Division(s):N/A

CABINET – 19 JANUARY 2010

SERVICE AND RESOURCE PLANNING 2010/11 – 2014/15

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report is the third in the series on the Service and Resource Planning process for 2010/11 to 2014/15, providing councillors with information on budget issues for 2010/11 and the medium term. It is the final report to Cabinet before Council considers the budget on 9 February 2010. The report sets out the latest information on the Council's financial position, includes the Treasury Management Strategy for 2010/11 and considers the capital funding, including an updated Capital Programme.

2. The Leader and Cabinet Member for Finance has prepared a separate report, circulated alongside this report, which sets out the basis for the Cabinet's budget proposals to Council and Medium Term Financial Plan (MTFP) for 2010/11 to 2014/15. This takes into consideration comments on the draft budget proposals from the individual Scrutiny Committees in December 2009 as well as the latest information on the Council's financial position as outlined in this report. It also takes account of the public consultation on the budget which was undertaken in October 2009, the outcomes of which are set out in an annex to that report.

3. The following annexes are attached:

Annex 1:	Draft Medium Term Financial Plan (MTFP) 2010/11 – 2014/15
Annex 2:	Council Tax (draft)
Annex 3a:	Changes to Identified Pressures and Proposed Savings
Annex 3b:	Revised Schedule of Identified Pressures and Proposed Savings
Annex 4:	One-off Investment Proposals
Annex 5:	Local Authority Business Growth Incentive Reserve (LABGI)
Annex 6a:	Treasury Management Strategy Statement and Annual Investment Strategy for 2010/11
Annex 6b:	Interest Rate Forecasts & Economic Background
Annex 7:	Minimum Revenue Provision Policy Statement for 2010/11
Annex 8:	Prudential Code for Capital Guidelines
Annex 9:	Draft Revenue Budget Booklet
Annex 10:	Virement Rules
Annex 11:	Corporate Asset Management Plan
Annex 12:	Capital Strategy
Annex 13:	Updated Capital Programme 2009/10 – 2014/15

Draft Budget and Medium Term Financial Plan 2010/11 to 2014/15

4. The MTFP covers a five-year period. The plan is rolled forward one year each year. This year, there is an additional year added to include 2014/15. A draft MTFP for 2010/11 to 2014/15 is set out in Annex 1. This includes the latest information on financing available to the Council plus identified pressures and proposed savings contained in the Directorate Business Improvement & Efficiency Strategies and as reflected in the report.

Draft Budget 2010/11

5. The table below sets out the draft budget for 2010/11 as per the MTFP 2009/10 to 2013/14 and shows the latest position for both financing and expenditure. Changes from the MTFP for both 2010/11 and over the medium term are explained in the ensuing paragraphs.

Draft Budget 2010/11	MTFP £m	Sept Report £m	Dec Report £m	Jan Report £m	Change from MTFP £m
Formula Grant	106.3	106.3	106.3	106.3	0
Council Tax Precept (based on a 3.75% increase)	284.0	282.6	284.0	283.9	-0.1
Council Tax surpluses/deficits	0.8	0	0	1.9	1.1
Funding	**391.1**	**388.9**	**390.3**	**392.1**	**1.0**
Base (2009/10 budget)	379.1	379.1	379.1	379.1	0
Adjustment to Base[1]	0	0	0	-0.7	-0.7
Inflation	9.0	9.0	2.2	3.7	-5.3
Function Changes	0	0	0	0	0
Previously Agreed Budget Changes[2]	2.5	2.5	2.5	2.5	0
Identified Pressures[3]	0	6.5	18.6	18.1	18.1
Savings Required[4]	0	-16.2	-20.9	-19.7	-19.7
Savings Carried Forward/One-off investment[5]	0	7.5	8.3	9.0	9.0
Contingency/Sum Available	0.5	0.5	0.5	0.1	-0.4
Expenditure	**391.1**	**388.9**	**390.3**	**392.1**	**1.0**

[1] Ongoing impact of the 2009/10 pay award being lower than budgeted
[2] includes £2.5m of additional efficiency savings to be identified
[3] Excludes use of Collection Fund
[4] Excludes savings on Inflation and use of Contingency
[5] Includes surplus savings and collection fund surplus

