing	41,472	71,536	77,516	52,980	44,056	2,987	290,547
Grants	45,061	66,388	170,136	103,337	12,062	3,637	400,621
Developer Contributions	38,241	37,859	58,066	41,514	4,978	40,727	221,385
Other External Funding Contributions	293	0	350	720	0	0	1,363
Revenue Contributions	3,260	20,727	14,386	2,500	1,930	7,300	50,103
Use of Capital Receipts	0	0	0	17,392	28,561	34,593	80,546
Use of Capital Reserves	0	0	0	0	4,175	24,932	29,107
TOTAL ESTIMATED PROGRAMME RESOURCES UTILISED	198,857	248,852	412,752	288,882	118,862	240,230	1,508,435
TOTAL ESTIMATED IN YEAR RESOURCES AVAILABLE	184,117	242,979	362,437	226,121	93,046	215,298	1,323,998
Capital Grants Reserve C/Fwd	125,321	96,277	96,524	47,289	0	0	0
Usable Capital Receipts C/Fwd	30,009	32,313	35,193	37,113	21,641	0	0
Capital Reserve C/Fwd	29,107	41,107	32,107	29,107	29,107	24,932	0

MAJOR INFRASTRUCTURE CAPITAL PROGRAMME

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
HIF1 HIF1 A4130 Dualing	2,918	750	4,300	10,800	13,900	732	0	33,400	30,482	29,732	
HIF1 Didcot Science Bridge	3,234	750	5,500	22,500	23,100	1,916	0	57,000	53,766	53,016	
HIF1 Culham river crossing	6,373	1,200	10,500	60,000	73,500	8,427	0	160,000	153,627	152,427	
HIF1 Clifton Hampden bypass	2,931	900	6,900	12,900	19,200	1,869	0	44,700	41,769	40,869	
HIF1 DGT OBC development	1,030	0	0	0	0	25	0	1,055	25	25	
Risk assessed Forecast	0	0	-16,000	13,000	3,250	-2,969	2,719	0	0	0	
HIF1 PROGRAMME TOTAL	16,486	3,600	11,200	119,200	132,950	10,000	2,719	296,155	279,669	276,069	
A40 CORRIDOR (Incl HIF2) A40 Oxford North (N G'way)	7,526	3,136	0	0	0	0	0	10,662	3,136	0	
A40 Science Transit Phase 2 - Eynsham Park & Ride	8,760	9,700	13,400	85	0	0	0	31,945	23,185	13,485	

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
HIF2 West Oxon A40 Smart Corridor	15,813	6,600	31,000	50,000	22,779	0	0	126,192	110,379	103,779	
A40 Access to Witney - Shores Green	2,173	2,500	4,500	14,000	1,852	0	0	25,025	22,852	20,352	
B4044 Strategic Cycle Improvement (Development Budget)	88	0	0	282	0	0	0	370	282	282	
A40 Salt Cross to Eynhsam Underpass (Development Budget)	0	250	0	0	0	0	0	250	250	0	
Risk assessed Forecast	0	0	-10,400	-12,367	7,369	15,398	0	0	0	0	
A40 CORRIDOR (incl HIF2) PROGRAMME TOTAL	34,360	22,186	38,500	52,000	32,000	15,398	0	194,444	160,084	137,898	
<u>A423 IMPROVEMENT PROGRAMME</u>											
A423 Improvements Programme (including Kennington Bridge)	2,319	4,000	15,000	31,000	20,000	17,866	0	90,185	87,866	83,866	
Risk assessed Forecast	0	0	-12,000	-13,000	7,500	3,134	14,366	0	0	0	
A423 IMPROVEMENT PROGRAMME TOTAL	2,319	4,000	3,000	18,000	27,500	21,000	14,366	90,185	87,866	83,866	
<u>ACTIVE TRAVEL P3 PROGRAMME</u>											
Active Travel Phase 3 Programme	0	600	4,500	6,446	0	0	0	11,546	11,546	10,946	
ACTIVE TRAVEL P3 PROGRAMME TOTAL	0	600	4,500	6,446	0	0	0	11,546	11,546	10,946	

