

# OXFORDSHIRE COUNTY COUNCIL

# THE CAPITAL STRATEGY (DRAFT)

# 2010/11 to 2014/15

## DOCUMENT INFORMATION

### Executive Summary

The Capital Strategy is a policy document that outlines Oxfordshire County Council's approach to capital investment over the next five years. It is closely linked to other key strategic and policy documents, such as

- Oxfordshire 2030
- The Corporate Plan
- The Asset Strategy and the Asset Management Plan
- The Local Transport Plan
- Service Business Plans and Asset Management Plans
- The Medium Term Financial Plan and the Treasury Management Strategy

The Capital Strategy is a response to the capital investment needs resulting from those key documents. It outlines how the Council's limited existing capital resources should be used, and how the capital resources potentially available should be maximised to address the capital investment needs effectively.

It is inevitable that the level of capital resources required to meet capital investment needs and aspirations will exceed the actual resources available. Therefore, one of the key purposes of the Capital Strategy is to ensure that no capital programme or project proposal is approved without determining whether there are better ways of achieving the stated objectives or better ways of using the available resources.

The Council also seeks to employ a variety of different resources to close the funding gap. In this context, the second key purpose of the capital strategy is to ensure that capital investment plans are affordable, prudent, sustainable and demonstrate value for money.

This Capital Strategy covers these critical issues in three main sections:

- *Delivering Corporate Priorities through Capital in a Challenging Financial Environment*; in this section the capital needs and aspirations of the Council are presented in the context of the national and local pictures, the Council's existing asset base, and the climate change and sustainability agendas.
- *Capital Strategy's Response to Needs and Priorities*; in this section short, medium and long-term responses of the capital strategy to key capital investment challenges are presented.
- *Capital Programme- Governance, Development & Implementation*; in this section the capital investment policies, governance and decision-making structures are described.

The first section explains that changing national government and corporate priorities, the economic recession, demographic changes, housing growth, business efficiency strategies and the current economic conditions will all have an impact on the Council's capital strategy and programme. This is because they put pressure on schools places, housing, social care provision for people with disabilities and an ageing population, or other public services. This section also stresses that the need to improve the transport infrastructure and to strengthen programmes to work on sustainability and climate change agendas has never been greater.

It is clear from the analysis in this section that the current economic conditions and the state of local government finances constrain Council's ability to generate capital resources and limit the level of available funding for capital investment from central government and other sources. These conditions will also have an impact on how the limited capital resources will be allocated at the national level. An assessment of the possible impact of the above conditions, with an assessment of the expected cuts in local government financial settlements in particular, shows that a reduction of over 30% in government allocations would mean the discontinuation of some critical parts of the current capital programme.

The second section states that an effective response is required from the Council both immediately and in the medium and long-term. In the short-term, the capital strategy addresses these pressures are by replacing low and non-existing capital receipts with prudential borrowing and by providing contingencies across the programme. In the medium-term, it emphasises the importance of achieving more flexible use of capital resources and using prudential borrowing more effectively to deliver the business efficiency strategies. In the long-term, the priorities around growth and infrastructure development will determine the funding options that will be employed by the Council. However, the strategy makes it clear that the total place agenda will shape the distribution of resources at the national level. Therefore, Council's success in developing strategic and joint programmes with place-shaping and the demonstration of real partnership working at their core will determine the level of resources that can be generated for the delivery of its priorities.

The final section underlines the importance of good governance in the effective management of the capital investment portfolio and achieving better use of capital resources. This section confirms the Council's vision of "developing a truly corporate approach to strategic capital investment, infrastructure and asset planning". The new governance structure is presented as the first step in dealing with the challenges presented in the earlier sections of this strategy. It is also shown as a key to establish a strong direct link between the mainstream capital programme and capital investment needs arising from the growth agenda (in particular strategic sites) and cross-departmental and cross-organisational co-location and joint service delivery initiatives.

## 1. Introduction

1. The Capital Strategy sets out the County Council's capital investment plans and explains how capital investment contributes to the Council's Vision and Priorities. It shows how the Council prioritises, targets and measures the performance of its limited capital resources. It also shows how the Council intends to maximise the value of its investment to support the achievement of its vision and priorities. It provides the framework for determining capital spending plans and the effective use of the Council's limited capital resources.
2. The areas considered by the Capital Strategy are
  - The challenging financial environment and the level and use of resources
  - The delivery of corporate priorities and infrastructure needs through capital investment
  - A robust, appropriate and sustainable financial strategy
  - Capital governance and decision-making

## 2. The Council's Vision and Priorities

3. The Vision for Oxfordshire is set out in the Corporate Plan.

*'We will deliver prosperity and security for the people of Oxfordshire by encouraging economic growth while improving the quality of life and environment for those living and working in the county.'*
4. The County Council has four corporate priorities: world class economy, healthy and thriving communities, better public services, and environment and climate change. There is also the cross-cutting theme of Breaking the Cycle of Deprivation, which focuses on reducing the gap between the most and least affluent, targeting areas where resources are most needed.
5. The County Council already manages a significant capital investment portfolio, which addresses the priorities identified within the Corporate Asset Management Plan (CAMP) and the Local Transport Plan (LTP).
6. The Capital Strategy builds on the 2009/10 Strategy and previous strategies, and emphasises the significant contribution that the capital programme can make in delivering the four corporate priorities and in bringing benefits for wider communities. It also seeks to ensure that resources are used in the most efficient way and support the Council's objectives most effectively.

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

### **3.1. National Picture**

#### **3.1.1. Current Economic Conditions**

7. The UK Economy is still in recession although there have been signs of modest growth recently. There is uncertainty about the strength of the recovery and this is reflected in the forecast growth of 1% for 2010. Recovery in employment levels could take up to 5 years. These conditions place a higher demand on public services and significantly affect two critical resources for the capital programme: capital receipts and developer contributions.
8. In the past, the one consistent factor in the funding of the capital programme has been the income derived from the sale of council assets. This has meant that the Council has not only benefited from a stable and predictable income stream but has also been able to use the increased value of capital receipts to deal with cost increases across the portfolio and bring more projects into the capital programme. However, during 2009, the Council has experienced both a sharp reduction in the value of capital receipts and delays in the delivery of the disposal programme and crucially no significant reduction in the cost of new property.
9. A second key source of funding for infrastructure delivery over the last five years has been developer contributions. There have been significant contributions to the transport and schools programmes and, to a lesser extent, to the other programmes. However, the Council is witnessing increasing demands from developers to reassess and renegotiate both the need for contributions for infrastructure secured through planning obligations (S106) and the terms applied to these contributions. This is because of the slow down in the housing market and related viability and timing issues raised by private developers.

#### **3.1.2. Local Government Finances**

10. The scale of national debt means it is likely that public spending will be reduced by £50 billion over the next 4 to 5 years. It is expected that capital spending by the public sector will go down sharply and recover slowly. Local authorities are likely to receive significantly lower settlements from central government from 2011/12 onwards. This affects the capital programme in two ways:
  - capital allocations<sup>1</sup>, which make up about 39% of the Council's capital resources, may be cut by 30% to 50%.

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<sup>1</sup> This includes supported borrowing and grant settlements from the central government.

- a squeeze in revenue budget allocations will make it very difficult for the County Council to take up unsupported borrowing or to increase its prudential borrowing provision significantly.
11. It is clear that national government will be further challenging local authorities *to tighten* their asset management strategies. As a major owner and occupier of property, local authorities will be required to justify holding land and buildings and to dispose of assets that are surplus to requirements. It is expected that this will lead to further pressure being placed on local authorities to sell major assets.

### 3.1.3. The Total Place Agenda

12. In the context of the Total Place agenda, national government departments are expected to bring further flexibility to the use of the settlement allocations already sent to the Council as a single pot. It is expected that this approach will bring improvements in outcomes for a place through a joined-up approach in service delivery.
13. Although, in theory, capital settlements come as the Single Capital Pot and could be allocated at the Council's discretion, in practice, the funding for Transport and Schools comes from the Departments of Transport and Children Schools & Families respectively. It is likely that the total place agenda will have an influence on how these allocations will operate in the future through the Capital Spending Review 2010. The Local Transport Plan 3 already signals this change in approach at the national level.