Draft Medium Term Plan 2010/11 – 2014/15

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Formula Grant	0	-7.8	-1.1	-1.1	0
Council Tax Precept (based on a 3.75% increase)	-0.1	-4.3	-3.9	-9.6	-1.1
Council Tax surpluses/deficits	1.1	-1.5	0	0	0
Funding	**1.0**	**-13.6**	**-5.0**	**-10.7**	**-1.1**
Base (2009/10 budget)	0	0	0	0	0
Adjustment to Base[6]	-0.7	0	0	0	0
Inflation	-5.3	-2.9	-2.4	2.7	1.4
Function Changes	0	0	0	0	0
Previously Agreed Budget Changes[7]	0	0	0	0	0
Identified Pressures	18.1	7.4	6.8	7.1	7.4
Savings Required	-19.9	-14.9	-16.2	-14.1	-2.4
Savings Carried Forward/One-off investment[8]	9.0	-3.2	6.8	-6.4	-7.5
Contingency/Sum Available	-0.2	0	0	0	0
Expenditure	**1.0**	**-13.6**	**-5.0**	**-10.7**	**-1.1**

Formula Grant

6. Draft formula grant figures for 2010/11 were set out in the report to Cabinet in December 2009. The next Comprehensive Spending Review (CSR) is expected in the autumn of 2010, after the general election, so there will be no information on the level of grant for the three years 2011/12 to 2013/14 until then. The assumptions around the level of grant which were set out in the September report remain unchanged. The expectation is that there will be no

[6] Ongoing impact of the 2009/10 pay award being lower than budgeted
[7] includes £2.5m of additional efficiency savings to be identified
[8] Includes surplus savings and collection fund surplus

increase in grant for the three year period up to 2013/14. Each 1% change in grant equates to approximately £1.1m. Furthermore, as part of the Revenue Support Grant, the Damping grant of £6.7m previously expected in 2010/11 may not be received.

Council Tax

7. The addenda to the December report set out the provisional Taxbase[9] figures from the five District Councils, with final figures to be confirmed once their Councils have agreed them. Although final figures are still not confirmed an amendment to the December figures has been received. Based on these amended provisional figures, Oxfordshire's Taxbase for 2010/11 will be 242,050, an increase of 0.47% from 2009/10. Compared with the December report, the effect of the Taxbase decrease is to decrease the amount of funding available by £0.1m (based on a 3.75% council tax increase set out in the MTFP).

8. The September report also set out further reductions in the taxbase compared with the MTFP for 2011/12 from 0.5% to 0.25%. Even though the increase for 2010/11 is currently 0.47%, a 0.25% increase for 2011/12 is still reasonable. At this time last year, there were a number of new housing developments under construction which are now complete and occupied and reflect the increase for 2010/11. Given there is little evidence of new house build currently, there is unlikely to be any significant increase in the 2011/12 Taxbase.

9. Beyond 2011/12, growth is still assumed to be as per the MTFP, with a 0.75% increase for 2012/13 and 2013/14. For the new year of the MTFP, 2014/15, a 0.75% increase is also assumed.

10. Latest information from the District Councils indicates that the County Council's share of income from collection fund surpluses and shortfalls could be around £1.9m. Whilst £0.8m was assumed in the MTFP, this was revised to zero in September to reflect an expected increase in the amount of bad debts. The amount of surplus or deficit can vary considerably and is affected by assumptions on the percentage of Council Tax which will be collected and also by assumptions on the Taxbase (such as the number of exemptions). Each District Council must formally notify the County Council of its share of any surpluses or shortfalls on the council tax collection funds within seven days of 15 January 2010. Until this information is received the funding available to the authority cannot be finalised. A verbal update will be given at the meeting. Any surplus in income from the collection fund compared to that set out in September will increase the one-off funding available in 2010/11.

[9] The taxbase is the number of banded properties that the council uses to set the council tax. It is the total number of properties in the county weighted by reference to the council tax bands, which range from A to H.