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
HOUSING & GROWTH DEAL (Incl Other Schemes)											
NW Bicester A4095 Underbridge & Underpass	10,050	650	0	0	0	0	0	10,700	650	0	
NW Bicester A4095 Road Realignment (Development Budget)	1,353	47	0	0	0	0	0	1,400	47	0	
NW Bicester A4095 Road Roundabout Improvements	914	650	5,400	3,500	236	0	0	10,700	9,786	9,136	
M40 J10 Improvements	261	700	6,400	1,339	0	0	0	8,700	8,439	7,739	
Access to Banbury North: A422 Hennef Way (Development Budget)	495	5	0	0	0	0	0	500	5	0	
Ploughley Rd / A41 Junction Improvements, Bicester	875	3,650	32	0	0	0	0	4,557	3,682	32	
Tramway Rd, Accessibility Improvements	796	550	1,300	4,000	251	0	0	6,897	6,101	5,551	
Farmfield Road / Oxford Road - Junction Improvement	346	225	0	0	0	0	24	595	249	24	
Oxford, Botley Rd	9,057	597	0	0	0	0	0	9,654	597	0	
Oxpens to Osney Mead Cycle	5,920	80	0	2,800	0	0	0	8,800	2,880	2,800	
Oxford Citywide Cycle & Pedestrian Routes	1,133	300	400	569	0	0	0	2,402	1,269	969	
Banbury Rd Improvements (Banbury Rd Corridor)	569	194	500	1,107	0	0	0	2,370	1,801	1,607	

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast								
		Current Year	Firm Programme		Provisional Programme			Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s			
Woodstock Rd Improvements (Woodstock Rd Corridor)	732	268	500	2,500	0	0	0	4,000	3,268	3,000
Connecting Oxford (Development Budget)	527	400	675	0	0	0	0	1,602	1,075	675
A44 Corridor Improvements (Peartree & Cassington Roundabouts)	2,520	13,500	3,400	500	0	0	1,200	21,120	18,600	5,100
North Oxford Corridors - Kidlington	459	850	2,691	0	0	0	0	4,000	3,541	2,691
Riverside routes to Oxford city centre	3,048	600	383	0	0	0	0	4,031	983	383
Active Travel Phase 2	2,291	2,340	700	18	0	0	0	5,349	3,058	718
Walton Street	0	50	100	0	0	0	0	150	150	100
Oxford Zero Emission Zone	500	600	500	211	0	0	0	1,811	1,311	711
Oxford Controlled Parking Zones	0	0	500	335	500	0	0	1,335	1,335	1,335
Broad Street	7	450	43	0	0	0	0	500	493	43
Watlington Relief Rd	583	1,100	1,750	5,500	1,051	0	0	9,984	9,401	8,301
Benson Relief Rd	784	600	4,400	166	0	0	0	5,950	5,166	4,566
Milton Heights Bridge	185	150	0	31	0	0	0	366	181	31

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast								
		Current Year	Firm Programme		Provisional Programme			Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s			
Wantage Eastern Link Rd (Phase 1-2 Contribution, P3)	2,125	750	6,000	199	0	0	0	9,074	6,949	6,199
Frilford Junction & Relief to Marcham (Development Budget)	278	200	550	472	0	0	0	1,500	1,222	1,022
Relief to Rowstock	474	225	600	6,400	3,201	0	0	10,900	10,426	10,201
Didcot Northern Perimeter Road 3 (Development Budget)	691	50	9	0	0	0	0	750	59	9
A34 Lodge Hill Slips	1,985	600	1,000	12,640	4,000	0	0	20,225	18,240	17,640
Golden Balls Roundabout A4074/B4015 (Development Budget)	9	350	500	141	0	0	0	1,000	991	641
Didcot Garden Town: Corridor & Jubilee Way (Development Budget)	91	750	159	0	0	0	0	1,000	909	159
A40 Minster Lovell, Access to Carterton (Development Budget)	0	0	0	710	0	0	0	710	710	710
A420 Coxwell Road Junction	0	0	0	800	950	0	0	1,750	1,750	1,750
Carterton Improvements	0	0	0	200	200	0	0	400	400	400
A4130 Widening (Steventon Lights to Milton Interchange)	0	0	0	500	1,500	0	0	2,000	2,000	2,000
Science Vale Cycle Network Phase 2 (Development Budget)	0	0	0	400	600	0	0	1,000	1,000	1,000
Abingdon LCWIP	0	0	0	400	600	0	0	1,000	1,000	1,000