## 3.2. Local Picture

### 3.2.1. Population

14. Oxfordshire's population is around 632,000 and the county's area is 1,000 square miles (260,500 hectares). It is the most rural county in the South East region; over 50% of Oxfordshire's population live in settlements of fewer than 10,000 people. The largest settlement is Oxford City with a population of 149,100. A quarter of Oxfordshire's population lives in the City of Oxford with a similar proportion in its market towns and the remaining half living in rural areas. The population is ageing with substantial recent growth in the number of people aged 85 and over.
15. The County is facing significant demographic pressures. Economic prosperity and the quality of the environment make Oxfordshire an attractive place in which to live and work. Between 2006 and 2026 Oxfordshire's total population is forecast to grow by over 12%, whilst over the same period, the number of people aged 75 and over is projected to grow by 60%. Over the next twenty years the number of people aged over 85 is expected to double with one in four requiring intensive support from the social and health care system. It is expected that there will be an increase in the number of clients with learning disabilities as well as an increase in this client group's life expectancy. In addition, the increase in fertility rates in the existing population residing in existing housing will lead to an increase in the number of children requiring school places. This will

result in an erosion of existing and forecast spare capacity in many primary schools and in time, secondary schools.

### **3.2.2. Housing Growth**

16. Oxfordshire will experience significant housing growth over the next fifteen to twenty years. The Draft South East Plan proposes housing growth of 2,360 dwellings each year within Oxfordshire until 2026. This figure may increase to 2,760 per annum. Growth points have been designated within the county at Oxford and Didcot. Banbury, Bicester and Grove/Wantage are other county towns where this significant housing growth will be principally located. Bicester is the subject of a bid for growth funding to support the development of North West Bicester, which has been identified as an eco town location. There are also proposals (not yet agreed) for a significant expansion of the south east of Oxford City.
17. There will therefore be a need for considerable investment in new infrastructure to meet the pressures on essential services such as schools, libraries, roads, waste and extra-care housing provision. The key challenge will be to make sure that there are sufficient resources to fund, forward plan and implement this level of growth effectively. The increased housing development will create demand both for infrastructure investment and increased and better quality public services. There will also be a need to balance development and the protection of the environment and respond to the challenges of climate change.

### **3.2.3. Standard of Living**

18. Oxfordshire is a diverse and changing county with areas of outstanding natural beauty and areas of significant housing and commercial development. It has a modern and prosperous economy, which demands a highly skilled workforce and well-developed infrastructure. Many residents enjoy a high standard of living and a good quality of life, supported by high quality County Council services.
19. However, there are pockets of relative deprivation where residents have lower wages and low skills. There is poor housing, young people do not fulfil their potential at school and older people have poorer health than most. These pockets of the county's population derive little benefit from its economic success.
20. One of the key aspects of the County Council's corporate plan is to narrow the gap between the most disadvantaged people and communities and the rest of the county to ensure that all the people of Oxfordshire can benefit from the development of a prosperous, vibrant and attractive county. The overall challenge is to reduce inequalities and break the cycle of deprivation by addressing the regeneration needs of disadvantaged groups and communities.

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

21. The County Council has a wide range of infrastructure and property assets including schools, offices, highways depots, roads, bridges, park and ride sites, waste recycling centres and county farms.
22. The Council's capital assets were valued at £1,505.9m in the 2008/09 Statement of Accounts. The summary of the consolidated balance sheet is set out in the table below.

Category	Operational assets	Non operational assets	Total Assets
	£m	£m	£m
Intangible Assets	3.2	0	3.2
Land & Buildings	1,172.8	23.6	1,196.4
Vehicles & Plant	19.9	0	19.9
Infrastructure	286.4	0	286.4
<b>TOTAL</b>	<b>1,482.3</b>	<b>23.6</b>	<b>1,505.9</b>

23. This total excludes road and bridges. It is estimated that County Council roads alone represent approximately £2.5 billion infrastructure.

#### 3.3.1. Asset Management Plan

24. The Council's Asset Management Plan reports a £77.5m repair and maintenance backlog figure at the end of 2008/09. Only 41% of the overall asset portfolio, composed of approximately 850 properties, is fit for purpose. The revised Asset Management Plan and the development of the long-term asset strategy will bring significant change to the way the Council's assets are managed. This is a necessary response to the business efficiency agenda, growth pressures, sustainability and environmental drivers and new work patterns. It is expected that this work will further break down the cultural and physical barriers between departments and create a more open infrastructure base for Oxfordshire.

#### 3.3.2. Local Transport Plan

25. New highway initiatives for 2010/11 have been identified through the Local Transport Plan 2006-2011 in line with the current capital strategy. The key issue in the emerging third Local Transport Plan is the need to provide transport investment which supports economic development across the county while helping the authority meet its obligations for reducing greenhouse gases.
26. Substantial amounts of transport investment will be needed to support the new developments coming from the Local Development Frameworks. Some transport schemes are still outstanding and are required to cope with the impact of traffic implications from previous and current development rounds.



27. The Access to Oxford project was identified for national Major Scheme funding following publication of LTP2. Significant investment is required for the development of the project in order to reach the stage where up to £62m of national funding could be released.

### 3.3.3. Schools Infrastructure

28. A rapid and substantial growth in demand for primary school places is forecast over the period 2009 – 2016 indicating a likely demand for at least a further additional 178 Reception places in Oxford City. This is equivalent to, on average, creating an additional form of entry (30 pupils) per year on existing school sites. In addition, there are significant demand pressures in Witney, Wantage and Henley. Expansion of a number of schools will be required to satisfy the increased demand for places. The current economic climate leads to further pressure in this area due to the number of pupils being shifted from private schools to state schools. Even if the total funding available, which includes the Primary Capital Programme allocation and is subject to future years' local government finance settlements, is considered sufficient to discharge the Council's statutory responsibilities, it will not meet all assessed needs with respect to condition and suitability.
29. The Council, working with the schools and the Schools Forum, is committed to pursuing the Education Transformation Agenda. This agenda needs to be supported and facilitated by the creation of schools infrastructure for the 21<sup>st</sup> Century. The Primary Capital Programme, which aims to rebuild some 5% of all schools with a further 45% or so being 'renewed' by 2023, is already underway. The rollout of this programme will include new models of school organisation including federation and trust arrangements and greater collaboration between early years, primary, secondary and post-16 providers. The Building Schools for the Future (BSF) programme has the potential to support the delivery of this agenda by securing in the region of £600m of additional capital investment in Oxfordshire secondary schools over a 10 – 15 year period. However, the timing of this investment is not yet certain and it is likely to create budget pressure from the 'affordability gap' for both capital and revenue budgets.
30. The Council is also committed to increasing the number of schools with a distinctive character under the Choice and Diversity Agenda. This means encouraging secondary schools to acquire a second subject specialism, to consider the acquisition of foundation or trust status and, where existing schools are unable to deliver a consistently high standard of outcomes for students in particular, to create academies. Federations will also be encouraged as a means of improving the educational experience of children and young people and providing exciting career development opportunities for teachers and support staff. These changes to school organisations will have an impact on the required school infrastructure.
31. There are further challenges arising from the transfer of responsibilities from the Learning and Skills Council to local authorities. A new statutory

duty around children's centres and a duty to participate in education or training post 16 by young people are also being introduced.

### **3.3.4. Transforming Social Care**

32. One of the key challenges for the Council is to enable the development of extra care housing (ECH) throughout the County. The Council also targets the provision of 30 units of residential accommodation per annum for adults with physical disabilities. There is also an ongoing need for purpose built premises for adults with learning disabilities, and for mental health housing. The majority of these service areas will be affected by the self directed support, personalised care or prevention agendas, and by other major service transition. This means that these services will also be subject to a comprehensive review of systems and processes to support future working practices.