Council tax and precept

11. Annex 2 provides a draft of the council tax and precept calculations on the basis of the current MTFP proposed council tax increase of 3.75%.

Inflation

12. The existing MTFP included inflation at 2.5% for pay, 2% for non-pay, 3% on contracts for each year in the plan. In the September Service & Resource Planning Report the assumptions on inflation were reviewed in light of the very low levels at the time[10]. Projections on inflation have been updated in the Bank of England's Inflation report in November. This set out that inflation is likely to rise more sharply in the next few months in response to continue increases in hard commodity prices (such as oil) and the increase in VAT back to 17.5% from January 2010. CPI is more likely to remain below 2%, rather than exceeding the target in the short term. In approximately two years CPI should reach 1.6%, and surpass the 2% target by 2012. The November CPI figure was 1.8%, with RPI at 0.3%.

13. Reducing the need for inflation provision in the budget and medium term plan reduces costs. The September report set out that a 0.5% increase for both pay and non-pay inflation in 2010/11 would provide savings of £5.5m. A further reduction of inflation provision in 2011/12 to 1.5% for both pay and non-pay inflation would provide further savings of £2.0m. Since then, in the Pre Budget report on 9 December, the Chancellor announced a cap of 1% on all public sector pay settlement increases from 2011 for two years, with the exception for members of the armed forces. Given this statement, it is assumed that the unions are likely to treat this as a minimum as much as a maximum for 2010/11 as well as the two years thereafter. It is prudent therefore to assume that a 0.5% increase in 2010/11 may not be sufficient, but a 1% increase should be.

14. Directorates included inflation savings in their Business Improvement & Efficiency Strategies which were reported to Cabinet in December. Assumptions made were for a 0.5% increase in pay and non pay for 2010/11 and a 1.5% increase for pay and non pay for 2011/12. Contract inflation was assumed to be 1.5% in 2010/11 and 2.5% in 2011/12. Changes from these assumptions are reflected as either pressures or savings within the strategies. The additional 0.5% for pay inflation in 2010/11 (taking the total to 1%) will be held in a reserve pending the pay settlement. There are risks around setting reduced allocations for inflation, although the proposal provides a level for inflation which is deemed reasonable given the current economic outlook. If the outcome of pay or other price increases creates pressures in 2010/11, it will need to be addressed through the monitoring process. For assumptions made beyond then, inflation will need to be monitored and reviewed.

15. There is a possibility that in coming out of the recession, there may be a period of higher inflation. The assumption set out in the September report was

[10] The Consumer Price Index (CPI), the government's measure of inflation was 1.8% in July, with the Retail Price Index (RPI) at -1.4%.

that inflationary increases in 2013/14 and 2014/15 could be above that allowed for in the MTFP.

Identified Pressures and Proposed Savings

16. The Business Improvement & Efficiency Strategies which formed part of the Service & Resource Planning report to Cabinet in December set out the identified pressures and proposed savings for each Directorate. This set out pressures over the medium term, up to 2014/15, of £76.6m with proposed savings of £68.6m. Overall this produced a shortfall in funding over the medium term of £7.4m, assuming that surpluses in 2010/11 and 2012/13 were carried forward to future years to cover or contribute towards the deficits.

17. Information contained in the Addenda to the December report plus other changes set out in this report have resulted in amendments to the identified pressures and proposed savings. An updated summary is set out in the table below.

Year on Year	**2010/11 £m**	**2011/12 £m**	**2012/13 £m**	**2013/14 £m**	**2014/15 £m**	**TOTAL £m**
Total Pressures Identified[11]	19.0	21.0	11.8	20.5	9.9	82.2
Less : Previously agreed but unidentified savings now shown as a pressure		-1.1	-3.1	-3.3		-7.5
NEW PRESSURES	**19.0**	**19.9**	**8.7**	**17.2**	**9.9**	**74.7**
Total Savings Proposed	-28.6	-20.3	-18.6	-14.1	-2.4	-84.0
Less: Savings required in existing MTFP	2.5	2.5				5.0
Less : Previously agreed but unidentified savings now shown as a pressure		1.1	3.1	3.3		7.5
NEW SAVINGS	**-26.1**	**-17.8**	**-15.5**	**-10.8**	**-2.4**	**-71.4**
NET POSITION	**-7.1**	**3.2**	**-6.8**	**6.4**	**7.5**	**3.2**

18. Annex 3a shows the changes since the previous report to identified pressures and proposed savings. Annex 3b represents the financial information included in the Business Improvement & Efficiency Strategies, taking account of the changes which are set out in Annex 3a.

