Public Document Pack

OXFORDSHIRE COUNTY COUNCIL

Performance Scrutiny Committee
Thursday, 14 January 2021

ADDENDA

3. **Minutes** (Pages 1 - 6)

To approve the minutes of the meeting held on 18 December 2020 (**PSC3**) and to receive information arising from them.

5. **Budget and Business Planning 2021/22: Capital and Investment Report** (Pages 7 - 48)

10:10

Report by the Director for Finance

Note: Section 5.1 to follow on Monday 11 January 2021

The Committee is invited to comment on the Capital & Investment Strategy and supporting strategies included in this report. The Capital & Investment Strategy forms Section 5 of the suite of budget papers that comprise the Business and Budget Planning 2021/22 report considered by Cabinet on 19 January 2021 and Council on 9 February 2021.

The Committee is RECOMMENDED to consider and comment on:

a) The Capital & Investment Strategy (Section 5.1), incorporating
   - **i. The Treasury Management Strategy 2021/22 (Section 5.2)**
   - **ii. The Investment Strategy 2021/22 (Section 5.3)**
   - **iii. The Property Strategy (Section 5.4)**

b) The Draft Capital Programme 2021/22 to 2030/31 (Section 5.5)

c) Changes to the Capital Programme (Section 5.6)

This page is intentionally left blank

PERFORMANCE SCRUTINY COMMITTEE

MINUTES of the meeting held on Friday, 18 December 2020 commencing at 2.00 pm and finishing at 4.45 pm

Present:

Voting Members:	Councillor Liz Brighouse OBE – in the Chair Councillor Jenny Hannaby (Deputy Chairman) Councillor Nick Carter Councillor Tony Ilott Councillor Liz Leffman Councillor Jeannette Matelot Councillor Charles Mathew Councillor Glynis Phillips Councillor Judy Roberts Councillor Michael Waine Councillor Ted Fenton (In place of Councillor Mike Fox-Davies)

Officers:

Whole of meeting	Yvonne Rees, Chief Executive; Ansaf Azhar, Corporate Director of Public Health and Wellbeing; Stephen Chandler, Corporate Director Adults and Housing Services; Kevin Gordon, Corporate Director for Children's Services; Jason Russell, Corporate Director Communities; Claire Taylor, Corporate Director Customers and Organisational Development; Steve Jorden, Corporate Director Commercial Development Assets & Investment; Lorna Baxter, Director of Finance; Colm Ó Caomhánaigh, Committee Officer

The Scrutiny Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with a schedule of addenda tabled at the meeting and agreed as set out below. Copies of the agenda, reports and additional documents are attached to the signed Minutes.

54/20 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Councillor Mike Fox-Davies (substituted by Councillor Ted Fenton).

55/20 DECLARATIONS OF INTEREST - GUIDANCE NOTE ON BACK PAGE OF THE AGENDA

(Agenda No. 2)

The Chairman noted that her daughter worked for Public Health in the Sexual Health section which is referred to in the papers.

56/20 MINUTES
(Agenda No. 3)

The minutes of the meeting held on 12 November 2020 were approved.

57/20 BUDGET PROPOSALS 2021/22 - 2025/26
(Agenda No. 5)

Claire Taylor introduced a presentation with the Corporate Plan update which on this occasion was an annual refresh and not a full review. Councillor Glynis Phillips asked that there be a closer alignment between the Corporate Plan and the budget proposals so that Members could see how the budget was being used to meet the priorities. Claire Taylor agreed to take that point on board for next year's process (**ACTION**).

Lorna Baxter summarised the Planning Assumptions and responded to questions from Members as follows:

- The national pay freeze for those earning over £24,000 had been factored in to the budget.
- The service redesign savings not delivered in 2020/21 due to COVID-19 were itemised under the different service areas.

Adult Services
Stephen Chandler introduced the proposal and responded to Members' questions as follows:

- The trend everywhere was towards a reduction in residential care and COVID-19 had added to this. Many alternatives were available in the home including live-in options should 24-hour support be required.
- The increased funding for mental health in 2022/23 was going into adult mental health services, mostly in the social care housing pathway. It was not aimed at delivering more service but was addressing cost pressures in the contract.
- It was to be expected that there will be an increasing demand for mental health services in the wake of COVID-19 and this may be more likely to impact in 2022/23.
- Home care was more cost-effective than residential care and was often better for the individual. The Council was about to retender for home care and reablement.
- It was to be hoped that reduced costs mean that more people can be supported and supported earlier to stay well for longer.
- Individual reviews of support levels should reduce waste and free up resources for others.

Children's Services
Kevin Gordon summarised the investments, pressures and savings and responded to Members as follows:

- This Council spent more on the administration of SEND than comparable councils. The capacity was there and the extra spend was to improve management oversight. There was also an investment of £400,000 in SEND early intervention for 2021/22 which was deferred from this year's budget.
- The reduction in School Transport spending was not related to cuts in services but involved drawing down only what was expected to be required given population forecasts.
- Plans for a new children's home had not been shelved but were being reviewed to ensure that they met the needs.
- There was an investment of £150,000 in the budget for apprenticeships. The Youth Offer in general will be escalated to provide more support in the wake of the COVID-19 lockdown. Members will be contacted in the new year about a new campaign to encourage local businesses to provide more apprenticeships
- A review of the needs of young people was due in March 2021 and there was a proposed £1m of core funding to finance the proposals from that. Accelerator funding will be used to support existing youth offers especially in the voluntary sector where there are a lot of well-funded and sustainable organisations already doing good work.
- The reduction in management by combining Early Years Teams would not reduce the level of support available for schools, play groups and others.

The Chairman agreed that the new scrutiny committee next year should review School Transport to ensure that the plans are sustainable (**ACTION**).

Public Health
Ansaf Azhar summarised the proposals and responded to Members' questions:

- The NHS pay award impacted on the Council where activities have been commissioned through the NHS. It had been raised nationally that increased government support was needed to finance these greater costs that local authorities incur.
- Public Health experts will still be involved in drawing up procurement contracts under the new procedures but will benefit from the expertise of procurement specialists.
- Domestic Abuse had only just come in under Public Health but they would ensure coordination with other funders such as the Police and Crime Commissioners. The Council's focus will be on prevention and the links with inequality.
- Inequality was everyone's business. The aim was to make savings from commissioned services to invest in a more needs-based approach. Demand was not equal across all communities.
- Discussions had already started with Children's Services on how the extra £1m in the Youth Offer could help to tackle inequality.
- Savings under accident prevention were the result of eliminating duplication with other partners and programmes will continue in this area.

Environment and Place
Jason Russell summarised the proposals under three themes: efficiencies, increasing income and investment. The following were his responses to questions from Members:

- The savings under the street works permit system were partly efficiencies and improvements but were also from extending the scheme which will bring in more income.
- Charges for developers had been reviewed and set at a level to ensure cost recovery while still enabling development.
- Improvements in reactive road maintenance will be tied into improvements with FixMyStreet.
- It was not planned to increase the frequency of drain clearing in general but to focus on problem areas.
- There was increasing demand for 20mph limits but they were difficult to introduce. A trial involving co-design with parish councils was to take place and would be rolled out further, including other community groups where there is no parish council, if successful.
- Civil Parking Enforcement had already been factored into the budget.

Customers, Organisational Development and Resources
Claire Taylor summarised the proposals and responded to questions as follows:

- The savings under ICT came from the implementation of the strategy much of which was delayed this year due to the extra work brought on by COVID-19.
- With regard to the savings in the library book fund, this budget had been historically under-used. A strategy for cultural services was being developed which will include a clear plan for libraries rather than making year-to-year decisions on the budget. It was agreed to circulate the figures for the last ten years to Members of the Committee (**ACTION**).
- The extra spending on HR Resourcing was to provide more business partner support work to deal with challenges there before they become problems. This was for the County Council only – Cherwell District Council had a review some time ago and the policies differ between councils.

Commercial Development, Assets and Investment (including Community Safety)
Steve Jorden gave an overview of the proposals in this area and responded to Members' questions:

- The Joint Use Agreements with leisure centres were across all the districts. It was agreed to circulate a list to Members of the Committee (**ACTION**).
- Under the new directorate management there was a focus on attitudes and behaviours and the importance of the customer to the Council. This will be reflected in any new structures.
- A review of leases the Council pays will be undertaken with a focus on those that cost the most. Future leasing arrangements will be carefully considered as a result of COVID-19 but there was still much uncertainty so this may take some time. Once a clearer picture emerges, decisions will be made on what leases to retain.
- It was agreed that a reduced budget for carbon zero consultancy would still enable the Council to develop its carbon zero aspiration. It was noted that this work had been delayed due to COVID-19 response taking priority.

