

Division(s): N/A

PERFORMANCE SCRUTINY COMMITTEE 10 January 2019

Service & Resource Planning 2019/20

Report by the Director of Finance

Recommendations

1. **The Committee is RECOMMENDED to consider and comment on the**
 - a) **Review of Charges for 2019/20;**
 - b) **Capital & Investment Strategy incorporating the Treasury Management Strategy Statement 2019/20; and**
 - c) **proposed capital programme portfolio allocations for 2019/20 to 2028/29.**

Executive Summary

2. On 13 December 2018, this Committee considered the revenue pressures and savings options for 2019/20 – 2022/23. This report sets out other information pertinent to the Service & Resource Planning process.
3. Charges levied by the council have been reviewed in line with the Corporate Charging Policy (set out in Annex 1a) and are set out in detail at Annex 1b. As a result of this review and an increase to statutory charges additional income is expected for 2019/20.
4. The Prudential Code for Capital Finance in Local Authorities requires that for each financial year, a local authority should prepare at least one Investment Strategy which should contain the disclosures and reporting requirements specified in the guidance. The Capital & Investment Strategy which incorporates the Treasury Management Strategy Statement 2019/20 and meets these requirements is set out at Annex 2.
5. The Strategic Measures budget incorporates the principal and interest charges on debt as well as the interest earned on cash balances. A review of all these areas has been undertaken and will generate additional income of £2.3m in 2019/20¹ and a further £1.4m over the medium term.
6. Additional estimated resources of £182.9m have been identified for the Capital Programme over the period 2019/20 to 2028/19. The allocations

¹ Replaces the £1.0m target set out in the Cabinet report in December 2018

to the capital portfolio areas have been reassessed in line with emerging pressures and approved programmes. Based on current projections, the there is an overall shortfall of funding for the Capital Programme of £6.4m. However, as the capital proposals will increase the capital programme to over £1bn, the shortfall can be managed as funding levels are confirmed over the 10-year period.

7. The effect the proposals in this report have (relating to income, fees and charges) on the overall financial position is to reduce budget shortfall from £6.6m in 2019/20 to £2.5m.

Review of Charges and Other Income

8. As part of the Service & Resource Planning process, managers have reviewed their charges for 2019/20. The expectation was that charges would increase by a minimum of the October CPI rate of 2.4%, however the proposed increase should be higher where the market allows or where costs are not being fully recovered (except where legislation dictates a maximum charge).
9. The proposed charges are set out in Annex 1b. As a result of this review and an increase to statutory charges in the Registration Service, the following additional income is expected for 2019/20:
 - Registration Services - £0.250m
 - Communities new and increased charges - £0.400m
10. In addition, a change to the charging structure for on-street parking in Oxford City is expected to generate additional income of £0.600m a year. This will help to fund the cost of maintaining, signing and lining car parking and associated infrastructure.
11. A review has been undertaken of the income received and expected from developers towards the cost of future infrastructure maintenance (commuted sums). It is proposed that £1.5m each year for 2019/20 to 2021/22 from commuted sums will be used for highways maintenance allowing an equivalent sum to be released from the highways maintenance budget.

Capital & Investment Strategy

12. The Prudential Code for Capital Finance in Local Authorities was updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2017. The code requires that for each financial year, a local authority should prepare at least one Investment Strategy which should contain the disclosures and reporting requirements specified in the guidance. The Strategy set out at Annex 2 meets these requirements.
13. The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and

resources and ensure that decisions are made with sufficient regard to the long run financing implications and potential risks to the authority. The objectives are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

14. In line with the current and proposed Treasury Management Strategy limits relating to the percentage of funds held with External Fund Managers, in December 2018 the Treasury Management Strategy Team agreed to increase the exposure to external funds to £100m from £58m, representing an increase of 10% to 23% of the Council's total investment portfolio. All of the funds are income producing funds, as opposed to accumulating value funds. These funds have a variable net asset value which means that the value of the funds can decrease as well as increase depending on the performance of the instruments in the fund.
15. The Strategic Measures budget incorporates the principal and interest charges on debt as well as the interest earned on cash balances. A review of these areas has been undertaken, and incorporating the changes set out in paragraph 14, is expected to generate additional income of £2.3m in 2019/20 and a further £1.4m over the medium term. This replaces the target saving of £1.0m set out in the December Cabinet report.

Capital Proposals

16. The following table summarises the estimated funding available for the Capital Programme over the period 2019/20 to 2028/29 having included an extra year to the current programme. The table also sets out the proposed allocations against the portfolio areas which are set out in the Capital & Investment Strategy.