### **3.4. Environmental Sustainability and Climate Change**

33. The Council is committed to an 18% reduction in its carbon footprint by 2012 based from 2005/06 levels. It started to develop and implement a long-term robust strategy early to address its carbon emissions through the Carbon Management Programme. It is already investing in improvements to in street lighting across the county and £1.8m on Energy Conservation schemes. In order to achieve the 18% reduction adopted by the Council it will be necessary for the emissions from all Council assets and activities (property, street lighting, travel and waste) to be reduced.
34. Another fundamental challenge is to deliver new housing and other growth that responds effectively to the challenges of climate change through the sustainable design and construction of new developments, which reduce energy use, water use, and waste, increase energy efficiency and the proportion of energy generated from renewables and minimise environmental pollution and the likelihood and impact of flooding.
35. Waste Management is facing a period of rapid and radical change on a national level due to European Legislation, government targets and public expectations. Improvements must be sought to divert waste from landfill in line with the principles of the waste hierarchy. Investment is required to help avoid financial penalties from the Landfill Allowance Trading Scheme (LATS).

## 4. Capital Strategy's Response to Needs and Priorities

36. The Council's current capital strategy (Appendix 1) is that
- The earmarked funding received in the form of grant and borrowing approval for schools and transport are allocated according to the priorities in the Schools Asset Management Plan and the Local Transport Plan;
  - The Capital receipts are corporate resources and used across the capital programme flexibly;
  - Prudential guidelines are used to fund capital investment needs by borrowing repaid either from savings or from revenue over a 25 year period;
  - External resources are used for the purposes for which they are issued;
  - Other funding options are evaluated and used based on the merits of individual cases;
37. As can be concluded given the picture of current economic and financial conditions, and local needs and pressures described above, it is of the utmost importance, in these financially challenging times, that the Council's limited resources are managed effectively. The task of successfully managing the Council's assets and infrastructure base, and managing growth and developing related infrastructure provision has never been more important.
38. The Council is responding to this in three ways:
- Devising an immediate response to stimulate the economy while maintaining focus on long-term affordability;
  - Assessing the impact on the current capital strategy to ensure its longevity and sustainability;
  - Considering longer-term implications and developing related action.

### 4.1. Immediate Response

39. A brief description of the immediate Capital Strategy responses to the identified needs and constraints is given below:

#### 4.1.1. Manage the impact of current economic conditions on corporate capital resources

40. The Council is considering the effects of additional borrowing to replace low or non-existent capital receipts and to deal with the timing issues in funding infrastructure. In the short-term unsupported borrowing is the only alternative to using capital receipts. Although interest rates are low at the moment, this option would still mean an increase in revenue costs from paying interest on the additional loans. Additionally, interest rates are likely to go up in the medium to long term.

41. Therefore, a prudent strategy for increased prudential borrowing on an invest-to-save basis is currently being employed to deal with the immediate pressures on capital resources.

#### **4.1.2. Assess the corporate capital resources requirement to move the Sustainability and Climate Change agendas forward**

42. The Council is procuring a residual waste treatment contract to direct waste away from landfill and to address the major investment required to meet national targets and those stated in the Oxfordshire Joint Municipal Waste Strategy. It is also investing in a long-term infrastructure programme for waste recycling centres (WRC) through the use of the performance reward grant and other corporate resources.

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

43. The Council's capital budget setting principle is "a balanced position with sufficient level of contingency". Reduction in the value of the capital receipts during 2009/10 meant that the Council reported over £5m cumulative shortfall across the Capital Programme.
44. Although this level of over-programming is within tolerances recommended by the Audit Commission, the Council has reviewed its capital programme to set a balanced budget for the 2010/11 to 2014/15 period and set aside contingencies across the whole capital programme for unforeseen capital pressures and to accommodate possible changes in the capital resources position supporting the programme.
45. Contingency provisions are also made under the CYP&F and the Transport Capital Programmes to deal with the immediate resources requirement based on the initial financial analysis for the BSF, Academies and Access to Oxford Programmes. Work is ongoing to ensure that commitments from partners are secured for the delivery of these programmes.

## **4.2. Impact on the Current Capital Strategy**

46. It is likely that the current capital strategy will be affected from the picture presented above. Some of the key areas of consideration are presented below:

#### **4.2.1. Prepare for the impact of changes to local government finances and the Total Place agenda on settlement allocations**

47. Although the scale of impact of changes in these areas will not be known until the 3<sup>rd</sup> quarter of 2010, the Council has been working on achieving more flexible use of settlement allocations within the constraints of the current capital strategy. It was able to take advantage of the accelerated funding offer by Central Government in early 2009. The Council used this opportunity to stimulate local economic activity, to bring forward £1.5m highway maintenance work, and to generate revenue savings by deferring the unsupported borrowing requirement.

48. Both Transport and Schools programmes have undergone a funding sensitivity analysis to help understand the impact of likely cuts in government funding on the level of future investment in the related infrastructure bases. The analysis concluded that investment in integrated transport and non-statutory schools schemes will be severely affected by cuts of over 30%. There is now broader consensus on the more flexible use of capital resources and the Council is ready to consider different applications of a single pot approach to achieve better use of resources in the capital arena.
49. The CCMT has been working to bring all capital programmes together and to ensure that the overall capital programme is owned corporately. These ongoing works will ensure that the Cabinet can influence these programmes more fully and that the determination of priorities for the overall capital programmes is more transparent. Mechanisms are currently being developed to ensure broader member engagement in the next Local Transport Plan and the development of the Schools Asset Management Plan.
50. The Council is also critically observing the impact of the total place agenda on central government allocations. It is observing how strategic programmes and settlement allowances and their future operation will be influenced by this agenda. It is likely that this approach will enable the Council to progress with its own localities investment agenda subject to the scale and timing of forthcoming funding provision.

#### **4.2.2. Make capital receipts a thoroughly corporate resource**

51. Council policy is to treat capital receipts as corporate resource, not automatically allowing the originating service to utilise them. The Council looks to maximise capital receipts from the disposal of surplus land and buildings, unless there is a better overall benefit. This approach will stay firmly in place while increased pressure on selling major assets and reducing the size of the property portfolio is likely.
52. Given the fact that the Council's Business Efficiency Strategy requires a rationalisation of the asset base to help deliver £106 million of savings between 2010/11 and 2014/15, there is a need to strengthen further the capital strategy regarding the ring-fencing of capital receipts for the re-provision of assets.
53. Although services can still make a case for the replacement of an asset, work is ongoing to determine whether a percentage of the related capital receipt should be top-sliced for corporate purposes. This is in order to
  - encourage a case to be made for joint proposals, where the use of assets benefits more than one service area;
  - influence and challenge firmly business cases for service re-provision based on ring-fenced capital receipt funding;

54. The Capital Programme Board will continue to consider each case on its merits. The Council will also be exploring the potential of funding the locality bases through different procurement options once the strategy is fully determined. This is particularly important when current economic conditions do not favour the disposal of assets and proposals based on ring-fencing assets on an individual basis are likely to have viability and cashflow problems from the start.

#### **4.2.3. Establish better links between the use of prudential guidelines and Council's Business Efficiency Strategy**

55. The Council is currently using funding under prudential guidelines for two categories of expenditure:

- capital investment which will result in future revenue savings; the cost of borrowing is met from these savings. Examples include Energy Conservation and the Better Offices Programme.
- capital investment where the Council has a significant unmet capital need; a decision can be taken for capital investment to be funded by borrowing. The borrowing is repaid from revenue over a number of years.

56. The Council will continue to utilise unsupported borrowing to finance capital investment where there is a clear proven need and where this borrowing does not result in unacceptable increases in Council Tax levels. Currently, under the prudential guidelines, the revenue implications of every initiative are taken into account when estimating affordability of these proposals.

57. As part of its medium term planning process the Council also evaluates the relative merits of funding revenue or funding capital proposals. In the case of capital proposals it ensures that there is on-going revenue funding available to meet the impact of any additional borrowing requirements.

#### **4.2.4. Continue to secure external funding and project specific grants where they enable the delivery of corporate priorities**

58. The Council will try wherever possible to influence investment through the targeted use of its limited capital resources to lever in other investment to meet its objectives. However, the Council is clear that projects that may bring in further investment will only be supported if they meet the Council's priorities and objectives. The Council also evaluates long-term implications of accepting any external funding provision, in particular on its revenue budget.

59. The Council has benefited from this approach by securing approval for £4.6m co-location funding and £1.5m "Back on Track" funding from the DCSF, £1million Rural Capital funding to support 14-19 reform in rural settings and by achieving pilot status for the Single Conversation Programme from the Homes and Communities Agency.