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
Risk assessed Forecast	0	0	-7,992	3,562	3,911	519	0	0	0	0	
HOUSING & GROWTH DEAL (Incl Other Schemes) PROGRAMME TOTAL	49,058	31,481	30,500	49,000	17,000	519	1,224	178,782	129,724	98,243	
MAJOR INFRASTRUCTURE TOTAL	102,223	61,867	87,700	244,646	209,450	46,917	18,309	771,112	668,889	607,022	
<u>COUNTYWIDE AND OTHER TRANSPORT</u>											
East-West Rail (contribution)	1,349	0	737	737	737	737	6,758	11,055	9,706	9,706	
Zero Emission Bus Regional Areas (ZEBRA)	0	10,000	21,000	7,815	0	0	0	38,815	38,815	28,815	
Bus Service Implementation Plan	0	0	4,000	4,743	0	0	0	8,743	8,743	8,743	
Oxford Station (Contribution)	0	0	1,000	8,500	500	0	0	10,000	10,000	10,000	
City Deal, Local Growth Programmes - Completed Schemes	0	200	0	0	0	0	2,026	2,226	2,226	2,026	
Other Completed schemes	0	115	0	0	0	0	1,179	1,294	1,294	1,179	
COUNTYWIDE AND OTHER TRANSPORT TOTAL	1,349	10,315	26,737	21,795	1,237	737	9,963	72,133	70,784	60,469	
MAJOR INFRASTRUCTURE CAPITAL PROGRAMME EXPENDITURE TOTAL	103,572	72,182	114,437	266,441	210,687	47,654	28,272	843,245	739,673	667,491	

HIGHWAYS ASSET MANAGEMNT PLAN CAPITAL PROGRAMME

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
<u>STRUCTURAL MAINTENANCE PROGRAMME</u>											
Carriageways	0	9,000	9,293	6,000	4,000	4,225	21,550	54,068	54,068	45,068	
Surface Treatments	0	5,500	7,051	8,490	3,135	3,024	16,225	43,425	43,425	37,925	
Structural Highway Improvements	0	7,316	6,009	6,555	2,965	3,836	12,300	38,981	38,981	31,665	
Footways & Cycleways	0	1,500	2,404	4,310	490	449	2,550	11,703	11,703	10,203	
Drainage	0	1,900	2,236	2,390	810	1,091	3,700	12,127	12,127	10,227	
Bridges	0	2,900	4,100	4,500	2,700	1,500	7,650	23,350	23,350	20,450	
Public Rights of Way	0	400	450	525	125	125	625	2,250	2,250	1,850	
Electrical	0	1,235	1,060	1,030	950	650	3,000	7,925	7,925	6,690	
Traffic Signals	31	469	0	0	0	0	0	500	469	0	
Section 42 contributions	0	1,400	0	0	0	0	0	1,400	1,400	0	
Safety Fences	0	75	750	100	100	100	525	1,650	1,650	1,575	
Minor Works: Traffic Schemes	0	430	430	400	200	200	1,025	2,685	2,685	2,255	
SM 32/33	0	0	0	0	0	0	15,300	15,300	15,300	15,300	
STRUCTURAL MAINTENANCE ANNUAL PROGRAMMES TOTAL	31	32,125	33,783	34,300	15,475	15,200	84,450	215,364	215,333	183,208	

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
<u>IMPROVEMENT PROGRAMMES</u>											
Accessibility & Road Safety Schemes	0	2,400	1,880	1,700	199	0	0	6,179	6,179	3,779	
Bus Journey Time Reliability	0	1,000	1,000	1,000	57	0	0	3,057	3,057	2,057	
IMPROVEMENT PROGRAMMES TOTAL	0	3,400	2,880	2,700	256	0	0	9,236	9,236	5,836	
<u>Major schemes and other programme</u>											
Street Lighting LED replacement	7,492	12,000	21,321	0	0	0	0	40,813	33,321	21,321	
New Salt Store & Accommodation (R20)	0	100	140	1,500	1,027	0	0	2,767	2,767	2,667	
Drayton Depot	178	330	242	0	0	0	0	750	572	242	
Part 6 Moving Vehicles Violations Cameras	0	300	500	800	200	900	0	2,700	2,700	2,400	
Highways Bridges Recovery Programme	0	150	500	1,100	1,000	0	0	2,750	2,750	2,600	
20mph Speed Limit	0	500	1,500	6,000	0	0	0	8,000	8,000	7,500	
Tree Policy	0	0	185	0	0	0	0	185	185	185	
A423 Kennington Bridge (Maintenance)	4,354	511	66	0	0	0	0	4,931	577	66	
STRUCTURAL MAINTENANCE MAJOR SCHEMES TOTAL	12,024	13,891	24,454	9,400	2,227	900	0	62,896	50,872	36,981	

