

**OXFORDSHIRE COUNTY COUNCIL**

**THE DRAFT CAPITAL  
STRATEGY  
2012/13 to 2022/23**



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## THE CAPITAL STRATEGY- 2012/13 to 2022/23

### 1. Introduction

1. The Capital Strategy sets out the County Council's capital investment plans and explains how capital investment contributes to the Council's Vision and Priorities. It shows how the Council prioritises, targets and measures the performance of its limited capital resources. It also shows how the Council intends to maximise the value of its investment to support the achievement of its vision and priorities. It provides the framework for determining capital spending plans and the effective use of capital resources.
2. This Capital Strategy, despite the challenging economic and financial environment, emphasises the significant contribution that the capital programme can make in delivering corporate priorities and in bringing benefits for wider communities. It seeks to ensure that resources are used in the most efficient way and they support the Council's objectives most effectively. It sets out a robust, relevant and sustainable financial policy and strategy that aim to get most out of the scarce capital resources over the next five to ten years.

### 2. The Vision for Oxfordshire and Council's Strategic Objectives

3. The Vision for Oxfordshire is set out in the Sustainable Community Strategy, Oxfordshire 2030:

*“By 2030 we want Oxfordshire to be recognised for its economic success, outstanding environment and quality of life; to be a place where everyone can realise their potential, contribute to and benefit from economic prosperity and where people are actively involved in their local communities.”*

4. The County Council has four strategic objectives:
  - better public services,
  - world class economy,
  - healthy and thriving communities, and
  - environment and climate change.There is also the cross-cutting theme of breaking the cycle of deprivation, which focuses on reducing the gap between the most and least affluent, targeting areas where resources are most needed.
5. The County Council manages a significant capital investment portfolio, which addresses the priorities identified within the Asset Strategy, the Corporate Asset Management Plan (CAMP) and the Local Transport Plan (LTP).

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## 3. Delivering Corporate Priorities through Capital Investment in a Challenging Financial Environment

### 3.1. National Picture

#### 3.1.1. Current Economic Conditions

6. Although the national economic policy objective is to achieve strong, sustainable and balanced growth, the UK's economic outlook has worsened given the changing projections for growth for the world economy. The problems surrounding the Eurozone countries make the UK vulnerable to recession. The internal housing market is still slow due to viability issues experienced by developers across the country. Recovery in employment levels could take up to 5 years and it is expected that the move towards a more balanced economy is going to be hard and long.
7. These conditions place a higher demand on public services and significantly affect the level of resources available for capital investment. The Council continues to experience a reduction in the capital receipts profile and delays in the delivery of the disposal programme. In common with other authorities, the Council is also witnessing increasing demands from developers to reassess the need for contributions for infrastructure secured through planning obligations (S106) and to review the terms applied to these contributions.

#### 3.1.2. Local Government Finances

8. The Comprehensive Spending Review (CSR2010) introduced reductions of 28% in real terms to local authority settlements over the review period. Capital funding to local authorities was also reduced by 45%. The cost of borrowing for local authorities increased by nearly 1%. These changes meant that the size of the capital programmes has reduced significantly. The reduction in revenue budget allocations makes it difficult for the Council to increase its prudential borrowing provision significantly. Similarly, the increased cost of revenue financing impacts on the decisions on the level of capital spend. This is because, it affects the value for money assessment of schemes that are being delivered or proposed as part of the implementation of the business strategy.
9. Local Authorities are further challenged *to tighten* their asset management strategies. As a major owner and occupier of property, local authorities are required to justify holding land and buildings and to dispose of assets that are surplus to requirements. This places further pressure on local authorities to sell major assets. At the same time, the reduction in funding and the Big Society agenda are generating pressure for the Council to transfer assets to local community organisations especially where there is a risk that the service will be discontinued without the transfer.
10. On the other hand, the CSR2010 announced a significant devolution of financial control to local authorities and removed ring fencing around many resources. The Government is planning to roll out the community budget model across the country as a way of bringing

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different national and local funding strands together into a single local funding pot in order to enable various different agencies to work together. This approach brings further flexibility to the use of resources and helps deliver services more cheaply through a joined-up approach in service delivery. It is likely that this model will have an influence on how capital allocations will operate in the near future.

11. The Local Government Resource Review (LGRR) is also underway. The new local government finance system based on relocalising business will substantially replace the current Formula Grant allocations. It aims to give local authorities the ability and incentives to increase economic development in their areas. Authorities are being encouraged to pool and align funding to tackle difficult cross-cutting issues within an area, to improve the coordination of development and to deliver better outcomes. A number of new financial instruments and tools for infrastructure financing are currently being introduced by the national government. The common feature of these instruments is their link with future income streams or underlying assets that necessarily require long-term capital investment planning. These new instruments combined with the introduction of a “general power of competence” will significantly change the funding composition of the Council’s medium to long-term capital investment plan.

### 3.2. Local Picture

#### 3.2.1. Population

12. The County is facing significant demographic pressures. Oxfordshire's population was around 635,500 in 2008 and 648,000 in 2010. It is the most rural county in the South East region; almost 40% of Oxfordshire's population lives in rural areas, a similar proportion lives in or around the market towns<sup>1</sup>, whilst one quarter of the county's population lives in the City of Oxford. The population is ageing with substantial recent growth in the number of people aged 85 and over.
13. It is forecast that Oxfordshire’s population could grow to 675,000 by 2018.<sup>2</sup> There could be 736,500 people living in the county by 2033, 16% more than in 2008. The number of very elderly people (85 years plus) is expected to increase by almost 40% by 2018, and to more than double by 2033 with one in four requiring intensive support from the social and health care system. It is expected that there will be an increase in the number of clients with learning disabilities as well as an increase in this client group’s life expectancy. In addition, the increase in fertility rates in the existing population residing in existing housing will lead to an increase in the number of children requiring school places. This will result in an erosion of existing and forecast spare capacity in many primary schools and in time, secondary schools.

#### 3.2.2. Economic Development and Housing Growth

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<sup>1</sup> This includes all wards for Banbury, Bicester, Kidlington, Didcot (+hagbourne and Harwell wards), Henley, Thame, Wallingford (North and Cholsey and Wall. South), Abingdon, Wantage, Grove, Faringdon, Carterton, Chipping Norton and Witney). The ward figures are taken from the 2009 ONS mid-year estimates.