- The savings identified for HGV enforcement will not impact on effectiveness as a more targeted approach would be taken. The Council worked closely with the police who can issue fixed penalty notices. It was an area that will be reviewed once changes to legislation and were made and new technology made available.

Corporate Measures
Lorna Baxter outlined the savings in this area and responded to questions:

- The savings in insurance followed a change in approach and there is no change in the risk. The insurance reserve fund had been built up over the years and funds had been released into the general fund on an ad hoc basis. In the new approach the Council will take it as an on-going revenue saving.
- The Council's borrowing profile changes regularly and the savings listed were expected to result from the change in profile from last year. Rather than setting aside money for the cost of borrowing the Council was using those funds to pay directly for capital which was cheaper.

Yvonne Rees responded to a question on staffing levels. She stated that the situation was constantly monitored by herself and senior officers to ensure that the Council was appropriately resourced. It had been an extraordinarily difficult year for staff and she thanked Members for the support they had given.

Claire Taylor added that COVID-19 funding had been used to provide additional resources related to demand management for example in the customer contact centre.

The Chairman thanked officers for all their time and energy in getting the budget together. She reminded the meeting that the budget could still change as a result of the consultation or changes in the general financial situation but she would report this Committee's views to the Cabinet.

58/20 WORK PROGRAMME

(Agenda No. 6)

It had been agreed earlier to recommend that the new Committee next year should review School Transport arrangements.

.... in the Chair

Date of signing 20

This page is intentionally left blank

Divisions Affected - All

PERFORMANCE SCRUTINY COMMITTEE
14 JANUARY 2021

Budget & Business Planning 2021/22
Capital & Investment Strategies

Report by Director of Finance

RECOMMENDATION

1. The Committee is RECOMMENDED to consider and comment on:

   a) The Capital & Investment Strategy (Section 5.1), incorporating
      i. The Treasury Management Strategy 2021/22 (Section 5.2)
      ii. The Investment Strategy 2021/22 (Section 5.3)
      iii. The Property Strategy (Section 5.4)

   b) The Draft Capital Programme 2021/22 to 2030/31 (Section 5.5)

   c) Changes to the Capital Programme (Section 5.6)

Executive Summary

2. On 19 January 2021, as part of the Budget and Business Planning Report 2021/22, Cabinet will consider the proposed revenue budget for 2021/22, the Medium Term Financial Strategy to 2025/26 and the Corporate Plan alongside the Capital & Investment Strategy, capital programme and supporting strategies.

3. On 18 December 2020, as part of the Budget Proposals 2021/22 to 2025/26 report, Performance Scrutiny Committee considered the Investments, Pressures and proposed Savings for the revenue budget included in the Public Consultation and the proposed themes for inclusion in the refreshed Corporate Plan. The Committee is now invited to comment on the Capital & Investment Strategy, capital programme and supporting strategies.

4. These comments will be taken into consideration by Cabinet in finalising its budget proposals which will be set out in the report to Cabinet on 19 January 2021.

Introduction

5. Performance Scrutiny Committee is invited to comment on the Capital & Investment Strategy and supporting strategies included in this report. The Capital & Investment Strategy forms Section 5 of the suite of budget papers that comprise the Business and Budget Planning 2021/22 report considered by Cabinet on 19 January 2021 and Council on 9 February 2021.

6. The full suite of Business and Budget Planning papers to Council on 9 February will be comprised of the following sections:

    1. Leader of the Council's Overview
    2. Corporate Plan
    3. Chief Finance Officer's Statutory Report
    4. Revenue Budget Strategy
    5. Capital & Investment Strategy

7. The Budget and Business Planning Report 2021/22 to Cabinet on 19 January 2020 will comprise Sections 2, 4 and 5 and include the proposed revenue budget for 2021/22, the Medium Term Financial Strategy to 2025/26 and the Corporate Plan alongside the Capital & Investment Strategy, capital programme and supporting strategies.

Capital & Investment Strategy

8. The Capital & Investment Strategy is an overarching strategy the brings together the strategies that drive the Capital Programme, the Investment Strategy and the Treasury Management Strategy. The strategy satisfies the requirements as set out Prudential Code for Capital Finance in Local Authorities 2017 for authorities to prepare at least one Investment Strategy containing the disclosures and reporting requirements specified in the guidance each financial year. The Strategy must be approved by full Council.

9. The overarching strategy is supported by the following strategies:

    Strategies that determine the need for and prioritisation of investment through the capital programme:

    (a) Pupil Place Plan
    (b) SEND Sufficiency Plan
    (c) Oxfordshire Infrastructure Strategy (OxIS)
    (d) Highways Asset Management Plan
    (e) ICT Strategy
    (f) Property Strategy (Section 5.4)

    Strategies that support the financing of the programme:

(g) Treasury Management Strategy (Section 5.2)
(h) Property Investment Strategy (Section 5.3)

10. The Treasury Management Strategy and Property Investment Strategy are annual strategies and require approval by Cabinet (19 January 2021) and Council (9 February 2021). The Property Strategy has been reviewed and updated and also requires approval. The strategy sets out the Council's approach to property assets and will guide our priorities for managing and developing our estate over the next 5 years.

11. The Pupil Place Plan and Highways Assets Management Plan will both be updated during 2021/22 for approval as part of the Budget and Business Planning process for 2022/23.

12. The Council's 10 year Capital Programme is derived from the priorities identified in the supporting strategies and sets out the agreed capital investment to deliver those priorities. The programme is refreshed annually and agreed by Council each February. The draft programme for 2021/22 to 2030/31 is attached at Section 5.5. Section 5.6 sets out the proposed changes to the existing Capital Programme.

13. The following annexes are attached to this report:

5.1 Capital & Investment Strategy
5.2 Treasury Management Strategy 2021/22
5.3 Investment Strategy 2021/22
5.4 Property Strategy
5.5 Draft Capital Programme 2021/22 to 2030/31
5.6 Changes to the Capital Programme

Financial Implications

14. The financial implications arising from the Capital & Investment Strategy are set out in the supporting annexes.

Legal Implications

15. There are no legal implications arising directly from this report. The Council is required under the Localism Act 2011 to set a council tax requirement for the authority. This report provides information which, when taken together with the future reports up to January 2021, will lead to the council tax requirement being agreed in February 2021, together with a budget for 2021/22, five-year medium term financial strategy and ten year capital programme.

Comments checked by:

Sukdave Ghuman, Head of Legal Services,
Sukdave.Ghuman@Oxfordshire.gov.uk

LORNA BAXTER
Director of Finance

Annex:	5.1 Capital & Investment Strategy 5.2 Treasury Management Strategy 2021/22 5.3 Investment Strategy 2021/22 5.4 Property Strategy 5.5 Draft Capital Programme 2021/22 to 2030/31 5.6 Changes to the Capital Programme
Background papers:	Nil
Contact Officer:	Hannah Doney, Head of Corporate Finance (Deputy Section 151 Officer), 07584174654, Hannah.doney@oxfordshire.gov.uk

January 2021

Treasury Management Strategy Statement & Annual Investment Strategy for 2021/22

Executive Summary

1. The Treasury Management Strategy & Annual Investment Strategy for 2021/22 outlines the Council's risk appetite and strategic objectives in terms of its debt and investment management for the financial year 2021/22.

2. The forecast average cash balance for 2021/22 is £428m. The Council will maintain the investment in strategic pooled funds with a purchase value of £101m, with the remaining £327m being managed internally with a mixture of short, medium and long-term deposits.

3. The Bank of England Base Rate is forecast to remain at 0.10% for the foreseeable future, with heavy risk weighting to the downside.

4. UK Government Gilt yields are likely to remain below 0.75% for the foreseeable future, and the PWLB[1] have reinstated their certainty borrowing rates to 80 basis points over gilts.

5. With the prospect of interest rates remaining lower for longer, and cash balances being higher than previously forecast over the medium term, it is recommended to increase the long-term lending limit from £175m to £200m in 2021/22, tapering down to £150m by 2024/25.

6. Changes to the Treasury Management Strategy will be delegated to the Director of Finance in consultation with the Leader of the Council and Cabinet Member for Finance

Background

7. The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

8. The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act). The Annual Investment Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

9. Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market

[1] Public Works Loans Board

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

10. The proposed strategy for 2021/22 is based upon the views of the Council's Treasury Management Strategy Team (TMST)[2], informed by market forecasts provided by the Council's treasury advisor, Arlingclose Limited.