60. The Council has also been working on making developer contributions an integral part of the asset management process through the effective use of section 106 agreements. This approach, too, ensures that future community assets are affordable and sustainable in the long term.
61. The Council will build on these successes and use its considerable experience in aligning funding streams and strategic programmes to meet its priorities in the context of its Capital Strategy. It will also enhance this strategy by using the Local Investment Plan (LIP) agreed by partners and take the opportunity to align all available funding streams further, including those from partner organisations at local, sub-regional, regional and national levels to achieve the agreed local vision and desired outcomes for wider communities. The Council believes that this approach will ensure generating funding for the longevity of the capital strategy and the capital programme and making maximum impact.

#### **4.2.5. Continue to employ an effective year-end financing strategy for the capital programme**

62. The Council's capital financing strategy is aimed at minimising the on-going liabilities to the Council's revenue budget arising from capital investment. The first calls on capital resources are therefore external funding (including S106), grants, supported borrowing<sup>2</sup>, and capital receipts and reserves. The final calls, where necessary, are on unsupported borrowing and revenue contributions.

### **4.3. Long Term Considerations and Actions**

#### **4.3.1. Striking a Better Capital Investment Balance: Change in Service Priorities and Changes to Demographics**

63. Demographic change puts pressure on other essential services, such as the provision of school places, home care, waste management and public transport facilities. Capital resources are already severely constrained based on the current needs arising from the Council's strategic and service priorities. The Council has long recognised that a strategic response to meeting and containing demographic pressures is required.
64. The Council has therefore been using all of the formulaic basic needs settlement and other resources from the schools capital funding, in line with national policy, to respond to the increasing demand for school places due to changes in demography and parental choice. The Council is aiming to secure additional funding to cope with the unexpected growth which is only partially offset by the low numbers of surplus places in other year groups in schools.

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<sup>2</sup> Note that the Council is a floor authority and therefore still needs to bear the cost of supported borrowing.

65. In 2008/09, £25m additional prudential borrowing was approved to respond to the investment need in services not receiving capital settlement from central government. However, there is still work to be done in this area to strike a better balance between those needs arising from changing service priorities and those arising from changes/shifts to the demographic picture.

#### **4.3.2. Funding Growth**

66. The Council is proactive in ensuring, as far as possible, that all additional capital investment needs arising from new developments are funded from developer contributions. It has benefited from its good track-record of effectively identifying infrastructure needs arising from new developments and securing developer contributions to enable required infrastructure delivery. However, the scale of the infrastructure provision to respond to the described level of growth requires a different approach to capital investment planning and a stronger emphasis on funding infrastructure.

67. Initial analysis of long-term infrastructure implications of such a level of growth shows that significant investment in schools and transport infrastructure will be required as well as considerable investment in extra care housing, community facilities, green infrastructure and recreational resources. It is not yet clear what scale of investment will be required by our partners responsible for health and utilities infrastructure.

68. Given the effect of current economic conditions on developer contributions, several issues have become critical when managing this scale of growth:

- Maintaining the viability of development proposals due to the reduction in land values;
- The funding implications of providing infrastructure up-front due to timing issues;
- Securing central government funding for some of the major infrastructure requirements when it is likely that capital spending by the public sector will be cut by 30% - 50% following the CSR2010;
- Being prepared to deal with uncertainties around the exact cost of infrastructure provision when the development takes place;

69. The Council has already started working with district councils and other partners to identify further infrastructure funding streams under the umbrella of the recently established Spatial Planning and Infrastructure Partnership and with the Housing and Communities Agency as part of the Single Conversation Pilot. The Council and its partners are aiming to use the Single Conversation as an opportunity to pursue a new approach to infrastructure provision in which the investment fits the place rather than the place fits the programme.



70. Similarly, the Council and its partners are also trying to take advantage of the new Growth Fund<sup>3</sup> to support the delivery of infrastructure in growth areas. The application for Oxfordshire's share of the Eco-Town Pilots Support Funding (£60 million)<sup>4</sup> is also under progress. The use of these new funding streams is expected to unblock stalled developments to a degree. However, it is recognised that these are still relatively short-term solutions. Hence, there is still a need to investigate different funding mechanisms based on the identified funding gap to help deliver infrastructure.
71. The Council plans to develop a longer-term capital investment strategy on a 10-15 year horizon to manage effectively the infrastructure requirements arising from this unprecedented planned housing growth. This will be in conjunction with and follow the development of the Local Investment Plan, the Local Transport Plan 3 and the long-term Property Strategy.
72. The next section lists some of the models that the Council will look into as part of the development of the longer-term capital strategy development in more detail.

#### **4.4. Funding Options to Meet Capital Investment Challenges**

73. There are a number of innovative funding options and delivery models available or under development to support infrastructure delivery. The Council acknowledges that these options and models need to be fully evaluated to determine the most appropriate solution based on the nature of the infrastructure need, the scale of the funding gap and the availability of funding sources offered by Central Government.
74. The Council is committed to exploring all relevant options in consultation with its partners in delivery to ensure the effective management of growth and the timely provision of related infrastructure.

##### **4.4.1. Public Private Partnerships (PPP)/Private Finance Initiative (PFI)**

75. The PPP/PFI funding models are used as long-term contracts between the public sector client and a private sector special purpose vehicle to deliver infrastructure and services in exchange for an annual performance related payment. The Council looks at these models of funding for its major schemes and takes a decision on the merits of each individual case. It has successfully used PPP funding to develop the Oxford Castle site working with the private sector and SEEDA. It has also upgraded homes for the elderly in partnership with the Order of St John.
76. It has fully investigated PFI options but has not so far decided this has been appropriate for any scheme. This is due to the fact that while this model works well in many circumstances, they have not been found appropriate in financial terms. However, the Council is still working on

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<sup>3</sup> A new unringfenced grant. This is part of the £1.7bn that Communities and Local Government will be investing across the Growth Areas, the Thames Gateway, Growth Points and Eco-towns during the CSR07 period.(£832m)

<sup>4</sup> £60m start-up funding for local infrastructure relating to eco-towns.

employing similar models when it is suitable for its objectives. It is currently considering suitable options for funding the waste treatment contract, possibly through a Design, Build, Finance, Operate (DBFO) deal with the private sector. Similarly, it is considering the Local Education Partnership Model under the Building Schools for the Future Programme.

77. In future, the Council will also need to look at more competitive versions of this model, such as competitive or incremental partnerships and see whether or not any of them is applicable for or tailor made to the specific circumstances of the infrastructure requirement.

#### **4.4.2. Local Asset Backed Vehicles (A form of PPP Model)**

78. This funding mechanism aims to encourage private sector investment by making regeneration projects appealing on a long-term basis. The current economic conditions and their impact on the public finances and land values mean that it is likely that very limited funding will be available from both the public and private sector. It is expected that the use of this funding mechanism will increase in the coming years given the expected increase in asset rationalization by local authorities.

#### **4.4.3. Transport Innovation Fund**

79. The Department for Transport's long-term funding guidelines forecast that Transport Innovation Funding (TIF) will grow to over £2 billion by 2014/15, subject to the outcome of CSR2010<sup>5</sup>. The Council is currently developing the Local Transport Plan (3) and will test the applicability of this funding against the assessed need and long-term aspirations. This funding is currently directly linked to authorities who are pursuing road user charging. National Funding of this is likely to be reviewed post general election.

#### **4.4.4. “Partnership for Schools” Approach to Education Funding**

80. Partnership for Schools has started overseeing about £13.2 billion education funding on top of the existing £9.3 billion for the Building Schools for the Future Programme. Initial indications are that PfS will move towards a “One Conversation” approach around schools funding<sup>6</sup>. Although details of this approach are not yet clear, it is expected that the allocation of this funding will be linked to how/where the schools will fit and enhance the community.

#### **4.4.5. Community Infrastructure Levy**

81. The Community Infrastructure Levy (CIL) is being introduced to give local authorities extra resources to invest in vital facilities, public services and social infrastructure and to give developers greater certainty about their role and contribution.<sup>7</sup> Although this mechanism aims to bring much needed flexibility to the use of contributions from developers, there are concerns arising from its implications for the County Council. It is still not

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<sup>5</sup> DfT (26<sup>th</sup> January 2006): Policy, guidance and research; the Transport Innovation Fund

<sup>6</sup> PfS (10<sup>th</sup> September 2009): Partnership for Schools launches “one conversation” with local authorities.