<sup>2</sup> Office for National Statistics, 2008 based Sub-national Population Projections. May 2010

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14. The Council and its partners have successfully delivered the Local Investment Plan (LIP) and established a Local Enterprise Partnership (LEP) for Oxfordshire. They also work together to deliver the first Strategic Infrastructure Framework for the County. Both the LIP and the LEP identify a number of spatial priorities for the next five to ten years. These include Science Vale UK (becoming a National Centre of Excellence for Science and Innovation), Bicester (delivering an international exemplar of sustainable development) and Oxford (sustaining a world-class centre of education, research and innovation). They also place “investing in the transport and communications infrastructure” at the heart of the long-term strategy to achieve sustainable economic growth.
  15. Oxfordshire will experience significant housing growth over the next fifteen to twenty years. Growth points have been designated within the county at Oxford and Didcot. Bicester (through the identification of North West Bicester as a location for an Eco-town) and Grove/Wantage are other county towns where major housing growth is planned.
  16. Initial analysis of long-term infrastructure implications of future growth shows that significant investment in schools and transport infrastructure will be required. In addition, considerable investment in extra care housing, community facilities, green infrastructure and recreational resources is needed. It is not yet clear what scale of investment will be required by our partners responsible for health and utilities infrastructure.
  17. As is the case for all Spatial Planning and Infrastructure Partnership partners, the Council faces challenges in managing this growth in a way that both meets economic, housing and regeneration pressures and provides sufficient infrastructure. The increased housing development, population growth and aging profile create demands both for infrastructure investment and better quality public services, while at the same time there is a significant reduction in the available capital funding at national and local level. Other major considerations include the protection of the environment and responding to the challenges of sustainability.
  18. In this context, the Council needs to balance the considerable investment needed in infrastructure to meet the pressures on essential services such as schools, highways and transport, waste and extra-care housing provision with the need to make significant savings through the implementation of the new asset strategy. One of the key challenges in the medium term therefore is to make best use of limited resources to fund, forward plan and implement growth effectively.

### 3.2.3. Standard of Living

19. Oxfordshire is a diverse and changing county with Areas of Outstanding Natural Beauty, the green belt and areas of significant housing and commercial development. It has a modern and prosperous economy, which demands a highly skilled workforce and well-developed infrastructure. Many residents enjoy a high standard of living and a good quality of life, supported by high quality County Council services.
20. There is, however, a significant shortage of affordable housing across Oxfordshire and pockets of relative deprivation where residents have lower wages and low skills. In these areas there is poor housing, young people do not fulfil their potential at school and older people have

poorer health than most. These pockets of the county's population derive little benefit from its economic success.

21. One of the key aspects of the County Council's corporate plan is to narrow the gap between the most disadvantaged people and communities. The overall challenge is to reduce inequalities and break the cycle of deprivation by addressing the regeneration needs of disadvantaged groups and communities.

### 3.3. County Council's Infrastructure and Asset Base

22. The County Council has a wide range of infrastructure and property assets including schools, offices, highways depots, roads, bridges, park and ride sites, waste recycling centres and county farms. The Council's capital assets were valued at £1,516.4m in the 2010/11 Statement of Accounts. The summary of the balance sheet is set out in the table below.

Category	Net Book Value
	£m
Intangible Assets	3.5
Land & Buildings	1,088.7
Assets Under Construction	22.3
Surplus Assets	1.7
Vehicles & Plant	83.1
Infrastructure	311.3
Investment Properties	4.8
Assets Held for Sale	1.0
<b>TOTAL</b>	<b>1,516.4</b>

23. This total excludes roads and bridges. It is estimated that the depreciated replacement cost for highways assets is £4.9bn, £4.3bn of which relates to carriageways.

#### 3.3.1. Non-Schools Property Infrastructure

24. The new Property Asset Strategy (2012/26) brings significant change to the way the Council's assets are managed. This is a necessary response to the business efficiency agenda, growth pressures, sustainability and environmental drivers and new work patterns. The Council's Asset Policy Objectives are set out below.

<b>Objective 1</b>	Aim to reduce the size of the property portfolio by 25%, contributing to MTFP savings targets
<b>Objective 2</b>	Change the portfolio to support and enable locality working
<b>Objective 3</b>	Increase co-location of services and sharing with partners and community organisations to improve service delivery and reduce costs
<b>Objective 4</b>	Put in place property that is fit for purpose and supports corporate priorities and service business model
<b>Objective 5</b>	Reduce energy consumption and avoid or reduce tax liabilities

25. The Council's Asset Management Plan reports a £77m repair and maintenance backlog. Only 45% of the overall asset portfolio, composed of approximately 830 properties, is fit for purpose. The Plan includes a number of new asset programmes which require up-front investment where the scale of investment and the pay-back period are currently uncertain. The medium to long term vision for the office estate is likely to involve further consolidation. The challenge is to reduce the size of the portfolio and reconfigure it in a way that is strategically driven, affordable and enables and facilitates service change. In addition, the ownership composition of the portfolio presents challenges in terms of benefit realisations and timely delivery.

### 3.3.2. Schools Infrastructure

26. One of the key investment challenges for the Council is the rapid and substantial growth in demand for primary school places forecast over the period 2011/12 – 2016/17 in Oxford City, Witney, Wantage and Henley in particular. Although, there remain surplus school places across the secondary schools estate, a general demand for secondary places is likely to emerge from 2015/16 onwards given earlier pressures in some areas due to the mis-match between available places and the demand pattern.

27. The Council, working with the schools, the Schools Forum and other partners, is committed to improving educational attainment and to deliver a consistently high standard of outcomes for students. However, this improvement agenda is going to be delivered in a different way given that revenue funding reductions will have an impact on matters related to schools' improvement and organisation.

28. The future shape of the education sector is still uncertain as the policy framework continues to evolve and a new market develops. Free Schools and Academies<sup>3</sup> proposals will influence the Council's strategy around how investment is shaped across the schools' estate in the medium to long-term. Over the coming years, the Council will shift away from being the direct provider of education towards being a commissioner.

29. There will be new models of school organisation including the creation of more federations, trusts and academies and other arrangements that generate greater collaboration between

<sup>3</sup> The Academies Act 2010 indicates that liability of principal or interest on debt cannot be transferred to academies. This means that the Council's level of debt will remain the same irrespective of the number of schools that convert to Academies. However its asset value will decrease.



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early years, primary, secondary and post-16 providers. These models will be encouraged as a means of improving the educational experience of children and young people. These changes to school organisations are likely to have an impact on the required school infrastructure and lead to the use of available capital funding to support more collaborative working among schools and other education partners.