11. It is proposed that any further changes required to the Annual Treasury Management Strategy & Annual Investment Strategy, continue to be delegated to the Director of Finance in consultation with the Leader of the Council and Cabinet Member for Finance.

Treasury Limits for 2021/22 to 2024/25

12. The Authorised Borrowing Limit requires the Council to ensure that total capital investment remains within sustainable limits and that the impact upon future council tax levels is 'acceptable'.

13. The capital investment relevant to this indicator to be considered for inclusion incorporates financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

Forecast Treasury Portfolio Position

14. The Council's treasury forecast portfolio position for the 2021/22 financial year comprises:

	Principal £m	**Average Rate %**
Opening External Debt Balance		
PWLB	285.383	4.549
LOBO	45.000	3.943
Money Market Loans	5.000	3.950
TOTAL EXTERNAL DEBT	335.383	
2021/21 Average Cash Balance		
Average In-House Cash	327.026	
Average Externally Managed	101.006	
TOTAL INVESTMENTS	**428.032**	

[2]Comprising the Director of Finance, Service Manager (Pensions), Head of Corporate Finance and Treasury Manager.

15. The average forecast cash balance for 2021/22 is comprised of the following:

	Average Balance £m
Earmarked Reserves	70.000
Capital and Developer Contributions	239.221
General Balances	30.000
Cashflow and Working Capital Adjustments	74.615
Provisions and Deferred Income	14.196
TOTAL	**428.032**

Treasury Management Advisors

16. Arlingclose continue to provide the Council's Treasury Management Advisory Service. The current contract is due to expire on 30th April 2021. A competitive tendering exercise is being undertaken and new contract for Treasury Management Advisory Service will be awarded to the successful applicant from 1st May 2021.

Prospects for Interest Rates

Economic Background – Provided by Arlingclose

17. The impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the Authority's treasury management strategy for 2021/22.

18. The Bank of England (BoE) maintained Bank Rate at 0.10% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

19. UK Consumer Price Inflation (CPI) for September 2020 registered 0.5% year on year, up from 0.2% in the previous month. Core inflation rose to 1.3% from 0.9%. Labour market data for the three months to August 2020 showed the unemployment rate rose to 4.5% while the employment rate fell to 75.6%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021.

20. GDP growth fell by -19.8% in the second quarter of 2020, a much sharper contraction from -2.0% in the previous three months, with the annual rate falling -21.5% from -1.6%. Looking ahead, the BoE's November Monetary Policy Report forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

Credit outlook – Provided by Arlingclose:

21. After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

22. The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

23. Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

Interest rate forecast – Provided by Arlingclose:

24. Arlingclose is forecasting that BoE Bank Rate will remain at 0.10% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

25. Gilt yields are expected to remain very low in the medium-term while short-term yields are likely to remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

Treasury Management Strategy Team's View

26. The Council's TMST, taking into account the advice from Arlingclose, market implications and the current economic outlook, have determined the rates to be included in the Strategic Measures budget for 2021/22 and over the medium term. TMST forecast no change in base rate over the medium term. The Bank Rate is forecast to remain at 0.10% for the medium term.

27. The TMST does not expect official bank rates to move below zero, however it remains a real risk. If bank rate did fall below zero, the council would divest from any negative yielding instant access deposits and switch to a series of short term

inter local authority deposits, whilst inter local authority returns remain above, or at zero. If there are insufficient options to invest short term at a positive yield, the TMST will seek to strike a balance between short term liquidity and capital preservation through careful cashflow forecasting whilst increasing the average duration of the investment portfolio.

28. The TMST team has agreed that based on the current portfolio of deposits and market rates, the target in-house rate of return as set out below. These rates have been incorporated into the strategic measures budget estimates:

- 2021/22 0.58%
- 2022/23 – 2025/26 0.25%

Borrowing Strategy

29. It is expected that the Bank Rate will remain at 0.10% during 2021/22. Borrowing rates are forecast to be between 0.95 – 1.70% in the short to medium term, therefore the "cost of carry[3]" associated with the long-term borrowing compared to temporary investment returns will be significantly reduced compared to previous years.

30. The external borrowing of the Council is set to fall well below the Capital Financing Requirement due to increased capital expenditure and £106m of debt repayments by 2027/28.

31. The Council needs to borrow to finance prudential borrowing schemes. The Council's Capital Programme Financing Principles applies capital grants, developer contributions, capital receipts and revenue contributions to fund capital expenditure before using prudential borrowing. This means that the majority of the current capital programme is fully funded without the need to take up any new borrowing.

32. Financing the Council's borrowing requirement internally would reduce the cost of carry in the short term but there is a risk that the internal borrowing would need to be refinanced with external borrowing at a time when PWLB (or its successor) and market rates exceed those currently available.

33. The Council's TMST have agreed that they should maintain the option to fund new or replacement borrowing up to the value of £100m of the portfolio through internal borrowing. Internal borrowing will have the effect of reducing some of the "cost of carry" of funding. Internal borrowing will also be used to finance prudential schemes.

34. The TMST will monitor the borrowing rates during the 2021/22 financial year. If changes in interest rate forecasts mean the policy to borrow internally is no longer in the short term or long-term interests of the Council, the TMST may take out new or replacement borrowing to give the Council certain of cost over the long term,

[3] The difference between the interest payable on borrowing on debt and the interest receivable from investing surplus cash.

and to reduce Interest Rate Risk and Refinancing Risk in the short to medium term. Any borrowing will be reported to Cabinet.

35. As the Accountable Body for OxLEP ltd, the Council will be required to prudentially borrow £41m on their behalf for project funding from 2021/22 onwards. The borrowing will be included in the Council's overall borrowing requirement, using internal or external borrowing as appropriate. The loans will be repaid through the retained business rates of the enterprise zone. The TMST monitor interest rates and will consider forward borrowing on behalf of OxLEP at the end of 2020/21 if it is determined to be cost-effective.

36. If the PWLB offer any further lending rounds of the Local Infrastructure Rate, it is likely to be at a discounted interest rate of gilts + 60 basis points. The borrowing on behalf of OxLEP may be eligible as the schemes are all major infrastructure schemes.

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

38. The approved sources of long-term and short-term borrowing are:
    - Public Works Loan Board and any successor body
    - UK local authorities
    - any institution approved for investments (see below)
    - any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
    - UK public and private sector pension funds
    - capital market bond investors
    - special purpose companies created to enable joint local authority bond issues.

Borrowing for the Capital Financing Requirement

39. The Council's Capital Financing Requirement (CFR) represents the Council's underlying need to finance capital expenditure by borrowing. The Council's CFR is currently forecast to increase over the medium-term financial plan. This is a result of the requirement to borrow on behalf of the OxLEP discussed in paragraph 35 and increased investment in the Council's Capital Programme, and the previously agreed infrastructure investment.

40. The Council's external debt is also forecast to increase over the medium-term financial plan as new external borrowing required for OxLEP projects and the infrastructure investment is forecast to exceed the rate at which existing long term debt is repaid upon maturity.

Borrowing Instruments

41. The main source of borrowing for the Council is the PWLB. The borrowing rate from the PWLB is directly linked to UK Government Gilt yield. There are three rates offered by the PWLB; the standard rate, the certainty rate and local infrastructure rate, which are 100, 80 and 60 basis points over gilts, respectively.

42. The Council will apply to qualify for the certainty rate each year. If the PWLB announce further infrastructure rate programmes, the Council will apply for it if appropriate.

43. The TMST forecast for available rates from the PWLB over the medium term are as follows:

    - 0.80 – 1.55% for the Certainty rate
    - 0.60 – 1.35% for the Infrastructure rate

44. The Council has historically set a maximum limit of 20% of the debt portfolio to be borrowed in the form of Lender's Option Borrower's Option (LOBOs). It is recommended that this remain as the limit for 2021/22. As at 30 November 2020 LOBOs represent 13.4% of the total external debt.

45. The Council has four £5m LOBO's with call options in 2021/22, three of which have two call options in year, whilst one has a single call option in year. At each call date, the lender may choose to exercise their option to change the interest rate payable on the loan. If the lender chooses to do so, the Council will evaluate alternative financing options before deciding whether or not to exercise the borrower's option to repay the loan or to accept the new rate offered. It is likely that if the rate is changed the debt will be repaid. The TMST is also exploring early repayment of LOBO's where there is a financial benefit to do so.