[11] Includes Tax and Grant Funding Pressures

19. The position over the medium term shows a reduced deficit compared to the report in December. This still assumes that surpluses in the intervening years are carried forward to contribute towards the deficits. This position will need to be addressed as part of subsequent years' Service & Resource planning processes.

One-off Funding

Efficiency Savings Reserve

20. At the end of 2008/09 balances were £1.187m higher than planned and as part of the Provisional Outturn report, it was agreed that this would be placed in a new reserve for funding efficiency savings. This has been added to during the year from surplus pay inflation arising from the Green Book and Fire Fighters pay awards, which were agreed at increases lower than provided for in the 2009/10 budget. The reserve now stands at £1.880m.

21. As part of the phasing of the savings within the Service & Resource Planning process in the September report, it was agreed to front load the savings in order to generate one-off funds to allow for investment to deliver efficiencies and ensure that sufficient resources were available for any potential redundancy costs. The table in paragraph 17 shows that £7.1m from additional savings would be available as one-off in 2010/11. It is proposed that the one-off investments in Annex 4 are funded from this sum, and the remainder be added to the Efficiency Savings Reserve.

Collection Fund Surplus

22. In line with the Financial Strategy, one off surpluses from the Collection Fund are to be utilised for one off funding. Paragraph 10 set out the estimated surplus for 2010/11 at £1.9m. The allocation of this sum is also set out in Annex 4.

Local Authority Business Growth Incentive (LABGI) Scheme

23. As part of the budget agreed by Council in February 2009, a specific reserve was created for LABGI funding. Spending plans will be influenced by the recession and will be determined by the work of the Oxfordshire Economic Partnership Economic Task Force. It was agreed in the September report that the payment for 2009/10 would be added to the reserve with proposals for planned use coming forward through the Service & Resource Planning process.

24. The LABGI payment for 2009/10 was confirmed in late September 2009 at £0.439m, £0.239m higher than estimated, and this has been added to the Reserve. Annex 5 sets out proposals for the use of the unallocated parts of the Reserve totalling £0.585m.

Local Area Agreement 1 Reward Grant (LAA1)

25. An audited claim for reward grant was submitted to Communities and Local Government on 1 December 2009. Of the maximum 16 targets, three were partially achieved giving rise to some reward grant and six were achieved in full. Reward from LAA1 is expected at the end of 2009/10 and 2010/11. The total reward grant will be £8.564m. The Public Service Board (PSB) previously agreed that 50% of the Performance Reward Grant (PRG) achieved will be top sliced to support bids for new partnership projects. Bids against this element have been agreed provisionally by the PSB and were evaluated on the basis that the projects; supported the economy or reduced deprivation, particularly in Oxfordshire's most vulnerable communities. The remaining 50% has been agreed to go directly to those partnership boards which have delivered the targets, according to specific formulae for each target. The amount payable to the Council (excluding schools) is £0.643m. All of this relates to achievement of targets where the lead Directorate is Children, Young People & Families. Each instalment will be split equally between capital and revenue grant. The grant expected in each year is therefore £0.321m of which £0.155m is revenue grant.

Use of Reserves and Balances

26. All the Council's reserves which are maintained for specific purposes have been reviewed as part of the Service and Resource planning process but there are no proposals to change the levels held.

27. The Financial Monitoring report (CA7 on the agenda), shows the position on balances at the end of November as £14.1m. The forecast for year-end balance is £12.5m based on the assumption that calls on balances would be £2.0m in 2009/10. Although the calls on balances to date in 2009/10 have been £0.4m, further potential calls have been identified through the Monitoring Report including for ICT, BOP and retained fire-fighters. In addition, further calls are possible if the extreme weather conditions continue in the next few months.