30. It is difficult to predict the changes to future years' local government finance settlements for local authorities in this area given the ongoing education capital review. However, the Education White Paper clearly states that national priorities are to address the poor condition of the existing schools estate and to provide sufficient places to meet the predicted increase in the number of school age children. The Council intends to use the majority of this allocation to address the basic needs pressure. It will also use the additional resources arising from the recent change in the distribution of capital resources between local authorities and schools. These resources are primarily used to address needs with respect to the condition of the schools' infrastructure with a strong emphasis on and alignment to the Health & Safety, Energy Reduction and Basic Needs Programmes.

### **3.3.3. Transport Infrastructure**

31. The Council has a statutory responsibility to maintain the transport infrastructure in a safe condition. The Transport Asset Management Plan identifies the need to develop a more detailed network hierarchy for maintenance given that the current investment level is only sufficient to manage a decline in the condition of the infrastructure. Reductions in capital funding will add to the existing maintenance backlog and there will be a consequential increase in the demand for reactive maintenance and in the cost of repairs.
32. The Council also aims to create an efficient and effective highway network, maximising access to education, employment and other services, reducing congestion, carbon emissions and other environmental impacts, and supporting growth and development. The Local Transport Plan (2011/30) stresses that a substantial level of investment in transport infrastructure and services is needed to support the new developments planned in local development frameworks. It identifies major packages of transport investment to support growth and development at Science Vale UK and Eco-Bicester, along with several other major development locations.
33. The significant level of cuts in capital settlements means that the majority of the funding will be used for structural maintenance schemes for the foreseeable future. The reduced availability of other capital funding places increased importance on using developer contributions to help deliver the highest priority needs while taking into account the flexibility of the funding. The challenges in this area mean that early delivery will focus on schemes that can be fully funded or are needed to support development sites that are ready to be delivered.
34. In the long term, the strategy needs to focus on the effective use of new financial instruments and frameworks to secure the necessary funding. The government will be consulting on the creation of "Local Transport Consortia". It is proposed that decisions on funding for local transport improvements, including major projects, will be devolved to these new bodies. It is also proposed that each consortium will be made up of "a number of LEPs and their

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constituent local authorities". This initiative will be very important in the future development of the Council's funding strategy for the major transport schemes.

### **3.3.4. Business Strategy Implementation and Service Transformation**

#### *Transforming Adult Social Care*

35. Another key challenge for the Council is to enable the development of extra care housing (ECH) throughout the County. The changes to the HCA's grant regime have significantly reduced the funding envelope for delivering ECH across the sector. These reductions in HCA capital subsidy put local authorities under more pressure to either provide direct capital contribution or free land (or less than best value disposals) in order to meet the need for more affordable housing.
36. The Council targets the provision of 30 units of residential accommodation per annum for adults with physical disabilities. There is an ongoing need for purpose built premises for adults with learning disabilities, and for mental health housing. The Council's strategy in relation to social care for older people also means that health and social care sectors need to work together, both to stop people going into hospital unnecessarily and to provide alternatives to staying in hospital as soon as the patient is medically fit to leave.
37. These service areas are already under pressure from the aging population and housing growth and are further affected by the self-directed support, personalised care/ prevention agendas, and by related major service transition. Programmes are being developed or implemented to provide an increased level and a wide range of support to enable people to remain in the community. This means that these services will also be subject to a comprehensive review of systems and processes to support future working practices. Investment in those systems and processes is likely to be required in the near future.
38. In order to support the promotion of independence and enabling people to live full and successful lives there may need to be further work carried out on local community assets (Health & Wellbeing Centres) in order to provide appropriate facilities to deliver the Council's strategy. This is likely to be a key feature for all client groups. Capital investment may be required in the form of acquisition of land for development or funding to part-fund the build costs or adaptations to an existing property.

#### *Waste Management*

39. Waste Management is continuing to face a period of rapid and radical change on a national level due to European Legislation, government targets, public expectations and the tighter financial environment. The Council is working through the Oxfordshire Waste Partnership to revise the Oxfordshire Joint Municipal Waste Management Strategy in light of our success in diverting waste from landfill and increasing recycling and composting. The Council has recently procured a residual waste treatment contract to direct waste away from landfill and has already secured major private sector investment in new technologies to treat food and garden waste. The success of district council kerbside collection schemes has enabled the Council and its partners to agree a new HWRC strategy and the priority for the future is to ensure that the

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Household Waste Recycling Centres (HWRCs) are well located to close to the largest urban areas whilst minimising the number of facilities. Investment is required to help minimize the impact of increasing landfill tax, deliver revenues savings and ensure that our HWRC network remains fit for purpose.

### *Youth Services*

40. The approach to the delivery of non-statutory youth services to young people has changed significantly. There is a shift towards funding more targeted youth support rather than universal services in all areas. This more streamlined service is largely managed through the Early Intervention teams delivered in seven hubs and through a small number of satellite centres; located mainly in centres of higher need and deprivation, with an outreach aspect to areas further afield. The Council seeks to facilitate community led solutions in areas where it is no longer funding provision. Each community has the opportunity to deliver individually tailored services which may or may not involve council assets.

### *Library Services*

41. Another key area of service transformation is Libraries. The Council is currently looking for new ways of developing sustainable local library services based on a model of provision which focuses on the reading, learning and information needs of customers, now and in the future. The delivery of this new model involves the provision of library hubs in the main town and key rural areas, using technology to modernise the service, exploring commercial or community partnering opportunities and delivering mobile or community based services from existing or alternative community buildings such as children's centres, community centres, schools, and health centres.

### *Broadband Infrastructure*

42. Significantly improving broadband infrastructure and therefore speeds in rural areas will contribute to the achievement of corporate and service priorities. The Council aims to ensure the development, availability and the use of affordable, accessible and appropriate superfast<sup>4</sup> broadband infrastructure to 90% of premises in Oxfordshire by 2015. This will ensure that Oxfordshire becomes a digitally inclusive county with residents and businesses able to access and use broadband and other digital media for a range of purposes. The Council has recently been allocated £3.86m to support the deployment of superfast broadband in the county.

### *Fire & Rescue Service*

43. The key investment priority for the service is to achieve a resilient command and control facility with increased efficiency and reduced long-term costs. The Council aims to maximise the use of technology to improve both functionality and capacity, and to create efficiencies through a collaborative approach. The Council is also exploring opportunities for re-providing relatively older fire stations and addressing the increasing demand on infrastructure based on the changing demographics and projected housing growth.

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<sup>4</sup> The superfast broadband is defined as speeds of at least 24Mbps.