46. Other sources of funding be available to the Council include the money market, other Local Authorities and the Municipal Bond Fund. The TMST will consider all available funding sources when entering into any new borrowing arrangements.

Arlingclose's View on borrowing rates

47. Arlingclose have forecast gilt yields and borrowing rates over the medium term to be as follows:

Duration	**Gilt Yield %**	**PWLB Infrastructure Rate %**	**PWLB Certainty Rate %**
50 year	0.60 – 0.75	1.20 – 1.35	1.40 – 1.55
20 year	0.70 – 0.85	1.30 – 1.45	1.50 – 1.65
10 year	0.30 – 0.55	0.90 – 1.15	1.10 – 1.35
5 year	0.00 – 0.25	0.60 – 0.85	0.80 – 1.05

48. Arlingclose's forecasts have an upside variation range of between 0 and 70 basis points, and a downside variation range of between 10 and 50 basis points depending on the economic and political climate.

Treasury Management Prudential Indicators for Debt

Gross and Net Debt

49. This indicator is intended to identify where an authority may be borrowing in advance of need.

Upper Limit of net debt:	2020/21	2021/22	2022/23	2023/24	2024/25
Net Debt / Gross Debt	70%	70%	70%	70%	70%

Upper and lower limits to maturity structure of fixed rate borrowing

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

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

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

Maturity structure of fixed rate borrowing during 2021/22	Lower Limit %	Upper Limit %
Under 12 months	0	20
12 months and within 24 months	0	25
24 months and within 5 years	0	35
5 years and within 10 years	5	40
10 years and above	40	95

Annual Investment Strategy

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

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

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

55. The Treasury Management Code of Practice requires the Council to approve a Treasury Management Policy Statement. Good practice requires that this statement is regularly reviewed and revised as appropriate. Council approved the statement in February 2019.The statement has been reviewed and there are no revisions proposed.

Investment Instruments

56. Investment instruments identified for use in the 2021/22 financial year are set out in the Specified and Non-Specified instrument tables below

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

58. Money market funds (MMFs) will be utilised, but good treasury management practice prevails and whilst MMFs provide good diversification the council will also seek to diversify any exposure by using more than one MMF where practical. It should be noted that while exposure will be limited, the use of MMFs does give the council exposure to institutions that may not be included on the approved lending list for direct deposits. This is deemed to be an acceptable risk due to the benefits of diversification. The Treasury team use an online portal to provide details of underlying holdings in MMFs. This enables more effective and regular monitoring of full counterparty risk.

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

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

60. Non-specified investment products are those which take on greater risk. They are subject to greater scrutiny and should therefore be subject to more rigorous justification and agreement of their use in the Annual Investment Strategy; this applies regardless of whether they are under one-year investments and have high credit ratings.

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

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

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

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

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

Changes to Instruments

62. With the prospect of interest rate remaining low for the medium term, and with an increase in peer to peer lending rates amongst Local Authorities, it is proposed to increase the duration for deposits with other Local Authorities to 5 years (from 3 years)

Credit Quality

63. The CIPFA Code of Practice on Treasury Management (2017) recommends that Councils have regard to the ratings issued by the three major credit rating agencies (Fitch, Moody's and Standard & Poor's) and to make decisions based on all ratings. Whilst the Council will have regard to the ratings provided by all three ratings agencies, the Council uses Fitch ratings as the basis by which to set its minimum credit criteria for deposits and to derive its maximum counterparty limits. Counterparty limits and maturity limits are derived from the credit rating matrix as set out in the tables at paragraphs 73 and 74 respectively.

64. The TMST may further reduce the derived limits due to the ratings provided by Moody's and Standard & Poor's or as a result of monitoring additional indicators such as Credit Default Swap rates, share prices, Ratings Watch & Outlook notices from credit rating agencies and quality Financial Media sources.

65. Notification of any rating changes (or ratings watch and outlook notifications) by all three ratings agencies are monitored daily by a member of the Treasury Management Team. Updates are also provided by the Council's Treasury Management advisors Arlingclose and reported to TMST. Appropriate action will be taken for any change in rating.

66. Where a change in the Fitch credit rating places a counterparty on the approved lending list outside the credit matrix (as set out in tables at paragraphs 75 and 76), that counterparty will be immediately removed from the lending list.

67. The Authority defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher with the Fitch ratings agency.

Liquidity Management

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

Lending Limits

69. In addition to the limits determined by the credit quality of institutions, the TMST apply further limits to mitigate risk by diversification. These include:

- Limiting the amount lent to banks in any one country (excluding the UK) to a maximum of 20% of the investment portfolio.
- Limiting the amount lent to any bank, or banks within the same group structure to 10% of the investment portfolio.
- Actively seeking to reduce exposure to banks with bail in risk

70. Where the Council has deposits on instant access, this balance may temporarily exceed the 10% bank or group limit. However, the limits as set out in paragraphs 73 and 74 will still apply.

71. Counterparty limits as set out in paragraphs 73 and 74, may be temporarily exceeded by the accrual and application of interest amounts onto accounts such as call accounts, money market funds or notice accounts. Where the application of interest causes the balance with a counterparty to exceed the agreed limits, the balance will be reduced when appropriate, dependent upon the terms and conditions of the account and cashflow forecast.

72. Any changes to the approved lending list will be reported to Cabinet as part of the Business Management and Monitoring Report.

73. The Council also manages its credit risk by setting counterparty limits. The matrix below sets out the maximum proposed limits for 2021/22. The TMST may further restrict lending limits dependent upon prevailing market conditions. BBB+ to BBB- ratings is included for overnight balances with the Council’s bank, currently Lloyds Bank Plc. This is for practical purposes should the bank be downgraded.

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

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

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

Other institutions included on the councils lending list - Structured Products

75. As at 30 November 2020, the Council had no structured products within its investment portfolio. Structured products involve varying degrees of additional risk over fixed rate deposits, with the potential for higher returns. It is recommended that the authority maintain the option to use structured products up to a maximum of 10% of the investment portfolio. The Council will continue to monitor structured products and consider restructuring opportunities as appropriate.

External Funds

76. The Council uses external fund managers and pooled funds to diversify the investment portfolio through the use of different investment instruments, investment in different markets, and exposure to a range of counterparties. It is expected that these funds should outperform the Council's in-house investment performance over a rolling three-year period. The Council will have no more than

50% of the total portfolio invested with external fund managers and pooled funds (excluding MMFs). This allows the Council to achieve diversification while limiting the exposure to funds with a variable net asset value. And, in order to ensure appropriate diversification within externally managed and pooled funds these should be diversified between a minimum of two asset classes.

77. As at 30 November 2020, the Council had £98m (original purchase value of £101m) invested in external funds (excluding MMFs), representing 19% of the Council's total investment portfolio. The funds have largely recovered from the low value of £90m (cause by the Covid 19 pandemic) at 31 March 2020. Whilst there is likely to be continued short term volatility in the value of the funds, they are held with a long term view, and there is no intention to divest from any of the funds at present.

78. The external funds have a higher targeted income return than in house deposits of 3.75% which has been incorporated into the medium-term financial plan.

79. The performance of the pooled funds is monitored by the TMST throughout the year against the funds' benchmarks and the in-house investment returns. The TMST will keep the external fund investments under review and consider alternative instruments and fund structures, to manage overall portfolio risk. It is recommended that authority to withdraw, or advance additional funds to/from external fund managers, continue to be delegated to the TMST.

Investment Approach

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

Treasury Management Indicators for Investments

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

81. The purpose of this limit is to contain exposure to the risk of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

82. During 2020/21 the limit for longer term lending was increased from £200 to £215m to reflect the higher than forecast cash balances and to take advantage of high peer to peer lending rates. Cash balances were higher than forecast due to higher levels of Developer Contributions and slippage in the capital programme. It is proposed to maintain this limit to £215m for 2021/22, then reduce back down to £185m by 2025/26 as the average forecast balance reduces.

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Upper limit on principal sums invested longer than 364 days	215	185	185	185	185

Other Treasury Management Prudential Indicators

Upper limits on fixed and variable rate interest exposures

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

Fixed interest rate exposure

84. Limits in the table below have been set to reflect the current low interest rate environment. The limits set out offer the Council protection in an uncertain interest rate environment by allowing the majority of the debt portfolio to be held at fixed interest rates, thus not subjecting the Council to rising debt interest.