28. The financial strategy states that balances should be maintained at a level commensurate with risk. In the forecast balances over the medium term set out in the current MTFP, it was assumed that the level of balances required to be commensurate with risk was £12.5m up to 2011/12 and £11.5m thereafter. An updated risk assessment has now been undertaken which takes into account 2009/10 financial projections and the risks in the 2010/11 budget. This identified that balances of £12.5m are commensurate with risk. Considering the current economic climate, the level of savings required over the medium term and the future risk around adult social care and waste management, it is prudent to assume that the risk increases across the medium term. It is suggested that the level of balances required beyond 2011/12 increases by £1m each year, with £13.5m for 2012/13 rising to £15.5m by 2014/15.

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Estimated Balances at Start of Year	**19.0**	**12.5**	**12.5**	**12.7**	**13.5**	**14.5**
Budgeted Change in Balances per MTFP	-4.5	2.0	2.2	1.8	2.0	2.0
Planned addition to Balances				1.0	1.0	1.0
Total Balances at Start of Year	**14.5**	**14.5**	**14.7**	**15.5**	**16.5**	**17.5**
Estimated Use of Balances	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0
Estimated Balances at end of year	**12.5**	**12.5**	**12.7**	**13.5**	**14.5**	**15.5**

Treasury Management Strategy and Strategic Measures

29. The Treasury Management Strategy Statement and the Annual Investment Strategy for 2010/11 are set out in Annex 6a.

30. This document complies with the technical requirement of the CIPFA Treasury Management Code of Practice. It sets out, amongst other things the investment strategy for the Council's temporary cashflow surpluses. The strategy continues the previous policy of maintaining security of capital, along with the liquidity of its investments, whilst achieving the optimum return on its investments commensurate with risk. Potential maximum exposure to credit risk is reflected in the Statement of Accounts and is taken into account in the assessment of the level of balances required.

31. The latter half of 2008 saw unprecedented turmoil in the banking sector, with the collapse or takeovers of banks both in the UK and abroad. This has led to significant difficulties in the Treasury Management function, with a restricted number of institutions who meet our minimum criteria for depositing funds. Changes were made to the Strategy in 2008, principally to add the use of nationalised banks, and to extend to the whole portfolio, as a deposit of last resort the use of the Government's Debt Management Office, and the use of internal funds instead of external borrowing where it was in the Council interest to do so. In addition, Council agreed that any changes to the Strategy could be delegated to the Chief Finance Officer in consultation with the Cabinet Member for Finance and leaders of the Opposition and other groups. It is proposed that this practice, but limited to the Opposition and Labour group, is applied to the 2010/11 Treasury Management Strategy and is included in the recommendations below.

32. As previously reported, the Council currently has £5m of deposits frozen in Landsbanki Islands HF. The Council is continuing to work with the LGA, the Government and the administrators to recover these funds, and it is still not possible to say when reimbursement will be made we are remain hopeful that significant recovery will be achieved. The Government has made a regulation

to require local authorities to delay recognising any loss on these deposits that may eventually be incurred until the financial year 2010/11. As a consequence there was no write off of these deposits included in the 2009/10 Budget or 2008/09 Accounts, although the loss of interest on the principal remains reflected in the overall Strategic Measures budget position.

33. Following the review of the Treasury Management Strategy, changes are proposed to the Strategic Measures budget. Areas for the Strategy which impact on the Strategic Measures budget include revised forecasts on the Base Rate and expected returns from deposits, updated cash flow forecasts and long term borrowing requirements. The September report reflected assumptions that there would be pressures arising on Strategic Measures in 2010/11 of £1.5m. The table below sets out the latest assumptions on the Strategic Measures budget compared to that contained in the current MTFP. Within the existing MTFP there are some unallocated sums which have been used in part to reduce the impacts of the Strategic Measure variations over the medium term. The net variation from the MTFP is reflected in the Cross Directorate section of Annex 3b

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Current MTFP	34.7	34.7	35.8	36.5	36.5
Latest Assumption	36.3	35.7	36.8	38.3	39.4
Change from MTFP	1.6	1.0	1.0	1.8	2.9
Use of contingency/sum available		-0.3	-0.3	-1.8	-2.9
Revised change from MTFP	1.6	0.7	0.7	0	0

Minimum Revenue Provision

34. The Minimum Revenue Provision policy statement for 2010/11 is included at Annex 7. Legislation now requires Council to approve a statement of their policy annually before the commencement of the financial year.