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### 3.3.5. Energy Consumption, Environmental Sustainability and Climate Change

44. The Council started to develop and implement its long-term strategy early to address its carbon emissions through the Carbon Management Programme. It is investing in improvements to street lighting and energy conservation schemes across the county. The driver for change has been crystallised through changes to the Carbon Reduction Commitment scheme announced in the Spending Review 2010 changing it from a trading scheme to a straightforward tax on energy consumption, and the immediate and forecast increase in the cost of energy consumption. A new delivery model that will embed energy efficiency and resilience to external markets across the Council is emerging in response to these drivers.
45. It is clear from the initial analysis that achieving a level of reduction which will eliminate a possible additional tax pressure and increased costs for the Council will require further investment in the Council's assets and activities that result in increased carbon emission (property, street lighting, travel and waste). The enlarged programme is likely to focus in particular on improving the performance of the property portfolio and the street lighting infrastructure. The Council is also to working with the Schools Forum to devise a funding strategy for the further expansion of this programme to the schools estate.
46. Another fundamental challenge is to deliver infrastructure that is resilient and responds effectively to the challenges of climate change through the sustainable design and construction of new developments. The Council is committed to enhancing the environmental sustainability of building infrastructure by achieving as a minimum the BREEAM (Very Good) Standard for its new-build portfolio. It is also committed to improving the environmental performance of its existing infrastructure through investing in innovative solutions that will reduce energy use, water use, and waste, improve energy efficiency, increase the proportion of energy generated from renewables and minimise environmental pollution or the likelihood and impact of flooding.

## 4. Capital Strategy - Use of Capital Resources

47. It is of the utmost importance that the Council's limited capital resources are managed effectively given the picture described above. Also of utmost importance is the task of successfully managing the Council's assets and infrastructure base, and managing growth and developing related infrastructure provision in timely manner.
48. The Council ensures its effectiveness in this area by
- Allocating capital resources in line with corporate objectives and priorities and considering what outcomes can be achieved by a particular project and how effectively it uses corporate capital resources;
  - Using capital resources prudently and flexibly in line with the agreed capital funding strategies to ensure their affordability, longevity and sustainability;
  - Providing contingencies across the capital programme to manage the resources pressure arising from housing growth and uncertainties related to ongoing service transformations.

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## **4.1. Central Government Settlements**

49. The Council is committed to achieving more flexible use of settlement allocations. This flexibility is key to achieving the most effective use of capital resources and key to generating efficiency savings for local areas by increasing the potential for multi agency working. In order to achieve this, all capital programmes have been brought together and the overall capital programme is now owned corporately. The determination of priorities for the overall capital programmes is very transparent and broad member engagement is at the heart of the decision-making process.
50. Where formulaic allocations and grants are issued as “not ring-fenced”, the Council uses the opportunity to allocate these resources in line with the Council’s priorities based on this capital strategy and the underpinning asset management plans. The residual amount of ring-fenced or earmarked funding received from central government in the form of grant and borrowing approval continue to be used for the purposes for which it is issued.
51. The Council is also looking for opportunities to use some strategic programme allocations in more flexible ways where local needs/pressures also represent a national issue. In this context, the Council has been successful in using all of the formulaic basic needs settlement and other resources from the schools capital funding to respond to the increasing demand for school places due to changes in demography and parental choice. However, the Council recognises that such flexibility is and always will be within the discretion of the funding body and will continue to work with the relevant government departments to look for such opportunities for further flexibility. In particular, the Council considers pursuing this approach as an important part of its strategic response to meeting and containing demographic pressures.
52. The Council is also critically observing the impact of community based budgeting on central government allocations. It is observing how strategic programmes and settlement allowances and their future operation will be influenced by this agenda. It is likely that this approach will enable the Council to progress with its own localities investment agenda subject to the scale and timing of the forthcoming funding provision.

## **4.2. Usable Capital Receipts**

53. Council policy is to treat capital receipts as a thoroughly corporate resource, not automatically allowing the originating service to utilise them. The Council seeks to maximise capital receipts from the disposal of surplus land and buildings, unless another option gives greater overall benefit. This approach will stay firmly in place while it is likely that there will be increased pressure to sell major assets and reduce the size of the property portfolio.
54. Although services can still make a case for the replacement of an asset, the Council, in principle, does not support the ring-fencing of capital receipts for the re-provision of assets. This is due to the fact that the Council’s Business Strategy requires a rationalisation of the asset base to help deliver the targeted level of savings in the Business Strategy between 2010/11 and 2014/15. This is in order to

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- encourage a case to be made for joint proposals, where the use of assets benefits more than one service area;
  - influence and challenge, in a firm manner, business cases for service re-provision based on ring-fenced capital receipt funding;

55. The Capital Investment Board will continue to consider each case on its merits. This is particularly important when current economic conditions do not favour the disposal of assets and proposals based on ring-fencing assets on an individual basis are likely to have viability and cash flow problems from the start.

56. The new asset strategy determines the detailed policies around disposal of the Council's property assets, including school buildings.<sup>5</sup> As the Big Society agenda redefines the state's relationship with communities and looks for ways of empowering communities to be independent and self-sufficient. The Council also needs to think about how it can leverage and direct its capital assets to communities. Whilst the Council supports this approach in principle, its challenge in this area is to design ownership vehicles that can ensure sustainable solutions and take into account current liabilities. The Council will work with its partners to develop mutually beneficial and sustainable solutions by undertaking 'joined up' reviews of assets, by assessing how proposals meet local needs and generate value for those communities and by analysing any associated risks.

### 4.3. Prudential Borrowing

57. The Council has established a strong links between the use of prudential guidelines and the delivery of its Business Strategy. It is currently using funding under prudential guidelines for two categories of expenditure:

- capital investment which will result in future revenue savings; the cost of borrowing is met from these savings by services. Examples include Energy Conservation and the ECH programmes. In such cases, the specific prudential borrowing provision is considered as ring-fenced subject to the end of year financing strategy.
- capital investment where the Council has a significant unmet capital need; a decision can be taken for capital investment to be funded by borrowing. In such circumstances, the borrowing is repaid corporately from revenue over a number of years and therefore treated as a thoroughly corporate resource.

58. The Council's policy is to utilise unsupported borrowing to finance capital investment where there is a clear proven need and where this borrowing does not result in unacceptable increases in Council Tax levels. Currently, under prudential guidelines, the revenue implications of every initiative are taken into account when estimating affordability of these proposals. As part of its medium term planning process the Council also evaluates the relative merits of funding revenue or funding capital proposals. In the case of capital proposals it

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<sup>5</sup> The overall details of the policy may be affected by the Land Transfer Scheme Regulations. Local authority owned land that is no longer used for maintained schools to be transferred for the use of an Academy or Free School. The Secretary of State has the power to transfer the land if it is required from a local authority if that land has been used for the purposes of a maintained school in the last 8 years. If the local authority is already using the land for another purpose, the land can still be transferred.