Upper limit for fixed interest rate exposure	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Net principal re fixed rate borrowing / investments	£350m	£350m	£350m	£350m	£350m	£350m

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

Variable interest rate exposure

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

86. Prudential Indicators are reported to and monitored by the TMST on a regular basis and will be reported to the Audit & Governance Committee and Cabinet in the Treasury Management Outturn Report 2020/21 and the Treasury Management Mid-Term Review 2021/22, which will be considered in July and November 2021 respectively.

Policy on Use of Financial Derivatives

87. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into

account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

88. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

89. It is the view of the TMST that the use of standalone financial derivatives will not be required for Treasury Management purposes during 2021/22. The Council will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

Performance Monitoring

90. The Council will monitor its Treasury Management performance against other authorities through its membership of the CIPFA Treasury Management benchmarking club.

91. Arlingclose benchmark the performance of their clients against each other on a quarterly basis, looking at a variety of indicators including investment risk and returns.

92. Latest performance figures will be reported to the Audit & Governance Committee and Cabinet in the Treasury Management Outturn Report 2020/21, and the Treasury Management Mid-Term Review 2021/22, which will be considered in July and November 2021 respectively.

Investment Training

93. All members of the Treasury Management Strategy Team are members of CIPFA or other professional accounting body. In addition, key Treasury Management officers receive in-house and externally provided training as deemed appropriate and training needs are regularly reviewed, including as part of the staff appraisal process.

94. The Council has opted up to ‘professional client’ categorisation with under the second Markets in Financial Instruments Directive (MiFID II). In order to achieve this, evidence was required that the person(s) authorised to make investment decisions on behalf of the authority have at least one year’s relevant professional experience and the expertise and knowledge to make investment decisions and understand the risks involved. Members of the TMST currently meet these criteria and training needs will be regularly monitored and reviewed to ensure continued compliance.

Financial and Legal Implications

95. Interest payable and receivable in relation to Treasury Management activities are included within the overall Strategic Measures budget. In house interest receivable for 2021/22 is budgeted to be £1.87m

96. Dividends payable from external funds in 2021/22 are budgeted to be £3.20m.

97. Interest payable on external debt in 2021/22 is budgeted to be £14.74m.

98. There are no direct legal implications arising from this report save for the need for ongoing collaborative working between the S151 Officer and the Monitoring Office. CIPFA guidance promotes the need for consultative working and collaboration between these respective roles to promote good organisational governance.

Environmental Impact

99. This report is not expected to have any negative impact with regards to the Council's zero carbon emissions commitment by 2030.

100. The Treasury Management Strategy Team (TMST) will consider investments that may make a positive contribution to the Council's carbon commitment when appropriate opportunities become available. The TMST will continue to explore Ethical, Sustainable and good Governance investment practices.

101. Where the Council has investments in externally managed funds, each of the fund managers is a signatory to the United Nations Principal for Responsible Investment.

102. The Council is undertaking a review of all of its Treasury Management investments to produce a report on how it is performing with regards to Ethical, Social and Governance (ESG) criteria.

103. Furthermore, the Council will not knowingly invest directly in organisations whose activities include practices which are inconsistent with the values of the Council or the Council's zero carbon emissions commitment by 2030.

104. The Treasury Management function is now completely paperless, and remote working is likely to remain normal for the foreseeable future.

INVESTMENT STRATEGY

Introduction

An Investment Strategy for the governance and making of property investment decisions was agreed in September 2019 by Full Council. This updated Strategy Paper refines the Property Investment Strategy, by setting out the new investment framework, under which the Council can undertake investments against the following broad categories:

- maximising the use of and value of Council owned assets (land & buildings) to maximise revenue return through appropriate change of use to include (but not limited to) commercial, residential or renewable energy;
- investments for regeneration purposes in order to deliver a wider social, service, or community benefit;
- investments in property funds, bond funds, equities and multi asset classes;
- acquisitions and investments, which generate a commercial return (yield).

Continuing reductions in Central Government funding, at a time when Councils are facing increasing demand for services and an ageing population, means that alternative sources of income and optimisation of Council assets and resources need to be identified. The investment strategy is intended to enhance the financial resilience of the Council by investing to:

- increase income from existing assets; and/or
- increase capital growth;
- secure new sources of income.

Full Cabinet therefore agreed that the development of a Property Investment Portfolio was considered appropriate. Since September 2019, Officers have been developing a clear and transparent strategy with suitable governance arrangements, alongside ensuring that we have the right commercial skills in place to evaluate and manage the risk profile of the Portfolio.

The Council has a key leadership role to play in placemaking in Oxfordshire. The investment decisions that it makes have the potential to greatly enhance the well-being and prosperity of communities across the County. The Council will consider the community value and social value of investment opportunities when making its decisions. The Council will also make every effort to ensure that its investments are in line with its commitment to make climate action a ‘top priority in decision making’ and to deliver our own estate and countywide reduction targets.   Similarly, investments can also support the development of new delivery models for the benefit of residents, businesses, and visitors. The Council will seek to prioritise opportunities that are carbon neutral, use/generate green energy, or reduce travel and waste. This is all part of our contribution to healthy place shaping and climate action.

The Council has an existing portfolio of land and buildings which, for a number of reasons, may be surplus to requirements as a result of the Council's evolving Property Strategy. There is therefore an opportunity to review these assets and resources, and then evaluate the most suitable options in order to optimise operational efficiency, customer access, and economic and financial value.

Furthermore, there are opportunities to support regeneration or growth using Council assets to lever in further investment or combine with other private or public sector assets to achieve specific regeneration and growth objectives.

An investment strategy also offers opportunities for generating income from assets and the opportunity to deliver a long term and sustainable income to enhance the financial resilience of the Council. This may be achieved through the capital programme or various investment vehicles which offer a range of diverse options to generate income, particularly where there can be a margin between the net return and the funding costs. Each investment opportunity will be evaluated against stringent financial criteria to ensure each delivers gross income aspirations whilst taking consideration of the costs of operating, including lending, acquisition and operating costs where relevant.

In line with the council's commitments on operational and countywide carbon emissions, investment opportunities will also be subject to a carbon assessment.

Statutory Framework

The Ministry of Housing, Communities & Local Government (MHCLG) has policy responsibility for The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code. This covers the responsibility for ensuring that statutory guidance drives local authorities to make borrowing and investment decisions in a way that is commensurate with their statutory responsibilities and the best value duty. It also includes overall responsibility for the Local Government finance system, including understanding the risks to the system from changes in the types of borrowing and investment activities that local authorities are undertaking.

The CIPFA Prudential Code requires that where authorities have commercial investments, that local authorities should disclose the contribution they make towards the service delivery objectives and/or place making role of the authority. In addition, the types of investment, due diligence processes, the proportionality of those investments and the local authority's risk appetite are also required to be set out. The Government also recognises that local authorities have a key role in local economic regeneration, and this may mean that they choose to take on projects that the private sector would not consider.

Investment Objectives

The Council's investment objectives are defined as follows:

- To support growth, regeneration and help deliver the Council's strategic objectives;
- To align with the evolving national zero carbon transition;
- To ensure the portfolio is governed and administered within appropriate risk parameters and in a way that supports long term sustainability for the Council and residents of Oxfordshire;
- To maximise the use of capital receipts and revenue income to:
    - maintain the portfolio size, diversity and yield;
    - invest in property to generate future income / capital receipts;
    - invest in assets to support service delivery and other Council priorities, and reduce ongoing revenue costs.

Existing Investment Portfolio

As at 31 March 2020, the Council has an existing property portfolio of which £25m is invested in property via a strategic pooled fund and £23.5m in direct investment properties held for rental returns or capital appreciation. The direct investments are predominately made up of:

- Agricultural holdings which were specifically retained in 1992 (when the rest of the Smallholdings Estate was sold) as these sites were recognised as holding long term potential for residential development. Since this time the Estates team have been promoting development of these sites through the Local Plan, and have significantly enhanced the value from farm land to residential development land as the sites have been allocated - total value £17m. Work continues to further enhance land values through master planning and ultimately grant of planning permission.
- Non-operational properties held for rental or capital returns total value £6.5m.