Prudential Indicators

35. As part of the Service & Resource Planning process for 2010/11 Council will have to approve a set of Prudential Indicators which show that the Council's prudential borrowing is prudent, affordable and in line with the Council's Treasury Management Strategy. These indicators will be taken to Council for approval in February 2010. Some of these indicators are about the Treasury Management Strategy itself. The remaining indicators are dependant upon the final agreed budget position and cannot be calculated at this time. Annex 8 shows an overview of the Prudential Code and an explanation of the Prudential Indicators.

Draft Budget 2010/11

36. Annex 9 sets out the draft detailed revenue budget for 2010/11 for directorates. The annex shows the movement in gross expenditure and income from 2009/10, showing inflation, function changes, previously agreed budget changes and proposed virements. For illustrative purposes, the annex includes the effects of the identified pressures and proposed savings as set out in Annex 3b. This is not an agreed plan but shows the impact on services if all the proposals are agreed. This will be updated for the Council meeting in February to reflect each proposal made.

Virement scheme

37. The Council is required when approving the budget each year to agree the virement rules. The existing arrangements have been reviewed and are set out for approval at Annex 10.

Capital Programme and Asset Management Plan

The Corporate Asset Management Plan and the Capital Strategy: 2010/11 to 2014/15

38. The Corporate Asset Management Plan has been updated and revised and is attached at Annex 11. It is now a shorter and higher level document acting as a first step to a clearly defined Asset Strategy that is derived from corporate objectives and priorities. It highlights the fact that the Council's property will need to change significantly in terms of its size, composition, use and cost if it is to contribute positively to meeting Council objectives at a time of significant change (Annex 11, paragraph 4). In this context, it introduces five new themes to set out Council's overall approach to property (Annex 11, paragraph 19). It is intended that the Asset Strategy be fully developed by July 2010 and be used in the next round of Service and Resource Planning. It will be a high-level corporate strategy which establishes the role of the Council's assets in meeting strategic objectives and the business efficiency strategy.

39. The Capital Strategy, set out at Annex 12, has also been updated in light of the challenging financial environment. Although, it does not recommend an immediate change to the main policy framework, it makes a thorough assessment of the possible impact of the changing conditions. It demonstrates how the economic recession, demographic changes, housing growth, business efficiency strategies, the total place agenda and state of the local government finances will all have an impact on Council's capital programme in the coming years (Annex 12, paragraphs 7 to 35). It recommends a series of short, medium and long-term measures to be employed in the future in light of the forthcoming Comprehensive Spending Review 2010 (Annex 12, paragraphs 39 to 71). These recommendations propose a more flexible use of capital resources to support the Council's priorities and a stronger focus on long-term infrastructure requirements. The Capital Strategy highlights a number of funding options that will define the

level of available capital resources in the future when developing the long-term capital investment plan for the Council.

The Capital Programme: 2010/11 to 2014/15

40. The Capital Investment Board (CIB) reviewed the existing capital programme and considered a number of new capital bids for inclusion in the capital programme in consultation with the Cabinet (15 December 2009) and the Strategy and Partnership Scrutiny Committee (17 December 2009)[12]. The proposed capital programme, Annex 13 of this report, includes the recommended prioritised list of schemes following this consideration as well as the outcomes from the latest capital monitoring process. The proposed programme also includes schemes that are already included in the MTFP and that are supported by the Directorates' Business Improvement & Efficiency Strategies.