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
OTHER MAINTENANCE PROGRAMMES/PROJECTS											
Public Rights of Way (developer and Other funded)	0	100	200	200	200	100	0	800	800	700	
Small schemes (developer and other funded)	0	820	800	800	800	800	1,595	5,615	5,615	4,795	
OTHER MAINTENANCE PROGRAMMES/PROJECTS TOTAL	0	920	1,000	1,000	1,000	900	1,595	6,415	6,415	5,495	
HIGHWAYS ASSET MANAGEMENT PLAN CAPITAL PROGRAMME EXPENDITURE TOTAL	12,055	50,336	62,117	47,400	18,958	17,000	86,045	293,911	281,856	231,520	

PROPERTY STRATEGY CAPITAL PROGRAMME

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
<u>CORPORATE ESTATE DEVELOPMENT PROGRAMME</u>											
Bicester Library (CS13)	1,210	240	0	0	0	0	0	1,450	240	0	
Aston Children's Home (ED932)	250	1,025	1,300	355	0	0	0	2,930	2,680	1,655	
Re-provision of Banbury Library (PE39)	102	150	1,000	1,948	0	0	0	3,200	3,098	2,948	
Faringdon Library Improvements	0	205	0	0	0	0	0	205	205	0	
Collaborative Asset Management Programme	0	0	0	2,000	2,500	0	0	4,500	4,500	4,500	
Children's Homes	0	0	4,000	6,000	450	0	0	10,450	10,450	10,450	
CORPORATE ESTATE DEVELOPMENT PROGRAMME TOTAL	1,562	1,620	6,300	10,303	2,950	0	0	22,735	21,173	19,553	
<u>CLIMATE ACTION PROGRAMME</u>											
Green Homes Grant / Sustainable Warmth Fund	1,275	3,611	0	0	0	0	0	4,886	3,611	0	
Car Parks - Electrical Vehicle Charging Points	668	531	0	0	0	0	0	1,199	531	0	
One-Fleet EV Charging Point	11	50	150	199	0	0	0	410	399	349	
SALIX Energy Programme	0	0	0	300	300	130	0	730	730	730	

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast								
		Current Year	Firm Programme		Provisional Programme			Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s			
Climate Action Recycling Fund	0	0	0	600	600	600	700	2,500	2,500	2,500
CLIMATE ACTION PROGRAMME TOTAL	1,954	4,192	150	1,099	900	730	700	9,725	7,771	3,579
<u>CORPORATE ESTATE CONDITION (Non-School) PROGRAMMES</u>										
Minor Works Programme	0	430	380	100	0	0	108	1,018	1,018	588
Health & Safety (Non-Schools)	0	800	250	250	250	250	1,250	3,050	3,050	2,250
Defect Liability Programme	7,143	2,500	1,000	1,000	1,657	0	0	13,300	6,157	3,657
Public Sector De-Carbonisation Grant Programme	975	1,425	0	0	0	0	0	2,400	1,425	0
Estate Decarbonisation / Condition Programme	45	200	2,000	1,630	0	0	0	3,875	3,830	3,630
CORPORATE ESTATE CONDITION PROGRAMMES TOTAL	8,163	5,355	3,630	2,980	1,907	250	1,358	23,643	15,480	10,125

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast								
		Current Year	Firm Programme		Provisional Programme			Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s			
<u>INVESTMENT STRATEGY</u>										
Resonance Fund	2,000	2,000	1,000	0	0	0	0	5,000	3,000	1,000
Office Rationalisation & Co-location Programme	0	1,000	1,000	1,700	1,000	0	0	4,700	4,700	3,700
Planning Consents Programme	0	600	500	400	0	0	385	1,885	1,885	1,285
INVESTMENT STRATEGY PROGRAMME TOTAL	2,000	3,600	2,500	2,100	1,000	0	385	11,585	9,585	5,985
<u>WASTE MANAGEMENT PROGRAMME</u>										
Waste Recycling Centre Infrastructure Programme	0	261	823	0	0	0	0	1,084	1,084	823
WASTE MANAGEMENT PROGRAMME TOTAL	0	261	823	0	0	0	0	1,084	1,084	823
Retentions (completed schemes)	0	27	0	0	0	0	253	280	280	253
PROPERTY STRATEGY CAPITAL PROGRAMME EXPENDITURE TOTAL	13,679	15,055	13,403	16,482	6,757	980	2,696	69,052	55,373	40,318