Investment Categories

Investments have been grouped into four broad categories as set out below

A	B	C	D
Maximise use of and value of Council owned assets (land & buildings) linked to the Council's forthcoming Property Strategy – Capital expenditure	Investments for regeneration purposes in order to deliver a wider social, service, or community benefit – Capital expenditure	Investments in property funds, bond funds, equities and multi asset classes (either through treasury management activities or capital expenditure)	Investments, which generate a commercial return (yield) – Capital expenditure

Category A

The Council already owns a sizeable property portfolio (land and buildings) comprising of operational and non-operational assets. Assets which are determined as surplus to operational requirements, via the evolving Property Strategy, will be considered for investment purposes. The resource to undertake effective management of our property assets already exists in-house, and investment in our own assets is a continuation and extension of work already underway.

Non-operational Sites – there are currently a number of major development sites totalling 86 hectares, that are in progress, with anticipated receipts expected from 2024. £40m of the anticipated receipts are already included within the capital programme funding up to 2028/29.[1] The table below shows the extent of our remaining non-operational land holdings that have development value.

Phases	Land Holdings	Indicative Timescales
In Progress	~86 hectares	Major Receipts 2024 onwards
Medium Term	~17 hectares	Receipts c.2035-40 onwards
Long Term	~29 hectares	Receipts c.2040-50 onwards

Operational Sites – closely linked to the Property Strategy, the Council has the potential to make further changes to how staff work in and use buildings in order to rationalise space and better match customer requirements. Using operational space more efficiently, including opportunities to share office accommodation with Partner organisations, has the ability to both reduce/share running costs and generate income from the commercial market.

Over the last decade there has been significant work to improve the utilisation of our sites, leading to a 25% reduction in running costs. A number of key Council-owned sites in central Oxford were reviewed in 2018 with input from external property consultants, validating the case for releasing and redeveloping specific sites in order to generate

[1] The majority of these receipts will not be realised until at least 2024 onwards.

income.[2] With access to funding, under the investment strategy, there is potential across the estate to further optimise the use of our assets and invest in them to maximise capital values and/or rental yields.

Maximising the use of and value of Council owned assets to increase revenue return through appropriate change of use, is a key priority and it is anticipated that this will be the focus of the Property Investment Strategy over the short term. Where for commercial reasons it is considered more appropriate to sell Council owned assets, it is anticipated that these capital receipts will be reinvested in property assets.

Category B

This type of property investment reflects the acquisition of property primarily for regeneration purposes in order to deliver a wider social, service, or community benefit. They may include:

- Strategic regeneration / placemaking opportunities that provide benefits to the wider community including buildings for charitable or community uses;
- Delivery of projects that otherwise might stall or not progress if left in private sector hands but will fulfil Council objectives;
- Non-financial gains where inward investment can create/maintain jobs or prevent local market failure;
- Purchase of underperforming property assets which provide key strategic regeneration opportunities to generate the catalyst for future economic development;
- Partnering with others to deliver broader benefits and unlock financial investments for the area that would otherwise be lost.

These investments will always be within the boundaries of Oxfordshire and will only be pursued where there is a clear business case demonstrating how it will contribute to the regeneration of Oxfordshire. Under current HM Treasury proposals, it is anticipated that Public Work Loan Board (PWLB) funding would be available for the acquisition of Category B properties.

Category C

The Council already has a portfolio of investments as part of its Treasury Management activities (of which circa £25m is invested in property funds). The strategic approach to these investments is reviewed on an annual basis as part of the Treasury Management Strategy Statement & Annual Investment Strategy. It is proposed that any change to investments that are classified under Category C are managed using the current Treasury Management governance framework. However, it is important to consider the portfolio of

[2] Or in some case, increase a capital receipt which could then be reinvested.

investments as a whole, especially as some investments in this category may be classified as capital expenditure rather than treasury management activity.

Category D

This type of investment reflects the acquisition of income producing property held for non-operational purposes. In considering properties in this category, prudence and caution must be exercised. Such investments would be undertaken for the primary purpose of achieving financial return (for which under current HM Treasury proposals, Public Work Loan Board (PWLB) funding would not be available, although this would not preclude loan funding from other sources). These investments would be set against certain criteria in accordance with The CIPFA Prudential Code, to provide additional long-term revenue stream to support front line services and other Council objectives.

This type of investment is currently not an area the Council would be active on, especially considering the wider impact of Covid-19. However, if the Council chooses to invest in this Category, the CIPFA Prudential Code principles will be followed.

The CIPFA Prudential Code is based upon the principle that Authorities should take relatively low risks when investing public money, and that investment considerations should include; affordability, prudence and proportionality (of the value of held property investment assets relative to the wider investment portfolio).

Achieving a balanced portfolio with an appropriate spread of risk over the long term is desired. This could be achieved through a greater number of property investments with diversification across geographical locations, and across the range of property assets.

The principle of balancing risk whilst maximising the return to the Council will be taken in respect of investment opportunities. As consideration is given to new investment opportunities, properties within the county of Oxfordshire or adjoining counties will be preferred however, if a property meets all the investment criteria (and is being funded by existing equity rather than PWLB borrowing), then the location alone should not preclude consideration where it can be objectively demonstrated that there are multiple benefits, including the improvement or development of Oxfordshire, if supported by the Statutory Officers.

Under the revised terms of the PWLB it is unlikely that local authorities will be able to borrow for investments within Category D. This means that any investments within the category would need to be funded from existing Council resources or capital receipts. The benefits of utilising capital receipts for this purpose will need to be carefully balanced against the funding requirements of the wider capital programme and the benefits of reducing the need to borrow for other investment in assets to support service delivery and infrastructure. Consideration will also be given to maintaining the investment portfolio size, diversity and yield.

Reporting and Management of Investment Portfolio

All investment activity will be grouped and reported as a single portfolio and reflected in the Council's Capital & Investment Strategy, which requires agreement via the annual budget setting process. As part of this, a new portfolio will be created in the Capital Programme to cover dedicated funding for investments. Investments and returns will be monitored and appropriately balanced across the Investment Categories.

The Investment portfolio will be kept under review on a regular basis by the S.151 Officer and the relevant Director/Head of Service.

The process by which the Investment Portfolio is managed is set out in Annex 1. This management process will be reviewed and updated annually as the Investment Portfolio matures.

Risks

Investment in property, as with any investment, is not without risk. Specifics include market conditions that may cause the value of an investment to decrease, variable income caused by tenant demand or liquidity as a result of investor demand. The CIPFA Prudential Code identifies the need for ongoing performance and management arrangements which should include procedures to highlight key risks or changes that may affect the security, liquidity and/or yield of the property investment portfolio. CIPFA also provide guidance on the issue of risks in relation to the fair value of the property on the balance sheet, for example where the property value is less than the value of the debt liability.

Governance

It is proposed that investments in Category D will follow the governance route set out below. Investments in Categories A, B, & C will follow existing governance routes in line with the Council's Constitution and Financial Procedure Rules (FPRs). Categories A & B will require submission of a Capital Business Case or equivalent. However, all categories will be reported annually as part of the Council's Capital & Investment Strategy as part of the governance of the Council's budget setting process.

The property investment market is competitive and needs consistent and responsive decisions if the Council is going to be successful in managing assets in this environment. It is therefore proposed that a Property Investment Advisory Panel (PIAP) is established to act as an advisory body for these initial decisions. The CIPFA Prudential Code requires that Panel members and officers are competent to take decisions to acquire, hold and dispose of land and buildings, and must have sufficient competence to understand and evaluate the advice that they are given. Consequently, appropriate internal and external training will be given to the PIAP so that they can ensure that decisions fall within the CIPFA Prudential Code, the Council's Corporate Strategy, and are based upon the approved investment matrix (see Annex 2). PIAP will then report their recommendations to Cabinet or Full Council in line with current governance, along with appropriate due diligence to support decision-making. PIAP will be made up of:

Members

- Leader or Deputy Leader of the Council
- Cabinet Member with responsibility for Finance & Property (if this role is separated, both Members are to attend)
- Leader of the Opposition

Officers

- Chief Executive
- Senior Officer with responsibility for Finance (Section 151 Officer)
- Corporate Director for Commercial Development, Assets and Investment
- Monitoring Officer

The primary purposes of PIAP would be two-fold:

- To consider recommendations from Officers regarding the potential purchase of a property asset, prior to submission of a bid. This would include consideration of the associated risk and yield, and the investment evaluation based on the criteria set out. The ultimate consideration would be whether to submit a bid or not, and at what value.

- To consider the results of the due diligence process, (following acceptance of an offer from Council to purchase an asset), with the ultimate consideration of whether to endorse the purchase and proceed to exchange of contracts.