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ensures that there is on-going revenue funding available to meet the impact of any additional borrowing requirements.

59. The Council also uses prudential borrowing as part of its strategic response to meet and contain demographic pressures. In 2008/09, The Council approved £25m additional prudential borrowing to respond to the investment need in services not receiving capital settlement from central government. This was to ensure that the Council was able to strike a better balance between those needs arising from changing service priorities and those arising from changes/shifts in the demographic picture.
60. The Council may also take up additional borrowing to replace low capital receipts or to deal with the timing issues in funding infrastructure. Although interest rates are low at the moment, this option would still mean an increase in revenue costs from paying interest on the additional loans. Additionally, interest rates are likely to rise in the medium to long term. Therefore, a prudent strategy for increased prudential borrowing on an invest-to-save basis is currently being employed to deal with the immediate pressures on capital resources.

#### **4.4. External Funding and Project Specific Grants**

61. The Council will try wherever possible to influence investment through the targeted use of its limited capital resources to lever in other investment to meet its objectives. However, the Council is clear that projects that may bring in further investment will only be supported if they meet the Council's priorities and objectives.
62. Once secured, the Council uses these external resources for the purposes for which they are issued as per the guidance and conditions determined by funding providers. The Council also evaluates long-term implications of accepting any external funding provision, in particular on its revenue budget and allows such projects to proceed only if they are affordable and demonstrate value for money.
63. The Council has benefited from this approach by securing approval for £5m Local Sustainable Transport Fund (LSTF) from the Department for Transport and approval for its Local Investment Plan (LIP) from the Homes and Communities Agency. The secured LSTF, with £3 million match funding from the Council, covers the extension to Thornhill Park and Ride car park, an extension to the London Road bus lane to Green Road Roundabout, pump-priming new bus services, improving conditions for cyclists, pedestrians and bus users between Thornhill and the hospitals, and promoting travel choices.
64. The Council will build on these successes and use its considerable experience in aligning funding streams and strategic programmes to meet its priorities in the context of its Capital Strategy. The Council also enhances this strategy by working within the context of the LIP and the LEP to align available funding streams further in relation to economic development and housing growth, including those from partner organisations at local, sub-regional, regional and national levels. The Council employs this approach to ensure that funding is generated for the longevity of the capital strategy and the capital programme and makes maximum impact.

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## 4.5. Funding Growth and Developer Contributions

65. The Council is proactive in ensuring, as far as possible, that all additional capital investment needs arising from new developments are funded from developer contributions. It has benefited from its good track record of effectively identifying infrastructure needs arising from new developments and securing developer contributions to enable required infrastructure delivery.
66. However, developer contributions historically have not been able to fund all new infrastructure requirements and the scale of infrastructure provision needed to respond to the described level of growth requires a different approach to capital investment planning and a stronger emphasis on funding infrastructure. In addition, the range of contributions now sought from development has broadened, meaning that less money is available for more 'traditional' contributions such as schools and transport.
67. Due to the effect of current economic conditions on developer contributions, several issues have become critical when managing the scale of growth facing Oxfordshire:
- Maintaining the viability of development proposals due to the reduction in land values;
  - The funding implications of providing infrastructure up-front due to timing issues;
  - Securing central government funding for some of the major infrastructure requirements;
  - Being prepared to deal with uncertainties around the exact cost of infrastructure provision when the development takes place;
  - Identifying the wider impacts of ad hoc or small scale developments and securing reasonable contributions from them;
68. In order to address these issues, the Council has established stronger links between the infrastructure planning and the asset management planning processes through the effective use of section 106 agreements. This approach ensures that future community assets are affordable and sustainable in the long term. The Council also continuously looks for opportunities to deliver capital projects using external funding not necessarily related to development.<sup>6</sup> e.g. Looking at where key private sector beneficiaries could contribute to the capital funding of schemes.

### 4.5.1. The Community Infrastructure Levy (CIL)

69. The Government has also introduced a new tariff based mechanism to give local authorities extra resources to invest in vital facilities, public services and social infrastructure and to give developers greater certainty about their role and contribution. The introduction of CIL within Oxfordshire should deliver an income stream toward infrastructure potentially more predictable than the current arrangements. Although the CIL aims to bring much needed flexibility to the use of contributions from developers, it is still not clear what the tariff/ levy income can be spent on, how it will be apportioned, how it will be transferred from charging bodies to infrastructure delivery organisations, and how it will affect the future of the S106 agreements. Hence, the coalition government's response to concerns raised by county councils across the UK will be critical in determining the future capital strategy implications of this new funding

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<sup>6</sup> The example here is Sainsbury's funding the £2m junction upgrade at Heyford Hill.



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mechanism. The Council is working closely with the charging authorities to ensure smooth transition to this new mechanism.

70. The use of these funding streams is expected to unblock stalled developments to some degree. The Council is also looking into more sustainable and long-term funding models to manage the growth agenda effectively and deliver the related infrastructure in a timely manner. The Council therefore considers the new financial incentives and funding mechanisms introduced by the Government for local economic growth and housing development as an integral part of its long-term capital strategy.

### **4.5.2. Funding Streams for Local Economic Growth & Housing Development**

71. The Government has introduced a number of financial measures in order to provide incentives for local authorities to deliver sustainable economic growth. The Council is committed to obtaining as much investment as possible for Oxfordshire through the effective use of these new instruments where they prove to be affordable and value for money. The Council will work with its partners to channel a level of funding that will help establish a 21<sup>st</sup> Century economic infrastructure and bring increased competitiveness to Oxfordshire.
72. The Council works closely with district councils, the private sector and other partners to take advantage of all available funding streams. The application for Oxfordshire's share of the Eco-Town Pilots Support Funding (£11 to £13 million)<sup>7</sup> has been successful. The Council and its partners are also aiming to benefit from the new Growing Places Fund and the Regional Growth Fund<sup>8</sup> to support the delivery of infrastructure in growth areas. As one of the key public sector players in Oxfordshire, the County Council seeks to use these funding streams to establish a better balance between public and private investment, to generate sustainable employment growth and to address infrastructure bottlenecks.
73. The Government is considering more radical financial options to enable local authorities to retain locally raised business rates in the context of the Local Government Resources Review. The Business Increase Bonus Scheme will enable the Council to keep, up to a "certain level", the increase in business rates for a period of six years where the growth in business rates yield exceeds a "certain threshold". This is a clear incentive to seek long-term sustainable growth in the business rate base. It is currently difficult to estimate the benefits from these schemes in terms of raising capital funding without more knowledge of how they will be implemented and how much of the funding will be directed to support Oxfordshire's economic infrastructure and asset base through local arrangements.