<sup>7</sup> DCLG (August 2008): The Community Infrastructure Levy

clear how the CIL income will be apportioned, how it will be transferred from charging bodies to infrastructure delivery organisations, and how it will affect the future of the S106 agreements. Hence, central government's response to concerns raised by county councils across the UK will be critical in determining the future capital strategy implications of this new funding mechanism.

#### **4.4.6. Tax Increment Financing (TIF) and Accelerated Development Zone Funding**

82. Tax Increment Financing<sup>8</sup> is a mechanism that enables the use of anticipated future increases in tax revenue to finance the current improvements (such as new or improved infrastructure) that are expected to generate those increased revenues. The UK central government announced a study of its use in April 2009. Most of the designated growth authorities and city regions are waiting the result of this study to determine further their funding strategy for growth.

#### **4.4.7. Rolling Fund**

83. There is also a growing interest in creating a Rolling Fund for funding infrastructure up-front. This is a mechanism by which local authorities along with their partners use initial public money to forward-fund major infrastructure schemes where infrastructure is needed to support the planned development. The cost of infrastructure is then recovered from public and private sector funding streams as they come forward. It is important to structure and manage the fund in a way that it takes into account any delays or reductions in the recovery.

84. The Council acknowledges that the level of funding available from central government and the private sector is constantly changing and current economic conditions will put further constraints on available future infrastructure funding. There are a number of ways in which central government tries to bring short-term release to current market bottlenecks. However, more sustainable and long-term funding models are needed to manage the growth agenda effectively and deliver the related infrastructure in a timely manner.

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<sup>8</sup> British Property Federation (November 2008): Tax Increment Financing

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

### **5.1. Capital Programme**

85. The current capital programme for 2009/10 to 2014/15 totals £574m. The figures for the years 2011/12 onwards are a draft based on an indicative programme put forward to the Cabinet. This programme includes some indicative projects where no firm costings or business cases have been produced. These projects will only be progressed after a formal approval process, as outlined in the capital strategy, and if funding is available.
86. The current Administration was elected in June 2009. The Cabinet has reviewed all priorities for the capital programme against the Corporate Strategy. The attached programme is based on these priorities.

### **5.2. Governance**

87. The Council has the vision of “developing a truly corporate approach to strategic capital investment, infrastructure and asset planning”. It recognises that implementing a high-profile capital governance structure is essential to fulfil this vision and ensure success in the capital arena.
88. That is why capital governance arrangements were reviewed in the context of the immediate challenges presented by the infrastructure gap and the growth, total place, co-location and cross service delivery agendas. A new capital governance structure was agreed immediately after this review and has been in operation since September 2009.
89. The new structure establishes a strong direct link between the mainstream capital programme and capital investment needs arising from the growth agenda (in particular strategic sites) and from cross-departmental and cross-organisational co-location and joint service delivery initiatives. The key features of this structure are listed below:

#### **5.2.1. The Council & the Cabinet**

90. The Council and the Cabinet continue as the key democratic decision-making bodies as per the Council’s constitution. The Council approves the key policy documents and the capital programme as part of the Council’s Policy and Budgetary Framework. The Cabinet recommends priorities, policy direction and the capital programme to the Council for approval. The Cabinet also approves new inclusions to the capital programme in line with the scheme of delegation and the financial procedure rules.

### **5.2.2. The Capital Investment Board (CIB)<sup>9</sup>**

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

### **5.2.3. The Capital Programme Board (CPB)<sup>10</sup>**

92. The Capital Programme Board is a strong officer group with a clear remit and function to be the single point of contact in all capital and asset matters across the organisation with clear accountability and a sufficiently high level of authority and decision-making power within the limits of delegated responsibility.
93. An overview of the new governance structure and terms of reference for new platforms are presented in Appendix 2. The Council is still working on streamlining the Capital Programme delivery arrangements.

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

94. The Council has been using a scoring matrix and option appraisal methodology to underpin its capital decision-making process. Recent changes in the context within which the capital strategy is developed mean that there is a need to strengthen the development framework for the capital programme.
95. In particular, the Council has taken steps to enhance the strategic alignment of the capital programme with corporate priorities and to balance capital investment needs arising from planned growth and the maintenance of the existing portfolio. In order to achieve these two objectives, the capital-programme-entry and the project approval processes have been updated.
96. The Council is developing a two-stage approval process for capital resources allocation. If a project is approved at stage 1, it is accepted in principle to the Council's capital programme and allocated a project development budget. This stage is also called "commit to investigate". At stage 2, the project receives full political approval for work to commence and expenditure to be incurred, subject to the budget constraints of the project delivery budget allocation.

### **5.3.1. Capital Resource Allocation**

97. The Council is currently developing a new capital resources allocation model in order to align the use of capital resources to the delivery of corporate priorities through the use of a tool that is transparent, objective and outcome/result focused.

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<sup>9</sup> See Appendix 2b for the terms of reference of the Capital Investment Board

<sup>10</sup> See Appendix 2c for the terms of reference of the Capital Programme Board

98. The model will be integrated into the service and resource planning process. This will help to facilitate the allocation of available resources and help the cabinet to make more informed decisions about the priority of capital investment proposals.

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

99. Given the scarcity of both land and capital in relation to future needs, OCC must ensure that each investment decision represents the best possible use of these limited resources, and the best long-term solution for the authority and its citizens as a whole. It is critical for the long term future of the Council's infrastructure base and to ensure the wise and responsible use of resources that each investment decision is based on a full consideration of all possible solutions and a full recognition of life cycle cost.

100. The Council is in the process of streamlining its technical assessment process for evaluating readiness and value for money of all its capital investment proposals to ensure a standard approach across the programme portfolio. The agreed principles are:

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

101. Appendix 4 shows the high-level process map for programme entry and project approval. The capital resources allocation model and the technical assessment are shown within this process.

102. This approach will further ensure that investment in assets carries the underlying principle of seeking maximum benefit from the sum invested. Indeed, the revenue implications of any schemes are therefore considered at both stages of the process. However, more details are provided prior to full political approval being granted for proposals.

103. The Council is also making adjustments<sup>11</sup> to financial procedure rules following the introduction of the new governance structure. The principle behind these adjustments is ensure that the overall structure is supported by appropriate officer teams operating clear, agreed, open and transparent corporate policies, protocols and procedures. Detailed protocols are under development and will follow the approval of the capital strategy.

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<sup>11</sup> These amendments are subject to approval by the Council in January 2010.

104. The revised project approval thresholds and a more detailed framework on the two-stage approval process are provided in appendices 3 and 4 respectively.

### **5.3.3. Procurement**

105. The Council has established collaborative partnerships with both the professional services and construction services supply chains through innovative strategic procurement initiatives. It has developed delivery mechanisms focusing on build-ability, supply chain management and incentivised long-term framework partnerships with contractors. These include

- Core Multi-Disciplinary Consultants appointed on a 7 – 10 year term capable of delivering the Council's Capital Programme.
- Framework Consultants (3 Multi-Disciplinary and 1 Cost Management) appointed on 4-year terms, selected for their expertise and capability to deliver education projects;
- Similar Framework arrangements are in place for construction services. These delivered up to 60% of the Council's Capital Programme, with the remainder procured in the open market.

106. The current core consultants contractual arrangements can be terminated in 2012, and the framework consultancy and construction services contractual arrangements are also able to be terminated without penalty in 2012. The Council is reviewing the full range of options for the provision and procurement of all property consultancy, contracting, and facilities management services with the intention that revised arrangements securing efficiency benefits will be put in place from April 2012.

107. The Council is due to enter into new contractual arrangements for the delivery of the Transport service which involves operating in an integrated organisational structure aimed at generating a more efficient operation. This will enable us to plan the overall resource from inception to delivery on the ground thus smoothing the workflow throughout the year, planning future years and hence gaining greater effectiveness and efficiency.

108. The Council is currently procuring a residual waste treatment contract which utilises similar principles to a Private Finance Initiative (PFI) and is based on the Government's standard contract. The Council is also considering setting up a Local Education Partnership (LEP) to deliver projects for Building Schools for the Future (BSF) Programme as this is the preferred model of delivery by the Partnership for Schools.