In the exceptional situation that a decision is required outside of the established protocol, an urgent decision can be taken by the Leader and S151 Officer in consultation with PIAP and the Portfolio Holder for Property and reported to the next available meeting of Cabinet. Where a decision is not time-bound they will go via current governance arrangements and be approved by Cabinet or Full Council as required. On approval of this investment strategy the Financial Regulations will be updated to include the delegated authorities set out above.

Implementation Plan

Although the Property Investment Strategy will enable the Council to respond to opportunities as they arise, there is also a need to continue to develop a programme of planned investment projects linked particularly to Type A investments. Following adoption of this strategy there will likely be a need to resource and forward fund elements of this work. There are also key interdependencies with the evolving Property Strategy that will need to be worked through in order to align activities that impact staff and operational sites.

Annex 1

Management of Investment Portfolio

The Investment portfolio is managed in-house by the Property Investment Manager, reporting to the Director for Property, Investment & FM, and the Head of Estates.

The portfolio is managed in two distinct parts, dealing with Investment and Regeneration opportunities separately:

1. Investment Opportunities – Category A & D properties that meet the criteria as set out in the approved investment matrix (See Annex 2) and deliver a financial return to the Council.
2. Regeneration Opportunities – Category B properties that deliver primarily regeneration benefits to the area.

As the Property Investment Portfolio grows in size and the number of property transactions per annum increases, it may be necessary in time, to agree in consultation with the Head of Legal Services, the appointment of a suitable Firm/s of solicitors to provide investment property acquisition services. In addition, it will be necessary to agree with the Head of Procurement the method of payments of Investment Agent introductory fees for Category B & D properties.

Annex 2

Commercial Investment Property Scoring Matrix

Scoring Criteria	Score	4	3	2	1	0	Initial Unweighted Score	Weighted Score
	Weighting Factor	EXCELLENT/ VERY GOOD	GOOD	ACCEPTABLE	MARGINAL	UNACCEPTABLE		
Location - In County / Adjacent to County	20.0	Prime	Good	Secondary	Tertiary	Remote		0
Tenure	15.0	Freehold	150+ year unexpired with no landlord controls	150+ year unexpired with minimal landlord controls	Lease under 150 years	Lease under 100 years		0
Tenancy	10.0	Single tenant with strong financial covenant	Multiple tenants with strong financial covenant	Single tenant with good financial covenant	Multiple tenants with average financial covenants	Tenants with poor financial covenant strength		0
WAULT (Weighted Average Unexpired Lease Term)	10.0	20 years +	15 years +	10 years +	5 years +	Less than 5 years		0
Repairing Liability	5.0	FRI and/or Recoverable via Service Charge	75% + of leases on FRI	50% + of leases on FRI	Internal repairing in good condition, Cap Ex required	Internal Repairing in poor condition, Cap Ex required		0
Rental Analysis	15.0	Significantly under rented (excellent prospects for future rental growth	Under rented (good prospects for future rental growth)	Rack rented (limited prospects for rental growth)	Rents will fall on lease expiry within 5-10 years	Rents will fall on lease expiry within 3-5 years		0
Capital Value Analysis	15.0	Excellent prospects for future capital growth	Good prospects for future capital growth	Future capital growth likely to be in line with average market returns	Future Capital growth likely to underperform average market returns	Poor prospects for future capital growth		0
Management Resources	10.0	Minimum. Single tenant	Minimum. Fully let, no more than 3 tenants	Active. Value Add Opportunity	Active. Well managed to date	Active. Historical lack of management		0
(Max score = 400, min accpetable score =200)								**0**
						Percentage score of max (anything over 50% is deemed acceptable providing minimum yields are met)		**0%**

Annex 3

Active Investment / Development Projects

1) Active Investment / Development projects

Property	Site Area
Aston, North Farmhouse	N/A
Benson, Watlington Road	N/A
Bicester, Little Wretchwick Farm	N/A
Chipping Norton, Strategic Development Area (inc Tank Farm and residual land at Rockhill Farm)	36ha
Eynsham Garden Village (Evenlode Farm)	28ha
Eynsham West, (Litchfield Farm)	15.55ha
Faringdon, Youth Centre and Highway Depot to rear	0.29ha
Kidlington, The Moors, Former May's Builders Yard	0.29ha
Oxford, Former Blackbird Leys Pool	N/A
Oxford, Land at Iffley Mead (adjoining Iffley Academy)	2.04ha
Oxford, Lanham Way (former depot site)	0.32ha
Oxford, Northfield Hostel	0.70ha
Fritwell, Land at Fewcott Road	0.32 ha
Henley, Bridleway adjoining Gillotts School	N/A
Oxford, Lakefield Road, Littlemore	0.44ha
Oxford, Speedwell House	N/A
Stanford-in-the-Vale, Stanford Quarry, adjacent to A417 & B4508	19.57ha
Wheatley, Access Route to Oxford Brookes University	N/A
Woodstock, Former Library	

2) For Information purposes only – a list of operational properties that are currently being considered for alternative investment purposes

Property	Site Area
Oxford, Rewley Road Fire Station	N/A
Oxford, County Hall	N/A

Oxfordshire County Council
Property Strategy

This strategy sets out our approach to property assets and will guide our priorities for managing and developing our estate over the next 5 years. It has been informed by our Strategic Asset Management Plan 2017-22 which provides the wider context to our approach to our estate.

The purpose of this strategy is to facilitate delivery of the council's corporate plan, Thriving Communities. It is an enabling strategy and sits alongside our workforce, IT and digital strategies to support the delivery of high-quality, accessible and modern public services for the people of Oxfordshire.

Our ambition is: ***To create an efficient, innovative and accessible property estate. One that supports the delivery of council services, delivers climate action objectives, maximises value and exploits opportunities to work with partners.***

This means that we are working to create an agile service delivery model and workforce. Where our services are not bound to buildings and set locations but are accessible remotely and digitally. Where needed we will deliver face to face services in local spaces, places and community venues, in customers' homes and through working in partnership with suppliers, partners and the community and voluntary sector and their bases too. Our property strategy and estate will facilitate this.

We will work hard to minimise journeys, not assuming that customers and colleagues should travel into Oxford City Centre and that the county council should have access and visibility at locations spread across the county.

Our places of work will be welcoming and safe spaces for people to work in flexible ways, accessing the right office and IT equipment. We will also need to create flexible, collaborative spaces for teams, partners and suppliers to come together for planning and development activities.

We understand that some teams will need dedicated spaces to deliver services. Where this is the case, we will seek to develop hybrid approaches that enable a combination of buildings based and flexible/agile delivery.

We are an accountable public body and as such our democratic and decision-making processes need to reflect these principles. We will develop an estate that enables a combination of local meetings, virtual public meetings and more traditional council chamber-based meetings with public broadcast to ensure our democracy reflects, enhances and supports our agile delivery model.

There is much uncertainty over the future but lessons learnt from Covid-19 and its consequential impact upon our needs brings an immediate opportunity to review our estate and accelerate change in how services are delivered the spaces they require.

Our estate is comprised of three categories, and each of these categories has a broad objective:

Operational	Community	Investment
Assets used for service delivery (e.g. libraries, fire stations, offices) Objective: to support modern service delivery cost effectively and safely	Assets used for non-operational purposes (e.g. pre school, playing fields or parish council). Objective: to support policy objectives such as community use whilst generating the best possible returns	Assets retained for investment purposes (e.g. farms, land for development) Objective: these assets are managed to protect the long-term interests of Oxfordshire and maximise value

Our operational property portfolio can be split into two broad categories which are within the scope of this strategy.

Service delivery – buildings/sites which facilitate all of our statutory and other front-line services such as community support service centres, children & family centres, libraries, fire stations, depots etc. Some back-office accommodation provision is also included within these buildings/sites too.

Support services – buildings which facilitate all our back office/support related services such as HR, ICT, finance, planning etc. The majority of our workforce are currently based in these buildings.

The approach to operational buildings that are deemed surplus to requirements will be dealt with via the Investment Strategy along with all community and investment assets.