	£m
<u>Estimated Funding Available:</u>	
Additional estimated grant funding to 2028/29	23.4
Prudential Borrowing Investment	120.0
Current Portfolio Blocks released for reallocation	39.5
Total Estimated Funding Available	182.9
<u>Proposed Allocations:</u>	
Grant Funded Streams	
Schools Basic Need	-2.5
Schools Maintenance (Annual Programme)	-1.5
Highways Maintenance (Annual Programme)	-16.1
Portfolio Areas	
Schools Estate	-19.5
Non-Schools Estate	-51.7
Operational Assets	-12.0
Highways and associated Infrastructure	-80.0
Operational Redesign	-6.0

Total Funding Requirement	-189.3
Total Surplus(+)/Shortfall (-)	-6.4

Estimated Funding Available

17. The funding assumptions for grants have been estimated for 2028/29. This includes a forecast of £2.5m of basic need funding, £1.5m of school's maintenance funding and £19.4m of highways funding. These forecasts will be revised each year as further funding announcements are made. Details are set out in Annex 3b.
18. Following the decision by Cabinet in September 2018 to include significant investment in the Council's assets in the proposed capital programme, £120m of prudential borrowing has been included.
19. The capital portfolio allocations agreed in last year's process have been reassessed in line with the emerging pressures for this year and will be reallocated as explained in the following paragraphs.

Proposed Allocations

20. The proposed portfolio area allocations are based on a combination of identified schemes with known budget requirements, identified schemes with estimated budget requirements and general allocations where services can bring forward business cases to bid for the funding. For the portfolio areas, detailed business cases will go to the Community Infrastructure Programme Board (CIPB) who will approve them or make recommendations to Cabinet for inclusion in the capital programme, where they are above an agreed threshold².
21. Large investment proposals for the Schools Estate, Non-Schools Estate and Highways and associated Infrastructure portfolio areas are set out in the Capital & Investment Strategy in Annex 2.
22. The Schools Basic Need allocation includes funding for known schemes to 2022/23 and an allocation to match additional funding for the period to 2028/29.
23. The Schools Maintenance and Highways Maintenance allocations are based on the annual allocations in the current capital programme continuing each year to 2028/29.
24. The non-schools block also includes the provision for the purchase of additional land at Tank Farm, Chipping Norton. This places a cashflow requirement on the capital programme as capital is payable upfront, with the return of capital plus an additional uplift, all within the 10-year window of the capital programme.

² As per Financial Procedure Rules

25. The Operational Assets allocation includes estimated funding for replacement ICT equipment including the data centre, further investment in the Children's Services new ICT system and protective equipment for firefighters.
26. Within the Organisational Redesign portfolio there is a proposed allocation of £6.0m. It is anticipated that this will be used for the transformation programme and for crisis provision within Children's Services.
27. Details of the individual proposals are set out in Annex 3a to this report.
28. It is proposed to leave the capital programme with an overall shortfall of £6.4m at this time. The capital proposals will increase the capital programme to over £1bn, therefore a shortfall of £6.4m can be managed as funding levels are confirmed over the 10-year period. The capital programme also has an overall contingency to manage the position if required.

Update to Overall Revenue Financial Position

29. The effect of the changes relating to income, fees and charges in this report have on the overall financial position are set out in the table below.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	TOTAL £m
Net Pressure (+) /Saving (-) per December 2018 Cabinet Report³	6.6	22.2	8.5	2.0	39.3
Strategic Measures (above £1m target in December report)	-1.3	-0.5	-0.5	-0.4	-2.7
Additional Income from fees and charges	-0.7				-0.7
Additional parking income	-0.6				-0.6
Release of Highways Maintenance budget	-1.5			1.5	0.0
Revised Net Pressure (+) /Saving (-)	2.5	21.7	8.0	3.1	35.3

30. The remaining net pressure has reduced to £2.5m from £6.6m in 2019/20 as reported to Cabinet in December 2018. The Council is awaiting the final information from district councils before addressing this position in order that a balanced budget can be set on 12 February 2019.

³ Per the Addenda to the Cabinet report

Next Steps

31. The comments from this Committee will be fed back to the Cabinet for it to take into consideration in proposing the revenue budget for 2019/20, the MTFP 2019/20 – 2022/23 and capital programme to 2028/29 at its meeting on 22 January 2019.
32. The revenue budget implications set out in this report will be incorporated into the Cabinet's proposed budget that will be considered on 22 January 2019.
33. Ahead of Cabinet meeting, on 17 January 2019 the Transformation Joint Sub-Committee will meet to consider the transformation programme update and budget implications. Comments from the sub-committee will be considered by Cabinet at its meeting on 22 January 2019.
34. The Council will meet to set the budget and council tax requirement for 2019/20 and capital programme on 12 February 2019.

Financial and Legal Implications

35. This report is mostly concerned with finance and the implications are set out in the main body of the report.

LORNA BAXTER
Director of Finance

Contact Officers:
Katy Jurczynszyn: Strategic Finance Manager (Financial Strategy & Monitoring)
(Tel: 07584 909518)

December 2018