41. The proposed capital programme is a 5-year programme and totals £574.6m[13] capital investment across the county and covers a wide range of projects. It represents approximately £346.7m[14] capital investment in CYP&F (inclusive of the forward plan), £129.3m capital investment in Transport, £47.7m capital investment in S&CS, £32.2m capital investment in Council's Properties (including Waste Recycling Centres), £3.8m capital investment in Community Safety and £5.9m capital investment in Corporate Core.

42. Overall, the proposed programme represents a substantial new investment in waste and carbon management through re-allocations of corporate resources. It also represents significant additional investment in the extra care housing and the homes for older people programmes through use of prudential funding. The programme also succeeds in maintaining the planned level of investment in smaller schemes through use of revenue contributions.

New Additions and Amendments to the Capital Programme

43. The proposed programme includes four new schemes that require corporate resources totalling £4.679m. These are the Waste Recycling Centres Infrastructure Development Programme (£3.514m), the Net Young People Centre (£0.150m), Carbon Management Programme (Property Improvements: £0.465m), Carbon Management Programme (Street Lighting Improvements: £0.550m).

44. Given the reported resources shortfall (£4.502m)[15], in order to allow the inclusion of these new schemes into the programme, a number of lower

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[12] All Chairmen of the Scrutiny Committees were invited to this meeting.
[13] The capital programme report timeframe is to be extended to 7 years (current year + 5 years + provisional year) as part of the February 2010 Update to the Council.
[14] This figure includes £64.1m capital resources devolved to schools and other partners for them to manage directly. Projects solely funded and delivered by Schools & Partners are to be represented and reported under the Schools Capital Table in the Capital Programme separately in order to ensure that the performance of the OCC funded & delivered portfolio is monitored more effectively.
[15] The Financial Monitoring Report 19 January 2010 CA7 on this agenda show how the £5.3m shortfall reported in October 2009 was reduced to £4.502m.

priority schemes totalling (£5.292m) have been taken out of the capital programme or reduced in size. These are

Deleted/ Reduced Allocations	**£m**
Central Library Refurbishment	-0.159
General Library Refurbishment	-0.603
Banbury Day Centre (reported saving)	-0.400
Whole Life Cost Budget	-0.500
Opportunity Purchase Fund	-0.343
Wantage Day Centre	-0.500
Day Service Older People	-0.200
Day Service-Learning Disabilities	-0.150
Rural Day Centres	0.059
Wallingford Fire Station	-2.378
Total	**-5.292**

45. Also, additional resources have been included in the capital resources total by increasing the prudential borrowing provision by £2.6m for schemes already in the capital programme through the Directorates' Business Improvement & Efficiency Strategies; by using revenue contributions of £0.835m from the Waste Reserve and potentially up to £1.5m from the Collection Fund surplus to support the capital programme. The use of the Collection Fund surplus will not be confirmed until Council in February 2010.

46. A further £3m Prudential Borrowing allocation will become available in 2014/15, but it is proposed that this is kept as a contingency given the future uncertainties.

47. There are also a number of projects/ programmes proposed that are to be funded through prudential borrowing (£22.6m), the generation of additional capital receipts (£4.1m), external contributions (£1.1m) and local transport settlements (£1.36m). These projects are highlighted as new entries in the proposed capital programme and have a nil impact on the capital programme surplus.

48. There are also a number of schemes partially funded by external funding (including developer contributions) where cost estimates are based on preliminary calculations rather than feasibility studies. Therefore, an additional sum of £0.880m has been earmarked to prevent a resources pressure within the next two years of the capital programme delivery.

49. The following table shows how the January 2010 Programme Surplus figure has changed following the inclusion of the new capital priorities and new resources, and the other adjustment listed above:

Adjustment to the Capital Programme and Resources Profile	**Revised Capital Programme Position £m**
January 2010 Programme Shortfall	**-4.502**
Add: deleted or reduced allocation	5.292
Add: prudential borrowing provision for the invest-to-save schemes that are already in the capital programme	2.600
Add: Revenue Contribution from Waste Reserve	0.835
Add: Potential Revenue Contribution from Collection Fund Surplus	1.500
Less: new capital priorities requiring corporate resources	-4.679
Less: additional earmarked sums	-0.880
Revised Programme Surplus	**0.166**

Capital Resources, Risks and Provision of Contingencies

50. One of the key challenges for the effective and timely delivery of the proposed programme lies in the delivery of the supporting resources profile. The funding structure of the proposed capital programme relies heavily on external contributions (£263.9m) and central government settlement (£206.4m). The prudential borrowing provision (£54.6m) and income from the asset sales (£33.9m) are only 15.3% of the total capital resources. Given the challenging financial environment, this position increases the risks associated with the delivery of the capital programme.