### **4.5.3. The Local Enterprise Zone- Science Vale UK**

74. The Oxfordshire LEP has been successful in securing approval for the Science Vale UK Enterprise Zone. This is developed as a joint initiative between leading hi-tech and research

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<sup>7</sup> £60m start-up funding for local infrastructure relating to eco-towns.

<sup>8</sup>The Regional Growth Fund has increased to £1.4bn (£580m capital) with no ring fencing. The fund will run from April 2011 until April 2014 with the minimum thresholds for bids being set at £1m.

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organisations in South Oxfordshire and local authorities with the single ambition of being globally competitive to the benefit of Oxfordshire and the UK.

75. The Zone will provide 200,000 square meters of development delivered by the private sector by 2015. It is expected to bring in around 8,400 high-tech, high-value-adding jobs and generate up to £10.5m of additional business rates a year. These funds can be directly reinvested into the Oxfordshire economy. New businesses will benefit from over £1bn of business rate discounts over five years, simplified planning procedures and access to super-fast broadband.
76. The Council views the Local Enterprise Zones as a means of stimulating economic growth and innovation, and maintaining the investment in infrastructure in this tight financial environment. It is now working with its partners to agree a mechanism in order to ensure contributions to infrastructure are secured, even where planning permission is unnecessary.

### **4.5.3. The Rolling Fund (to be agreed as part of 2012/13 S&RP Process)**

77. The Council has recently established a forward funding arrangement to enable investment in infrastructure on the back of future funding secured through developer contributions or other funding streams. The Rolling Fund is used as a flexible forward funding mechanism to facilitate the development and timely provision of critical infrastructure that support the delivery of planned growth or development
78. This is a mechanism by which the Council uses initial public money to forward-fund major infrastructure schemes where infrastructure is needed to support the planned development. The cost of infrastructure is then recovered from public and private sector funding streams as they come forward.
79. The Fund is composed of a contribution from flexible developer contributions and the County Council's share of the new homes bonus<sup>9</sup>. It is governed by the Capital Investment Board under the chairmanship of the Leader of the Council. The priorities under this fund will be agreed by the Cabinet based on recommendations by the CIB and within the context of the Infrastructure Framework<sup>10</sup>. The Council will use this system as a complementary mechanism in order to address infrastructure bottlenecks in the County.

## **4.6. Alternative Funding Models to Meet the Investment Challenge**

80. The level of funding available from central government and the private sector is constantly changing and current economic conditions put further constraints on available future infrastructure funding. There are a number of innovative funding options and delivery models available or under development to support infrastructure delivery.

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<sup>9</sup> The New Homes Bonus introduced in 2011/12. It funds the additional council tax for six years for each new home or property that is brought back into use after the home is built.

<sup>10</sup> This is currently under development.

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81. The Council therefore aims to use the devolution of power to local authorities and these options and models to address the viability issues regarding new developments and related up-front funding requirements. It acknowledges that these options and models need to be fully evaluated to determine the most appropriate solution based on the nature of the infrastructure need, the scale of the funding gap and the availability of funding sources offered by Central Government. Early analysis indicates that how the Council packages infrastructure investment or regeneration proposals to make them attractive for capital markets will play a critical role in determining its ability to benefit from such incentives. It is also clear that these flexibilities will be a strong base for institutional financing options for the Council in the medium and long-term.
82. The Council is committed to exploring all relevant options in consultation with its partners in delivery to ensure the effective management of its asset portfolio, facilitation of economic development and housing growth and the timely provision of related infrastructure. However, the Council is also aware that a major constraint when employing the instruments listed below in practice is the minimum level of capital that must be raised through their use.

### **4.6.1. Public Private Partnerships (PPP), Private Finance Initiative (PFI) and Local Asset Backed Vehicles (LABVs)**

83. The PPP/PFI funding models are used as long-term contracts between the public sector client and a private sector special purpose vehicle to deliver infrastructure and services in exchange for an annual performance related payment. The Council looks at these models of funding for its major schemes and takes a decision on the merits of each individual case. It has successfully used PPP funding to develop the Oxford Castle site working with the private sector and SEEDA. It has also upgraded homes for older people in partnership with the Order of St John.
84. The Council's policy regarding the PFI funding model has always been to carry out a full and robust assessment of its long-term implications to determine value for money for the Council. This is due to the fact that while this model works well in many circumstances, it has not been found appropriate in financial terms. In line with this policy, the Council has fully investigated PFI options but has not so far decided it has been appropriate for any scheme. However, the Council is still working on employing similar models when they are suitable for its objectives. The Council recently procured a residual waste treatment contract that utilises similar principles to a PFI and is based on the Government's standard contract. Similarly, it is planning to work with a private sector partner, selected via a competitive dialogue process, to deliver the infrastructure needed to allow the 28.9% of premises in rural areas to have access to superfast broadband.
85. Following the Spending Review, the Council expects to see more competitive versions of this model, such as competitive or incremental partnerships as the costs of such funding streams are transferred to individual departments at the central government level. It also expects to see a simpler procurement framework that is applicable to shorter-term contracts<sup>11</sup>. Decisions in relation to this funding stream will be made based on its applicability to the specific

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<sup>11</sup> It is likely that the minimum level of capital investment PFI will be raised from £20m to £50m in order to apply PFI only to the largest infrastructure.

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circumstances or infrastructure requirements following new Treasury guidance. The Council's priority in this area will be to build the right delivery model in order to derive real benefits from capital finance in a partnership environment.

86. Similarly, Local Asset Based Vehicles aim to encourage private sector investment by making regeneration projects appealing on a long-term basis. Current economic conditions and their impact on public finances and land values mean that it is likely that very limited levels of funding from the public and private sector will be available. The use of this funding mechanism will increase in the coming years given the expected increase in asset rationalization by local authorities. The Council continues to work with its partners, in particular District and Town Councils, on key regeneration programmes and evaluate opportunities as they arise in this area.

### 4.6.2. Tax Increment Financing

87. Tax Increment Financing<sup>12</sup> is a mechanism that enables the use of anticipated future increases in tax revenue to finance the current improvements (such as new or improved infrastructure) that are expected to generate those increased revenues. The UK central government is working on introducing new borrowing powers to enable local authorities to carry out TIF. By using TIF, the Council will be able to borrow against future additional increase in their business rate base to fund infrastructure and capital projects. Legislation is needed to introduce this scheme, so it will take at least two years to arrive. Because the TIF model will initially be introduced through a bid-based process, there is also an opportunity for the Council and its partners to assess their current priorities in the LIP in order to derive early benefits from this funding stream where eligible.