### **5.3.4. Partnership Working**

109. The Council has a strong vision to create sustainable places by working closely with its partners. It recognises that it can only achieve its objectives through partnership working and is therefore committed to working with public, private, voluntary and community organisations.

110. The Council already has a history of pursuing joint-working and joint-service delivery initiatives for better outcomes for communities and citizens of the County. It will continue to actively seek opportunities to work in partnership to provide capital investment in Oxfordshire.

111. The Council is currently

- working on the West End Project in partnership with Oxford City Council, South East England Development Agency (SEEDA) and other partners. The renaissance of Oxford's West End is the single biggest regeneration project that Oxford has seen for some decades and will shape the city centre experience for a hundred years to come.
- operating a private public partnership with the Oxfordshire Care Partnership (Orders of St John – referred to as OCP/OSJ) to provide residential care homes for Older People;
- working in partnership with District Councils in collection and treatment of waste, including delivering improved recycling and reduction in landfill;
- working with the Housing and Communities Agency and other partner organisation under the Single Conversation Pilot Project to provide a shared framework at a local level for the delivery of housing and economic growth, infrastructure, regeneration and community objectives.

### **5.3.5. Performance Management**

112. The Council agrees a rolling five-year capital programme annually in accordance with its priorities. The capital programme is updated quarterly and its performance is reported monthly to the Cabinet. The Council's use of capital resources indicator was 90% at the end of 2008/09. This is a significant improvement from 18.58%<sup>12</sup> slippage reported in 2007/08 outturn position. The Capital Programme Manager is working closely with directorates to achieve further improvements in 2009/10 and the years beyond.

## **6. Conclusion**

113. The Capital Strategy has been updated in light of a very challenging financial environment. Although, this update does not recommend an immediate change to the main policy framework, it makes a thorough assessment of the possible impact of the changing conditions.

114. It demonstrates how the economic recession, demographic changes, housing growth, business efficiency strategies, the total place agenda and state of the local government finances will all have an impact on Council's capital investment aspirations and the capital programme in the coming years. It recommends a series of short, medium and long-term measures to be employed in the future in light of the forthcoming Comprehensive Spending Review 2010.

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<sup>12</sup> Based on budget setting figure of £108.1m and the reported capital outturn of £88m.



115. At the heart of these recommendations lie the more flexible use of capital resources in support of Council's priorities and a stronger focus on long-term infrastructure requirements. The Capital Strategy therefore highlights a number of funding options that will define the level of available capital resources in the future.
116. It further highlights the importance of developing a longer-term capital investment strategy on a 10-15 year horizon to respond to the identified capital investment needs. This will be in conjunction with and follow the development of the Local Investment Plan, the Local Transport Plan 3, the long-term Asset Strategy, and the Strategy for Change for the Secondary School Estate. It will be also linked with the implementation of the Strategy for Change for the Primary School Estate.

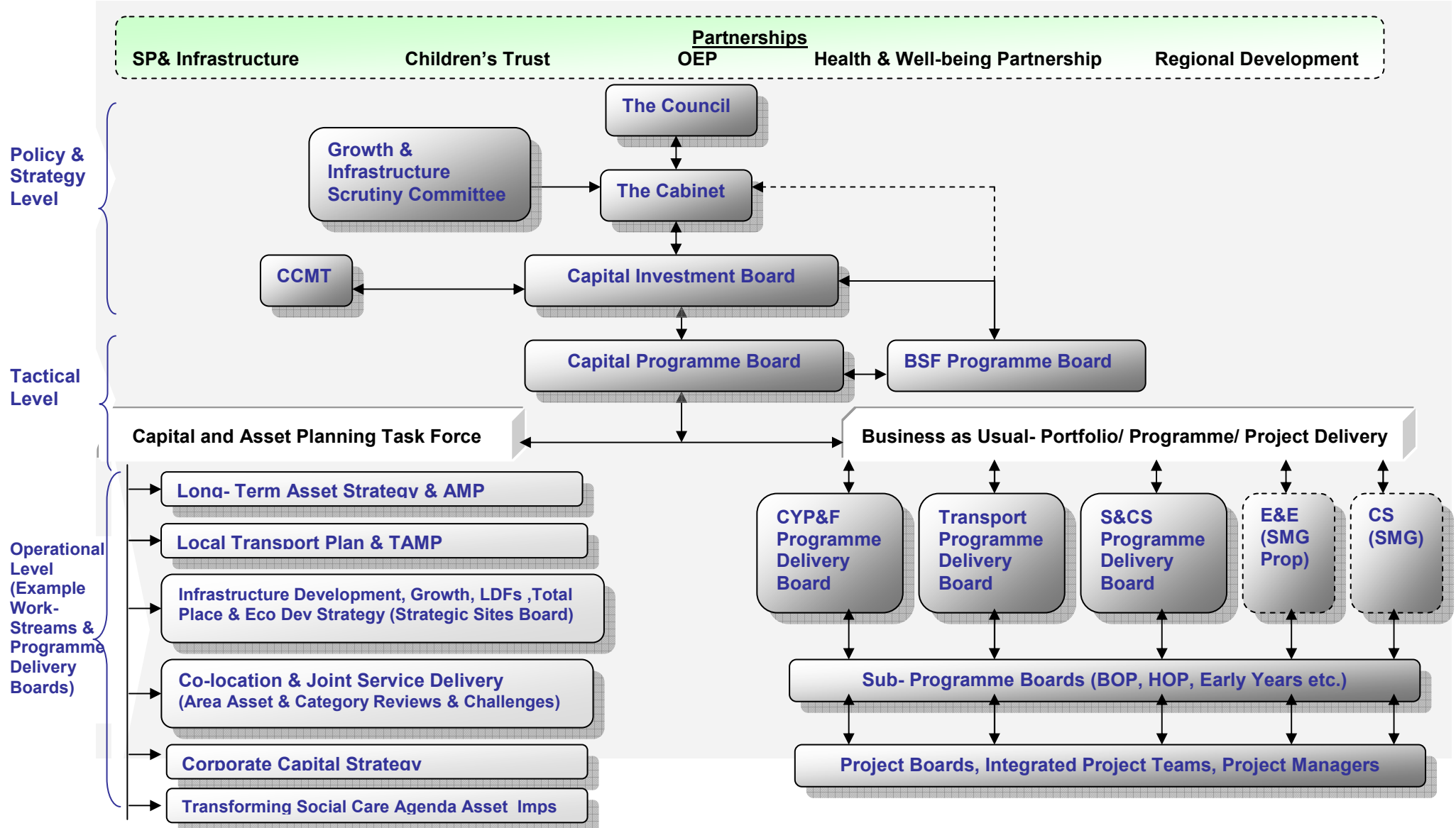
# Appendices

## APPENDIX 1

### The Capital Investment Strategy: 2010/11 to 2014/15

<b>CAPITAL INVESTMENT STRATEGY FOR 2010/11 to 2014/15</b>	
<b>Resources</b>	<b>Investment Strategy</b>
<b>CYP&amp;F- Supported Capital Expenditure (S.C.E)</b>	This funding is ring-fenced for CYP&F Capital Programme. This funding is therefore allocated according to the priorities set out in the Schools Asset Management Plan.
<b>LTP- Supported Capital Expenditure (S.C.E)</b>	This funding is ring-fenced for Transport Programme under the E&E Capital Programme. This funding is therefore allocated according to the priorities set out in the Local Transport Plan.
<b>Usable Capital Receipts</b>	This funding stream is generally treated as flexible corporate resources. The policy also allows directorates to retail the capital receipts if a) it is planned to be used for direct re-provision of the property released b) it is planned to be used for another service priority which is consistent Council's overall priority and the AMP
<b>Developer Contributions</b>	This funding is used within the framework of the specific developer agreement. The policy will state that developer contributions are appropriately exploited to deliver the various infrastructures where appropriate and consistent with the framework contract. Appropriate contributions where secured and held in the account would/should be used in preference to other monies.
<b>Capital Grants/ External Funding</b>	These resources are provided by the national government or other external funding organisations and used for purposes for which they are issued. It is difficult to forecast a contribution for capital grants as they are led by specific investment programmes launched by these authorities and specific government departments in different time intervals.
<b>Unsupported Borrowing</b>	This funding stream is treated as a specific resource for a) a significant unmet capital need, a decision can be taken for capital investment funded by borrowing b) capital investment will result in future revenue savings, the cost of borrowing has been met from these savings (i.e. invest to save basis)
<b>Capital Reserves</b>	This funding stream is generally treated as flexible corporate resources. The policy also allows these resources to be earmarked for specific programme or project.
<b>PFI/ PPP</b>	Decisions are taken on the merits of each individual case and PFI/ PPP funding is considered as an option with all other suitable options for funding its major schemes.