PUPIL PLACES PLAN CAPITAL PROGRAMME

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
Provision of School Places (Basic Need)											
Existing Demographic Pupil Provision (Basic Needs Programme)	941	1,730	2,797	11,940	19,000	14,000	70,804	121,212	120,271	118,541	
Basic Need Programme Completions	0	225	0	0	0	0	1,270	1,495	1,495	1,270	
Wallingford - Expansion by 2FE (ED896)	4,511	2,000	300	124	0	0	0	6,935	2,424	424	
William Morris - Improvements to Support 1FE & Repl Temporary Classrooms (ED951)	1,387	400	63	0	0	0	0	1,850	463	63	
John Watson Secondary (ED934)	1,980	450	50	210	0	0	0	2,690	710	260	
BGN - 2FE Expansion (ED933)	2,011	3,000	2,398	0	0	0	0	7,409	5,398	2,398	
St Nicholas, East Challow (ED959) - Lower age range to 3-11	378	320	44	0	0	0	0	742	364	44	
Radley - Expansion to 1FE (ED936)	1,040	2,200	225	88	0	0	0	3,553	2,513	313	
Glory Farm - Repl Temp (ED970)	0	275	5	0	0	0	0	280	280	5	
Kingfisher Phase 2 - (ED960)	83	1,000	68	0	0	0	0	1,151	1,068	68	

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
Lord Williams, Thame - 1FE (ED954)	883	3,000	2,100	206	0	0	0	6,189	5,306	2,306	
Woodstock - Expansion to 2FE (ED956)	174	600	2,700	432	0	0	0	3,906	3,732	3,132	
Provision of School Places Total	13,388	15,200	10,750	13,000	19,000	14,000	72,074	157,412	144,024	128,824	
<u>Growth Portfolio - New Schools</u>											
Orion (formerly Northfield) Special School - Replacement & Expansion (ED940)	12,414	1,400	19	0	0	0	0	13,833	1,419	19	
Faringdon, Folly View - 2FE Primary School (ED943)	4,529	4,000	1,500	95	0	0	0	10,124	5,595	1,595	
Bicester, Graven Hill - 2FE Primary School (ED919)	154	75	300	471	0	0	0	1,000	846	771	
NE Didcot, Sires Hill - 2FE Primary School (ED929)	649	8,200	3,200	603	0	0	0	12,652	12,003	3,803	
Shrivenham - 1.5FE Primary School (ED945)	534	4,300	5,750	399	0	0	0	10,983	10,449	6,149	
Grove Airfield, St John's - 2FE Primary School No. 1 (ED963)	87	900	1,800	313	0	0	0	3,100	3,013	2,113	
Wallingford - 2FE Primary School (ED930)	174	200	500	5,450	2,396	0	0	8,720	8,546	8,346	
St Edburg's Primary School - Expansion to 3FE (ED955)	128	1,000	11,000	1,128	0	0	0	13,256	13,128	12,128	

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast								
		Current Year	Firm Programme		Provisional Programme			Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s			
Grove Airfield - Secondary School (ED965)	3	0	200	21,427	0	0	0	21,630	21,627	21,627
SEND Free School - Faringdon (ED985)	0	0	275	925	0	0	0	1,200	1,200	1,200
Bloxham Grove SEND Free School (ED986)	0	500	53	0	0	0	0	553	553	53
Heyford New Primary School (ED988)	10	25	100	3,400	468	0	0	4,003	3,993	3,968
Project Development Budget	44	0	0	50	50	50	206	400	356	356
New School Programme Completions	0	200	0	0	0	0	370	570	570	370
Growth Portfolio Total	18,726	20,800	24,697	34,261	2,914	50	576	102,024	83,298	62,498

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
Annual Programmes											
Schools Access Initiative	0	250	200	200	200	200	1,200	2,250	2,250	2,000	
Temporary Classrooms - Replacement & Removal	0	100	200	200	200	200	1,200	2,100	2,100	2,000	
School Structural Maintenance (inc Health & Safety)	0	3,000	6,000	5,576	2,100	2,100	6,450	25,226	25,226	22,226	
Annual Programme Total	0	3,350	6,400	5,976	2,500	2,500	8,850	29,576	29,576	26,226	
Early Years Programmes											
Capacity Building - Early Yrs Entitlement	14	250	250	250	250	250	605	1,869	1,855	1,605	
Early Years Programme Total	14	250	250	250	250	250	605	1,869	1,855	1,605	
Retentions Total	1,408	0	0	0	0	0	517	1,925	517	517	
PUPIL PLACES PLAN CAPITAL PROGRAMME EXPENDITURE TOTAL	33,536	39,600	42,097	53,487	24,664	16,800	82,622	292,806	259,270	219,670	