### 4.6.3. Local Authority Bonds

88. Local authority bonds are a common feature of local capital finance outside the UK and although they have been legislatively possible for UK local authorities to raise capital in this way, it has not been frequently used. The coalition government is looking into promoting this instrument and making it an attractive alternative to loans from the Public Works Loan Board (PWLB). The Council expects to see more tax incentives to emerge in relation to these bonds in the near future. As the key barrier to bond issuance is issuing bonds on a large enough scale to make them viable, the Council also expects to see new opportunities for collective deals and to package a number of projects at local, regional and sub-regional levels.

## 5. The Capital Programme: Governance, Development & Implementation

### 5.1. Capital Programme

89. The current capital programme for 2011/12 to 2016/17 totals £397m capital investment and covers a wide range of projects. While it is good practice to have a five-year capital programme, the Council recognises that when the external environment is changing rapidly,

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<sup>12</sup> British Property Federation (November 2008): Tax Increment Financing

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the policy framework is evolving and the economic outlook is uncertain, it is important to have a flexible approach to investment decisions. Clearly, significant changes to the resources profile will affect the level of planned investment within the next five to ten years. Therefore, only the first two years of the programme are considered as “the firm capital programme”. The figures for the years 2014/15 onwards are a draft and constitute the “provisional” part of the capital programme.

90. This provisional programme includes some indicative projects where no firm costings or business cases have been produced. As these projects are not part of the firm capital programme, they can only be progressed after a formal approval process has been followed and if funding is available. Consequently, decisions about which projects are brought forward into the firm capital programme rest with the Cabinet. Where there is urgency, projects can be brought forward into the firm programme with the joint approval of the Chief Executive and the Chief Finance Officer after consultation with the Leader of the Council and the Cabinet Member for Finance & Property. Such urgent decisions are then reported to the Cabinet at the earliest opportunity as part of the Financial Monitoring Report.

### 5.2. Governance

91. The Council has the vision of “developing a truly corporate approach to strategic capital investment, infrastructure and asset planning”. It recognises that implementing a high-profile capital governance structure is essential in fulfilling this vision and ensuring success in the capital arena.
92. That is why capital governance arrangements were reviewed in the context of the immediate challenges presented by the infrastructure gap and the growth, total place, co-location and cross service delivery agendas. A new capital governance structure has been in operation since September 2009. The Council established a stronger integration between the capital governance structure and the implementation of its Business Strategy in 2011.
93. The new structure also establishes a strong direct link between the mainstream capital programme and capital investment needs arising from the growth agenda (in particular strategic sites) and from cross-departmental and cross-organisational co-location and joint service delivery initiatives. The key features of this structure are listed below:

#### 5.2.1. The Council & the Cabinet

94. The Council and the Cabinet continue as 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.

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### **5.2.2. The Capital Investment Board (CIB)**

95. The Capital Investment Board is a high-level political platform providing a cross-portfolio approach to and political steer on policy developments, strategic infrastructure development, the use of resources discussion and the growth, co-location and joint service delivery agendas.

### **5.2.3. The Capital & Asset Programme Board (C&APB)**

96. The Capital Programme Board is a strong officer group with a clear remit and function to be the single point of contact in all capital and asset matters across the organisation with clear accountability and a sufficiently high level of authority and decision-making power within the limits of delegated responsibility.

### **5.2.4. The Financial Procedure Rules for Capital**

97. The Council revised its financial procedure rules related to capital following the introduction of the new governance structure. The principle behind these adjustments is ensure that the overall structure is supported by appropriate officer teams operating clear, agreed, open and transparent corporate policies, protocols and procedures.

## **5.3. Capital Programme Development & Implementation**

98. The Council has recently strengthened the development framework for the capital programme. In particular, the Council has taken steps to enhance the strategic alignment of the capital programme with corporate priorities and balance capital investment needs arising from planned growth and the maintenance of the existing portfolio.

99. It has also developed a two-stage approval process for capital resources allocation. If a project is approved at stage 1, it is accepted in principle to the Council's capital programme and allocated a project development budget. This stage is also called "commit to investigate". At stage 2, the project receives full political approval for work to commence and expenditure to be incurred, subject to the budget constraints of the project delivery budget allocation.

### **5.3.1. Principles of Prioritisation and Capital Resource Allocation**

100. The Council's capital programme deals with a wide range of property and other infrastructure asset needs across all service areas. The Council recognises the challenges around making prioritisation decisions when comparing the relative merits of investment into these assets. It therefore agreed a set of principles for prioritising capital investment proposals.

101. The application of these principles ensures that the Council allocates capital resources in line with corporate objectives and priorities and considers what outcomes can be achieved by a particular project and how effectively it uses our very limited corporate capital resources. These principles are integrated into the service and resource planning process.

102. Priority is given to programmes and projects (or proposals) in the following order:

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- **Priority 1:** projects which enable compliance with our legal/ statutory duties including projects which address any infrastructure deficits related to statutory compliance. For projects in this category, there is still a need to justify the cost level.
  - **Priority 2:** projects that generate revenue savings through the delivery of the new business strategy or service transformation proposals. 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. Consideration will also be given to projects which lead to substantial levels of cost avoidance in the future.
  - **Priority 3:** projects where a major proportion (50% or more) of the capital from external sources which will be lost if the project fails to go ahead. Projects in this category are subject to consideration of future revenue requirements.
  - **Priority 4:** projects that contribute to the delivery of a smaller property portfolio through increased co-location or space utilisation or adaptation of new ways of working.
  - **Priority 5:** projects that facilitate economic development and housing growth - in particular in priority localities (Banbury, Bicester, Abingdon, Oxford City, Didcot and Carterton) and the Science Value UK as the new Enterprise Zone.
  - **Priority 6:** projects that address cross-cutting issues, facilitate joint-working with partners or generate new/ additional income;

103. It is not effective to have every individual scheme assessed and prioritised across the Council when they are very low cost relative to other areas of Council capital expenditure. Instead, the cabinet approves a programme level allocation based on the application of the principles outlined above and agrees the relevant assessment and prioritisation methodology for the approved allocation. This enables those schemes below a certain financial threshold value (determined by the financial procedure rules) to be assessed within those approved programmes. The delivery of these programmes would then be determined by the availability of capital funding, either from the Council's capital programme or elsewhere, for a 'block' of these schemes. Schemes above the threshold value and identified as being in line with Council objectives, are assessed as part of the Council's overall capital prioritisation and programming as per the principles listed above.