## APPENDIX 2 (a) - The New Capital Governance Structure- Overview



## Appendix 2 (b)

### CAPITAL INVESTMENT BOARD- TERMS OF REFERENCE

#### 1. Role

14. The Capital Investment Board (CIB)'s role is to shape the vision and set the agenda for capital investment and asset planning activity in order to put next generation infrastructure in place. It aims to provide a cross-portfolio approach to and high-level political steer on capital investment, strategic infrastructure development, the use of resources discussion and the growth, co-location and joint service delivery agendas. It will play a key role in managing relationships with partnerships and in making cross-organisational working a reality in the capital arena for the County.

#### 2. Composition & Resources

15. The board is composed of the members of the CCMT and of the Cabinet. It will be chaired by the Leader of the Council, and supported by the Capital Programme Manager. The Board will meet every two months.

#### 3. The Remit & Function

16. The remit of the CIB is
  - a) To shape and influence county's capital investment, strategic infrastructure and asset strategies and recommend strategic resource allocations according to capital priorities for the county
  - b) To secure commitments from partners to progress the agreed outcomes and projects and to identify and negotiate further enabling measures by uncovering and exploiting linkages with other policy/strategy blocks
  - c) To ensure that the vision for the strategic direction and scale of ambition for the organisation's capital investment portfolio are clear by providing a strategic steer on national, regional and cross-organisational challenges, risks and opportunities.
  - d) To advise on the policy development and priorities in the capital arena
  - e) To contribute to the development of a corporate approach to the use of capital resources at the policy level
  - f) To consider/debate key capital strategy/policy documents, long-term strategic asset matters and key property related initiatives
  - g) To define the top-down view and expectations in the capital arena through the provision of an early steer on approach and priorities
  - h) To review the framework for prioritising capital investment proposals aligning the AMP, TAMP and CS to the Corporate Plan
  - i) To promote and champion the importance of capital matters on political platforms
  - j) To provide visible corporate leadership & commitment at events and in communications
  - k) To receive and review regular progress reports from the Capital Programme Board (CPB) regarding the delivery of priority work-streams

- l) To receive and review regular progress reports from the Building Schools for the Future (BSF) Board and to link the BSF programme with the overarching capital programme

#### **4. Decision- making**

17. The CIB is a working party and provides opportunities for high level collaboration between members and officers. Actual decisions are made in accordance with the scheme of delegation i.e. either by the Cabinet, by the relevant portfolio holder or by an officer of the authority following consideration by the CIB. Any proposal that is outside the approved budget and policy framework is referred back to full Council in accordance with the Constitution.

#### **5. Key Outcomes**

18. The use of Capital Resources directly related to the service delivery and corporate priorities and Council's aspirations for growth and infrastructure development;
19. Greater Cabinet and CCMT awareness of the infrastructure asset implications of all decisions;
20. Clearly defined capital priorities strongly linked with Council's policies and long-term strategies
21. Enhanced corporate and partnership working within the capital arena
22. Increased leverage of capital funding from wide range of sources (realisation of capital receipts, securing external funding through national and regional initiatives, generating long-term infrastructure and growth funding)
23. Realised opportunities for increasing income and/or reducing expenditure in management of property assets with direct contribution towards Council's efficiency programme

#### **6. Reporting Arrangements & Communication Plan**

24. Minutes of the meetings, with action items, will be circulated within 10 working days to members of the Board, members of CPB, the chairs of the Programme Delivery Boards and lead officers for the strategic work-streams.
25. The Growth and Infrastructure Scrutiny Committee will receive quarterly updates.
26. The Strategy and Partnership Scrutiny Committee will receive annual updates
27. There will be a continuous dialog with the Spatial Planning and Infrastructure Partnership. This dialog and relationship will be managed at the elected member and director level.

28. There will be a continuous dialog with the CPB and with the BSF Programme Board. These dialogs will be managed by the Assistant Chief Executive & Chief Financial Officer and the Director of Environment & Economy, and the Director of Children Young People & Families respectively.

**7. Review Arrangements**

29. Reviews will be carried out annually.

## Appendix 2 (c)

### CAPITAL PROGRAMME BOARD- TERMS OF REFERENCE

#### 1. Role

1. The Capital Programme Board (CPB) is a strong officer group with a clear remit and function to be the single point of contact in all capital and asset matters.
2. The board's role is to ensure the development and delivery of long term infrastructure and asset strategies, the achievement of better long term planning of capital investment, better use and management of assets, greater local-decision making and accountability within the capital arena and the enhancement of cross-service strategic working among directorates and in partnership with other organisations.
3. It will create a programme of strategic capital investment for Oxfordshire and ensure that strategic capital investment is planned and delivered in the most effective way possible. It will establish a strong corporate centre, facilitating effective decision-making and providing officer leadership and challenge in the capital arena.

#### 2. Composition

4. The board has a small number of core members who are tasked to take a strategic view on the use of capital resources, capital investment and asset planning in line with Council's priorities. Members of the board will be accountable for ensuring the delivery of the specific capital targets and benefits agreed by the CIB. The membership of the CPB is listed below:
  - Assistant Chief Executive & Chief Finance Officer (the Chairman)
  - Director for Environment & Economy
  - Head of Transport (E&E)
  - Head of Property (E&E)
  - Head of Finance & Procurement (CC)
  - Head of Sustainable Development (E&E)
  - Head of Strategy and Transformation (S&CS)
  - Head of Commissioning, Performance and Quality Assurance (CYP&F)
  - Head of Strategy (CC)
  - Capital Programme Manager (CC)
5. The members of the CPB have, between them, responsibility for the Council's key strategic and service plans, including the Capital Strategy, Asset Management Plan, Long-term Property Strategy, Local Transport Plan, Strategy for Change for Secondary and Primary Schools, Strategic Sites Development, the Corporate Plan, the Medium Term Financial Plan, and regional and sub-regional strategies. This ensures the board supports both internal and external key strategies, plans and objectives.



6. Assistant Chief Fire Officer and Head of Service Support for the Community Safety and Shared Services Directorate will also have an invitation to all meetings of the Board where resources allocation and capital projects prioritisation are discussed.
7. The Board will be supported by the Capital Finance Team and meet every two months starting from 9th October 2009. These meetings will be in line with the meeting calendar for the CIB so that there is always 4 weeks between CIB and CPB meetings.

### **3. The Remit & Function**

8. The remit of the CPB is
  - a) To consider and determine capital investment and asset management issues across the organisation by establishing a strong corporate centre and facilitating effective decision-making in the capital arena;
  - b) To provide officer leadership and challenge in the capital arena by taking a corporate view on capital and asset management and the use of capital resources throughout the authority and by giving a strategic focus and co-ordination to capital and asset planning across the corporate portfolio;
  - c) To be accountable for ensuring the delivery of the specific capital targets and benefits for the organisation agreed by the CCMT and the Cabinet;
  - d) To set the strategic direction for the capital and asset planning task force and to challenge/assess/steer their progress against strategic objectives;
  - e) To establish and maintain linkages with partnership structures at appropriate stages and to advise CIB on co-ordinating the liaison with partners on co-location and joint service delivery proposals as required;
  - f) To make recommendations on capital investment priorities to CCMT, CIB and the Cabinet;
  - g) To agree capital investment decisions within the capital arena within the given remit and tolerances across the portfolio where priorities are already agreed by the cabinet as part of the Council's budgetary framework;
  - h) To determine implications of applying for external funding and to agree applications in consultation with the CIB;
  - i) To ensure that there is a programme of action and appointed work-stream leaders in place to deliver the agreed priority work-streams by the CIB;
  - j) To develop, own, monitor and report progress against the agreed yearly plan on exception basis to the CIB;

### **4. Decision- making**

9. The CPB is an officer working group. It takes its decision-making power from the delegated authority of member officers as per Financial Procedure Rules (FPR) and the Council's Constitution. It makes decisions only where priorities are already agreed by the cabinet as part of the Council's budgetary framework. It also ensures that necessary consultation is carried out with the CIB and relevant directors as part of the decision-making process. Decisions over £5m and new inclusions to the Capital Programme will be referred to the Cabinet in line with the FPR. Any

proposal that is outside the approved budget and policy framework will be referred back to full Council in accordance with the Constitution.