IT, DIGITAL & INNOVATION STRATEGY CAPITAL PROGRAMME

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
<u>IT, DIGITAL & INNOVATION STRATEGY PROGRAMME</u>											
Children Services - ICT (Phase 1&2)	1,130	2,170	0	0	0	0	0	3,300	2,170	0	
Broadband in Rural Oxfordshire (BiRO)	4,163	711	0	0	0	0	0	4,874	711	0	
Rural Gigabit Hub Site	588	2,500	3,700	1,212	0	0	0	8,000	7,412	4,912	
Digital Infrastructure	564	3,843	1,932	1,400	1,000	750	2,826	12,315	11,751	7,908	
IT, DIGITAL & INNOVATION STRATEGY PROGRAMME EXPENDITURE TOTAL	6,445	9,224	5,632	2,612	1,000	750	2,826	28,489	22,044	12,820	

PASSPORTED FUNDING CAPITAL PROGRAMME

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
THIRD PARTY GROWTH & HOUSING DEAL Local Growth Fund											
LGF - Remaining Projects	4,359	1,656	0	0	0	0	0	6,015	1,656	0	
Getting Building Fund	7,326	1,137	0	0	0	0	0	8,463	1,137	0	
THIRD PARTY GROWTH & HOUSING DEAL TOTAL	11,685	2,793	0	0	0	0	0	14,478	2,793	0	
PASSPORTED FUNDING											
Disabled Facilities Grant											
Disabled Facilities Grant	6,658	6,658	6,658	0	0	0	0	19,974	13,316	6,658	
Public Health											
PHE Wayfinding Grant	0	52	0	0	0	0	0	52	52	0	
Schools Capital											
Devolved Formula Capital	1,129	700	1,100	1,000	650	600	654	5,833	4,704	4,004	
PASSPORTED FUNDING TOTAL	7,787	7,410	7,758	1,000	650	600	654	25,859	18,072	10,662	

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
<u>SPECIALIST HOUSING & FINANCIAL ASSISTANCE</u>											
ECH - New Schemes & Adaptations to Existing Properties	0	250	550	250	250	250	1,750	3,300	3,300	3,050	
Deferred Interest Loans (CSDP)	0	50	50	50	50	50	50	300	300	250	
Loans to Foster/Adoptive Parents	92	50	50	50	50	50	0	342	250	200	
SPECIALIST HOUSING & FINANCIAL ASSISTANCE TOTAL	92	350	650	350	350	350	1,800	3,942	3,850	3,500	
PASSPORT FUNDING PROGRAMME EXPENDITURE TOTAL	19,564	10,553	8,408	1,350	1,000	950	2,454	44,279	24,715	14,162	

VEHICLES & EQUIPMENT CAPITAL PROGRAMME

Project/ Programme Name	Previous Years Actual Expenditure £'000s	Latest Forecast							Total Budget £'000s	Capital Investment Total (excluding previous years) £'000s	Future Capital Investment Total (excluding previous and current years) £'000s
		Current Year	Firm Programme		Provisional Programme						
		2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	2025 / 26 £'000s	2026 / 27 £'000s	up to 2032 / 33 £'000s				
Vehicles & Equipment											
Fire Protective Equipment	0	700	50	0	0	0	0	750	750	50	
F&RS Vehicles replacement	0	800	800	800	800	800	4,800	8,800	8,800	8,000	
RFID Kiosk Replacement (PE43)	0	407	0	0	0	0	0	407	407	0	
Library Furnishing Enhancement Programme (PE41)	0	0	308	0	0	0	0	308	308	308	
VEHICLES & EQUIPMENT PROGRAMME TOTAL	0	1,907	1,158	800	800	800	4,800	10,265	10,265	8,358	
VEHICLES & EQUIPMENT CAPITAL PROGRAMME EXPENDITURE TOTAL	0	1,907	1,158	800	800	800	4,800	10,265	10,265	8,358	