51. The proposed capital programme shows only a very small surplus of £0.166m at the end of 2014/15. Although the assumptions around the level of supported borrowing and grant settlements remain unchanged for this planning period, the Council is expecting significant reductions in future capital settlements. A reduction of over 30% in government allocations, which is possible, would mean the discontinuation of some critical projects or programmes.

52. It is also recognised that both the surplus and the contingency are subject to the projected level of other resources being achieved across the portfolio, in particular capital receipts and developer contributions.

53. There is already an indication that the Council may need to defer the sale of some of its assets beyond the 5-year horizon given current market conditions. Although, the capital receipts estimate is relatively small over the next five years compared to other resources supporting the capital programme, the likelihood of achieving the project level of receipts is a high risk, although there has been a degree of prudence applied when forecasting the values that are achievable.

54. Finally, there are a number of major programmes which are currently at development stages and may require substantial additional resources. These programmes include Building Schools for the Future, Access to Oxford and proposed new Academies. Contingency provisions are made under the CYP&F and the Transport Capital Programmes to deal with the immediate resources requirement based on the initial financial analysis for these programmes. Work is ongoing to ensure that commitments from partners are secured for the delivery of these programmes.

Information Outstanding

55. There are several areas where information is still provisional and on which assumptions are included in the budget for 2010/11. Once this information is finalised, any changes could have an impact on the budget. In addition to the items already referred to in the report, the final Local Government Finance settlement will not be confirmed until late January 2010.

Overview and advice from the Chief Finance Officer

56. Under Section 25 of the Local Government Act 2003, the Chief Finance Officer is required to report on the robustness of the estimates made in determining the budget requirement and on the adequacy of the proposed financial reserves. This assessment will be included in the report to Council for the Cabinet and the Opposition and other groups' budget proposals in February 2010.

Financial and Legal Implications

57. This report is mostly concerned with finance and the implications are set out in the main body of the report. The Council is required under the Local Government Finance Act 1992 to set a budget requirement for the authority and an amount of council tax. This report provides information on the financial position for the authority forming a basis for those requirements.

RECOMMENDATION

58. **The Cabinet is RECOMMENDED to:**

(a) (in respect of revenue) RECOMMEND Council to approve:
- **(1) a budget for 2010/11 and a medium term plan to 2014/15, based on the proposals set out by the Leader and Cabinet Member for Finance;**
- **(2) a budget requirement for 2010/11;**
- **(3) a precept for 2010/11;**
- **(4) a council tax for band D equivalent properties;**
- **(5) the use of unallocated LABGI funding as set out in Annex 5;**
- **(6) virement arrangements to operate within the approved budget;**

(b) (in respect of treasury management) RECOMMEND Council to approve:
(1) the Treasury Management Strategy Statement ;
(2) Prudential Indicators from April 2010;
(3) that in relation to the 2010/11 strategy any further changes required be delegated to the Chief Finance Officer in consultation with the Leader and Cabinet Member for Finance and leaders of the Opposition and Labour group.

(c) RECOMMEND Council to approve the Minimum Revenue Provision Methodology Statement as set out in paragraphs 10 to 13 of Annex 7.

(d) (in respect of capital) RECOMMEND Council to approve:
(1) the updated Capital Strategy and Corporate Asset Management Plan;
(2) a Capital Programme for 2010/11 to 2014/15;
(3) Prudential Indicators from April 2010.

(e) RECOMMEND Council to delegate authority to the Leader of the Council, following consultation with the Chief Finance Officer, to make appropriate changes to the proposed budget.

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers: Nil

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6 January 2010