Our objectives

The key strategic objectives of this strategy are to -

- ***Support excellent service delivery for the community***
    - Provide the right property, in the right place, to meet operational service needs

- ***Support and empower a more agile organisation***
    - Reduce reliance on desk dominated offices and invest to develop great workplaces – accessible, modern, innovative shared workspaces based on future working principles and in line with our Digital offering i.e. hot desking, collaborative meeting spaces etc

- ***Deliver Climate Action priorities***
    - Ensure our corporate Climate Action objectives which include making our corporate estate carbon neutral by 2030 are met

- ***Achieve more value from our assets***
    - Further rationalise our estate to reduce overall cost
    - Prioritise utilisation of freehold assets for front and back office delivery
    - Maximise the value of assets not required for operational purposes to be delivered through the council's Investment Strategy

Our approach

In delivering these objectives we will apply the following principles in our approach,

1. Embed Climate Action objectives in all decision-making when reshaping the operational estate e.g. minimise travel and use of inefficient buildings
2. Invest to develop great workplaces - modern, innovative shared workspaces situated close to transport links to adapt to more agile working principles and in line with our IT & Digital offering i.e. hot desking, collaborative meeting spaces etc
3. Challenge old ways of working and embrace modern and innovative approaches, including improving customer access and experience.
4. Generate income and ensure the best return for Oxfordshire through the use and development of our estate.
5. Where necessary, where an asset does not contribute to our strategic outcomes we will dispose of and create a capital receipt.
6. Work with partners (including through One Public Estate) to maximise shared opportunities including co-location
7. Encourage/establish a smaller presence in all key localities, instead of a single 'big HQ' approach
8. Review and consider leasehold property so we reduce our rental expenditure

This page is intentionally left blank

Section 5.5

Updated Capital Programme 2020/21 to 2030/31

Strategy/Programme		Capital Investment Programme (latest forecast) Current Year 2020 / 21 £'000s	2021 / 22 £'000s	2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	up to 2030 / 31 £'000s	CAPITAL INVESTMENT TOTAL £'000s
Pupil Places		44,555	33,946	33,948	32,833	33,817	80,952	260,051
Major Infrastructure		44,417	111,688	224,299	168,138	61,065	8,310	617,917
Highways Asset Management Plan		48,207	59,206	59,594	58,531	29,676	82,816	338,030
Property & Estates, and Investment Strategy		9,627	12,595	19,765	10,320	4,080	9,338	65,725
ICT		5,714	10,538	2,425	1,325	1,325	5,894	27,221
Passport Funding		29,367	58,385	1,350	1,000	950	3,460	94,512
Vehicles & Equipment		50	1,603	1,250	850	800	4,800	9,353
TOTAL ESTIMATED CAPITAL PROGRAMME EXPENDITURE		181,937	287,961	342,631	272,997	131,713	195,570	1,412,809
Earmarked Reserves		0	0	719	9,156	10,750	28,179	48,804
TOTAL ESTIMATED CAPITAL PROGRAMME		181,937	287,961	343,350	282,153	142,463	223,749	1,461,613
TOTAL ESTIMATED PROGRAMME IN-YEAR RESOURCES		160,247	277,833	299,943	288,280	125,971	215,667	1,367,941
In-Year Shortfall (-) /Surplus (+)		-21,690	-10,128	-43,407	6,127	-16,492	-8,082	-93,672
Cumulative Shortfall (-) / Surplus (+)	93,672	71,982	61,854	18,447	24,574	8,082	0	0

SOURCES OF FUNDING		2020 / 21 £'000s	2021 / 22 £'000s	2022 / 23 £'000s	2023 / 24 £'000s	2024 / 25 £'000s	up to 2030 / 31 £'000s	CAPITAL RESOURCES TOTAL £'000s
SCE(C) Formulaic Capital Allocations - Un-ringfenced Grant		117,966	109,359	63,229	18,503	24,747	130,250	464,054
Devolved Formula Capital- Grant		800	750	700	650	600	1,200	4,700
Prudential Borrowing		1,871	80,665	56,285	72,587	5,125	9,750	226,283
Grants		26,300	64,397	156,149	135,679	35,742	969	419,236
Developer Contributions		34,170	31,531	32,496	41,981	54,546	40,343	235,067
District Council Contributions		226	0	0	0	0	0	226
Other External Funding Contributions		12	309	3	803	758	665	2,550
Revenue Contributions		564	950	950	11,950	980	7,300	22,694
Schools Contributions		28	0	0	0	0	0	28
Use of Capital Receipts		0	0	25,538	0	10,286	25,190	61,014
Use of Capital Reserves		0	0	0	0	9,679	8,082	17,761
TOTAL ESTIMATED PROGRAMME RESOURCES UTILISED		181,937	287,961	335,350	282,153	142,463	223,749	1,453,613
TOTAL ESTIMATED IN YEAR RESOURCES AVAILABLE		160,247	277,833	299,943	288,280	125,971	215,667	1,367,941
Capital Grants Reserve C/Fwd	51,464	28,157	13,229	0	3,247	0	0	0
Usable Capital Receipts C/Fwd	24,144	26,064	30,864	686	3,566	0	0	0
Capital Reserve C/Fwd	18,064	17,761	17,761	17,761	17,761	8,082	0	0

CAPITAL INVESTMENT PLANNING 2021/22 - 2030/31
CHANGES TO EXISTING CAPITAL PROGRAMME

Strategy - Capital Investment Need	Firm	Pipeline	Total
	£'000	£'000	£'000
Pupil Places			
Basic Need		8,460	8,460
SSMP		900	900
School Access		200	200
Temporary Classrooms - Replacement & Removal		150	150
Zero Carbon Contingency		7,000	7,000
Reduction in Basic Need Programme Contingency	-2,500		-2,500
Pupil Places - Total	**-2,500**	**16,710**	**14,210**
Major Infrastructure			
Zero Emission Zone	1,275	0	1,275
Banbury Road Improvement	9,690	0	9,690
Abingdon LCWIP	1,000	0	1,000
Science Vale Cycle Network Phase 2 (Development budget only)	1,000	0	1,000
A4130 widening (Steventon Lights to Milton Interchange Eastbound only)	2,000	0	2,000
Schemes under £1m	1,273	0	1,273
Highways - Total	**16,238**	**0**	**16,238**
Highways			
Structural Maintenance		14,300	14,300
Highways Safety Measures		937	937
Highways - Total	**0**	**15,237**	**15,237**
Property			
Investment Strategy			
Category A - Investment in existing assets	1,700		1,700
Purchase Land		-4,700	-4,700
Category C - Fund to deliver Supported Living	5,000		5,000
Corporate Estate			
Corporate Estate - Asset Condition	-20,000		-20,000
Corporate Minor Works		250	250
Asset Utilisation Programme		-848	-848
Property - Total	**-13,300**	**-5,298**	**-18,598**
Digital Infrastructure			
Digital Infrastructure - Total	**0**	**0**	**0**
Vehicles and Equipment			
Library - RFID Kiosk replacement	600	0	600
Fire & Rescue Service - Vehicles	8,000	0	8,000
Vehicles and Equipment - Total	**8,600**	**0**	**8,600**
Passported Funds			
Disabled Facilities Grant 2021/22	5,868	0	5,868
ECH Provision	-2,202		-2,202
Passported Funds - Total	**3,666**	**0**	**3,666**
TOTAL PROPOSED PORTFOLIO ALLOCATIONS	**12,704**	**26,649**	**39,353**

CAPITAL INVESTMENT PLANNING 2021/22 - 2030/31
CHANGES TO EXISTING CAPITAL PROGRAMME

Strategy - Capital Investment Need	Firm	Pipeline	Total
General Funding & Accounting			
S106 & Community Infrastructure Levy			
Section 106 and other contributions for forward funded schemes		-14,777	-14,777
CIL (to December 2019)	-6,188		-6,188
Section 106 forecast towards school expansions		-5,460	-5,460
Capital Receipts			
Increase in forecast		-2,300	-2,300
Land purchase option		7,000	7,000
Earmarked reserves			
In Year Pressure & Savings	-1,738		-1,738
Contingency	-7,000		-7,000
Capital Grants & Partner Contributions			
Shortfall on Challenge Fund	11,097		11,097
Basic Need		-3,000	-3,000
SSMP		-1,250	-1,250
Highways Maintenance		-18,000	-18,000
Highways Safety Measures		-937	-937
Disabled Facilities Grant Allocation 2021/22	-5,868		-5,868
Service funded prudential borrowing			
Remove ECH		1,150	1,150
Remove Carehome reprovision		2,500	2,500
Resonance	-5,000		-5,000
General Prudential Borrowing	11,000		11,000
Revenue Contribution			
Switch contribution from PB reserve	-11,000		-11,000
Vehicle replacement contribution	-8,000		-8,000
General Funding & Accounting - Total	**-22,697**	**-35,074**	**-57,771**
Net Changes	**-9,993**	**-8,425**	**-18,418**

Current Capital Programme Balance (Deficit)	**18,418**
Total Overall Capital Programme Balance	**0**