### 5.3.2. Technical Assessment (Options, Deliverability and Affordability Appraisals)

104. The Council is committed to ensuring that each investment decision represents the best possible use of these limited resources and the best long-term solution for the authority and its citizens a whole. This is critical for the long-term future of the Council's infrastructure base. In order to ensure the wise and responsible use of resources, each investment decision is based on a full consideration of all possible solutions and a full recognition of life cycle cost.

105. The Council employs technical assessment processes for evaluating readiness and value for money of all its capital investment proposals. The agreed principles are:

- Analyse a range of possible solutions at both the option appraisal and feasibility phases of each major capital investment;

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- Base the options appraisal and feasibility study on the life cycle costs of possible solutions, including the discounted cost of future expenditures to determine their affordability;
  - Explore different project delivery models that, where possible, include partnerships, sharing costs with other organisations, obtaining grant contributions or generating revenue income;

106. This approach ensures that investment in assets carries the underlying principle of seeking maximum benefit from the sum invested. The revenue implications of any scheme are considered at both stages of the process. However, more details are provided prior to full political approval being granted.

107. Similar processes are also in place for prioritising and resourcing Highways Maintenance schemes, which are peer reviewed within a value engineering process. The merits of each scheme are assessed in conjunction with condition survey information, build-ability, value for money and environmental factors. A priority list of schemes is developed that addresses Oxfordshire's strategic objectives whilst contributing to improving national road condition indicators

### 5.3.3. Procurement

108. The Council has established collaborative partnerships with both the professional services and construction services supply chains through strategic procurement initiatives. It operates a category management approach to the delivery of its works and services. This approach ensures that the Council can utilise 'best of breed' suppliers to minimise risk and cost as well as delivering a 'right first time' solution.

109. The Council has entered into new contractual arrangements for the delivery of the Transport service and is operating in an integrated organisational structure that is generating a more efficient operation. This integrated partnering contract provides a flexible vehicle for the procurement of professional and mainstream construction services, primarily for transport related projects. It enables the Council to plan the overall resource from inception to delivery on the ground thus smoothing the workflow throughout the year, enabling planning for future years and consequently gaining greater effectiveness and efficiency.

110. The Council's procurement strategy on the property portfolio seeks to align building use and maintenance considerations into the design and construction process where environmental and whole life costs aspects are of key importance. The operational strategy focuses on driving efficiency through procuring programmes of work that will enable economies of scale and better resource management to deliver works to time and budget.

111. The Council aims to achieve further benefits to the delivery of its capital programmes through developing potential synergies through its respective property and highways supply chains. Where commonality between materials, plant, labour and locality exist the Council proactively co-ordinates these supply chains into a cohesive and collaborative programme to deliver additional efficiencies and resilience.



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112. Similarly, the Council, where possible, explores third party delivery models as an alternative ways of securing the provision of required infrastructure arising from new development. These models are seen as a means of realistically securing delivery of major infrastructure.

113. The Council is also engaged with Improvement and Efficiency South East (IESE) in co-ordinating expenditure on a regional basis to drive standardisation and benefit from the resulting economies of scale. This collaborative approach enables the Council to have more leverage over the supply base. The Council can also adopt the Office of Government Commerce (OGC)'s portfolio of framework contracts for both professional services and construction. These collaborative and flexible arrangements with the OGC and IESE are necessary to complement the Council's portfolio so that it is responsive and scalable in today's financial climate. The Council will draw on the experience of its peers in order to deliver a value for money solution if a more specialist vehicle of procurement such as Strategic Partnerships is needed.

### 5.3.4. Partnership Working

114. The Council has a strong vision to create sustainable places by working closely with its partners. It recognises that it can only achieve its objectives through partnership working and is therefore committed to working with public, private, voluntary and community organisations. The Council's approach to infrastructure planning looks to influence and shape the investment decisions at the national level through the provision of leadership in the co-ordination of investment.

115. The Council already has a history of pursuing joint-working and joint-service delivery initiatives for better outcomes for communities and citizens of the County. The Council is currently

- operating a private public partnership with the Oxfordshire Care Partnership (Orders of St John – referred to as OCP/OSJ) to provide residential and nursing care homes for Older People;
- working closely with the Oxfordshire City-Region Enterprise Partnership to improve the alignment of investment across public and private sectors to deliver a shared ambition for economic growth;
- working jointly with its partners and national government to deliver the vision for eco-Bicester, including the proposed NW Bicester ecotown which will provide 5000 new homes and 5000 jobs;
- working in partnership with District Councils in the collection and treatment of waste, including delivering improved recycling and a reduction in landfill;
- working with the Housing and Communities Agency and other partner organisations under the Single Conversation Framework to deliver the Local Investment Plan (LIP) for Oxfordshire. This plan, resulting from Oxfordshire's Single Conversation with the Homes and Communities Agency (HCA), sets out a shared vision and priorities for delivering housing growth, economic development, regeneration, and infrastructure.
- working on the West End Project in partnership with Oxford City Council and other partners. The renaissance of Oxford's West End is the single biggest regeneration project that Oxford has seen for some decades and will shape the city centre experience for a hundred years to come.

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### **5.3.5. Performance Management**

116. The Council agrees a rolling five-year capital programme annually in accordance with its priorities. The capital programme is updated quarterly and its performance is reported monthly to the Cabinet. The Council's use of capital resources indicator was 91% at the end of 2010/11<sup>13</sup>. Although this adjusted use of capital resources in 2010/11 represents a reduction compared to the 2009/10 performance (94%), it is still within the tolerances recommended by best practice.

### **5.4. Provide contingency across the capital programme**

117. The Council's capital budget setting principle is "a balanced position with sufficient level of contingency". A 3% contingency, in line with the audit recommendation, is built into the capital programme planning assumptions in order to respond effectively to unforeseen capital pressures and to accommodate possible changes in the capital resources position supporting the programme. The Capital Investment and Business Development Manager manages this corporately held provision and other contingencies in relation to the capital programme on behalf of the Cabinet and reviews them on a regular basis based on the risks associated with the overall programme.

118. The Council continues to employ an effective year-end financing strategy for its capital programme. The capital financing strategy is aimed at minimising the on-going liabilities to the Council's revenue budget arising from capital investment. The first calls on capital resources are therefore external funding (including S106), grants, supported borrowing, and capital receipts and reserves. The final calls, where necessary, are on unsupported borrowing and revenue contributions.

119. The financing strategy also ensures the effective management of the cashflow of the capital programme. The Council may forward fund externally funded projects using internal funding resources. These internal resources will be replaced when external funding is received. This is particularly relevant for S106 funded schemes

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<sup>13</sup> The Council still maintains the improvement made in the use of resources position compared to 2008/09 (90%) and 2007/08 (82%).