### **5. Key Outcomes**

10. The use of Capital Resources directly related to the service delivery and corporate priorities and Council's aspirations for growth and infrastructure development;
11. Creation of a single point of contact for all capital matters.
12. Continuous improvement in strategic planning and delivery of the capital programme ensuring that strategic capital investment is planned and delivered in the most effective way possible
13. Better long term planning of capital investment, better use and management of assets, greater local-decision making and accountability within the capital arena.
14. Increased leverage of capital funding from wide range of sources
15. Enhanced of cross-service strategic working among directorates and in partnership with other organisations.
16. Realised opportunities for increasing income and/or reducing expenditure in management of property assets with direct contribution towards Council's efficiency programme

### **6. Reporting Arrangements & Communication Plan**

17. Minutes of the meetings, with action items, will be circulated within 10 working days to members of the Board, members of CIB, the chairs of the Programme Delivery Boards and lead officers for the strategic work-streams.
18. The Growth and Infrastructure Scrutiny Committee will receive quarterly updates.
19. The Strategy and Partnership Scrutiny Committee will receive annual updates.
20. There will be a continuous dialog with the CIB and with the BSF Programme Board. These dialogs will be managed by the Assistant Chief Executive & Chief Financial Officer and the Director of Environment & Economy, and the Director of Children Young People & Families respectively.

### **7. Review Arrangements**

21. Reviews will be carried out annually.

## APPENDIX 3

### NEW CAPITAL PROJECT APPROVAL THRESHOLDS (DRAFT) (BASED ON REVISED FINANCIAL PROCEDURE RULES)

#### CAPITAL EXPENDITURE AND PROGRAMME

12. No capital commitment shall be entered into unless:-

- (a) It is included within the Capital Programme approved by the Council (either as a specified individual scheme or as part of a Planned Annual Programme) or is fully funded within the revenue budget and the Chief Finance Officer has confirmed that finance is available; and
- (b) In the case of a project that costs:
  - £200,000 or less, it has been approved by the Service or Cost Centre Manager;
  - Between £200,000 and £500,000, the Head of Service has approved a detailed project appraisal for that project;
  - Between £500,000 and £1,000,000, the Director has approved a detailed project appraisal for that project;
  - Between £1 million and £2 million, the Director and Chief Finance Officer have approved a detailed project appraisal for that project;
  - Between £2 million and £5 million, the Chief Finance Officer, in consultation with the relevant Cabinet Member, has approved a detailed project appraisal for that project;
  - £5 million and over, the Cabinet has approved a detailed project appraisal for that project; and
- (c) The tender figure falls within the provisions of paragraph 13 below.

#### **Variation in costs**

13. Where any tender or other variation may or will produce an increase of 5% or more on the total cost of that project, additional approvals must be sought as follows. If the total project budget as recorded in the Capital Programme is:

- a) Up to £500,000 the variation (5% or more) must be approved by the Service Manager in consultation with the Head of Finance and Procurement;

- b) Between £500,000 and £1 million the variation (5% or more) must be approved by the Head of Service in consultation with the Head of Finance and Procurement;
  - c) Between £1 million and £2 million the variation (5% or more) must be approved by the Director and Head of Finance & Procurement;
  - d) Between £2 million and £5 million the variation (5% or more) must be approved by the Chief Finance Officer;
  - e) £5 million or more the variation (5% or more) must be approved by the Cabinet.
14. Approval should be sought at a higher level than stated in (a) to (e) above in cases where the estimated level of percentage increase is very high or where the viability and value for money of the scheme are threatened. Variations over £200,000, regardless of the percentage increase, require approval from the Capital Programme Board in accordance with paragraph 17.
15. Approval and variation thresholds stated in paragraphs 12 and 13 also apply to programmes or projects that are fully or partially externally funded.

### **Insurance reinstatements**

16. In the case of insurance reinstatements paragraphs 12 and 13 above apply to the gross cost of the scheme only if the Council is contributing more than £75,000 or where there is a change in the service provided.

### **Responsibilities of Chief Finance Officer**

17. The Chief Finance Officer will ensure that the Capital Programme Board monitors the capital programme and resources, controls expenditure against approved budgets, and addresses any problems of overspending or resource re-allocation in consultation with the Capital Investment Board.
18. Capital budgets for new projects or changes to the approved capital budgets for projects in the programme will be put forward for approval as part of a financial monitoring report by the Chief Finance Officer.
19. The Chief Finance Officer will ensure that virements are allowed only where they are within the overall policy framework and do not involve an increasing commitment in future years, which cannot be contained within existing approved budget allocations as determined by the Council.
20. The Chief Finance Officer will issue guidance as needed on governance and procedures.

## Responsibilities of Directors

21. When disposing of assets other than land and property – such as surplus or obsolete materials, stores or equipment, Directors should follow guidance issued by the Chief Finance Officer and seek advice from them.
22. Part 7 of the Constitution delegates specific powers and functions to the Director for Environment and Economy. This includes various functions relating to the management of land and property. In particular, these set out procedures for the disposal of land.

## Leader of the Council

23. The Leader of the Council may in conjunction with the Chief Finance Officer approve any proposed change to the Capital Programme in advance of the financial monitoring report to Cabinet. In these cases, funding must be agreed by the Chief Finance Officer and reported to the Cabinet in due course.

## Disposals of Land and Property

24. In respect of disposals of land and property, the processes followed should be robust and transparent and in accordance with current legislation and Council's policies for "the Disposal of Surplus Land for Less than Market Value"<sup>13</sup> and "the Sale of Surplus Land for Affordable Housing"<sup>14</sup>.
25. The Head of Property should seek appropriate financial and legal advice before any disposal. Then, depending on the value of the disposal, different levels of approval are needed, as follows:
  - a. Where the estimated disposal value is less than £2 million, the Head of Property Services may arrange for the disposal of land or property, but;
  - b. Where the estimated disposal value is between £2 million and £5 million, a decision by the Chief Finance Officer to proceed with the disposal is required, or;
  - c. Where the estimated disposal value of individual property assets is £5 million or more, a decision by Cabinet to proceed with the disposal is required.
26. Disposals may be at a discounted or 'undervalue' level, below the 'best consideration that can reasonably be obtained'. In these cases, additional financial and legal advice should be sought. Disposals in these cases can be controversial so local circumstances and the scale of the discount in price should be considered when deciding who should make the final decision to sell. Generally though:

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<sup>13</sup> Report to the Cabinet dated 28<sup>th</sup> October 2003.

<sup>14</sup> Report to the Cabinet dated 17<sup>th</sup> April 2007.

- (a) Where the 'undervalue' is less than £250,000, the Head of Property may arrange for the disposal of the land or property in consultation with the Capital Programme Board; but
- (b) Where the 'undervalue' is between £250,000 and £1 million, the Head of Property must prepare a report to the Chief Finance Officer, requesting approval to proceed with the disposal; or
- (c) Where the 'undervalue' is £1 million or more, the Head of Property and the Chief Finance Officer must prepare a report to Cabinet, requesting their approval to proceed with the disposal.

27. Approval should be sought at a higher level in cases that are controversial or where there is a larger discount from the 'best consideration' value following consultation with the Capital Investment Board.

### Acquisition of Land and Property

28. In respect of the acquisition of land and property where budget provision for an acquisition exists within the total Council budget, the Head of Property may approve a purchase of land or property in accordance with approval levels specified in paragraph 12 (b) above.

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## Appendix 4: CAPITAL PROGRAMME ENTRY PROCESS & PROJECT APPROVAL FRAMEWORK

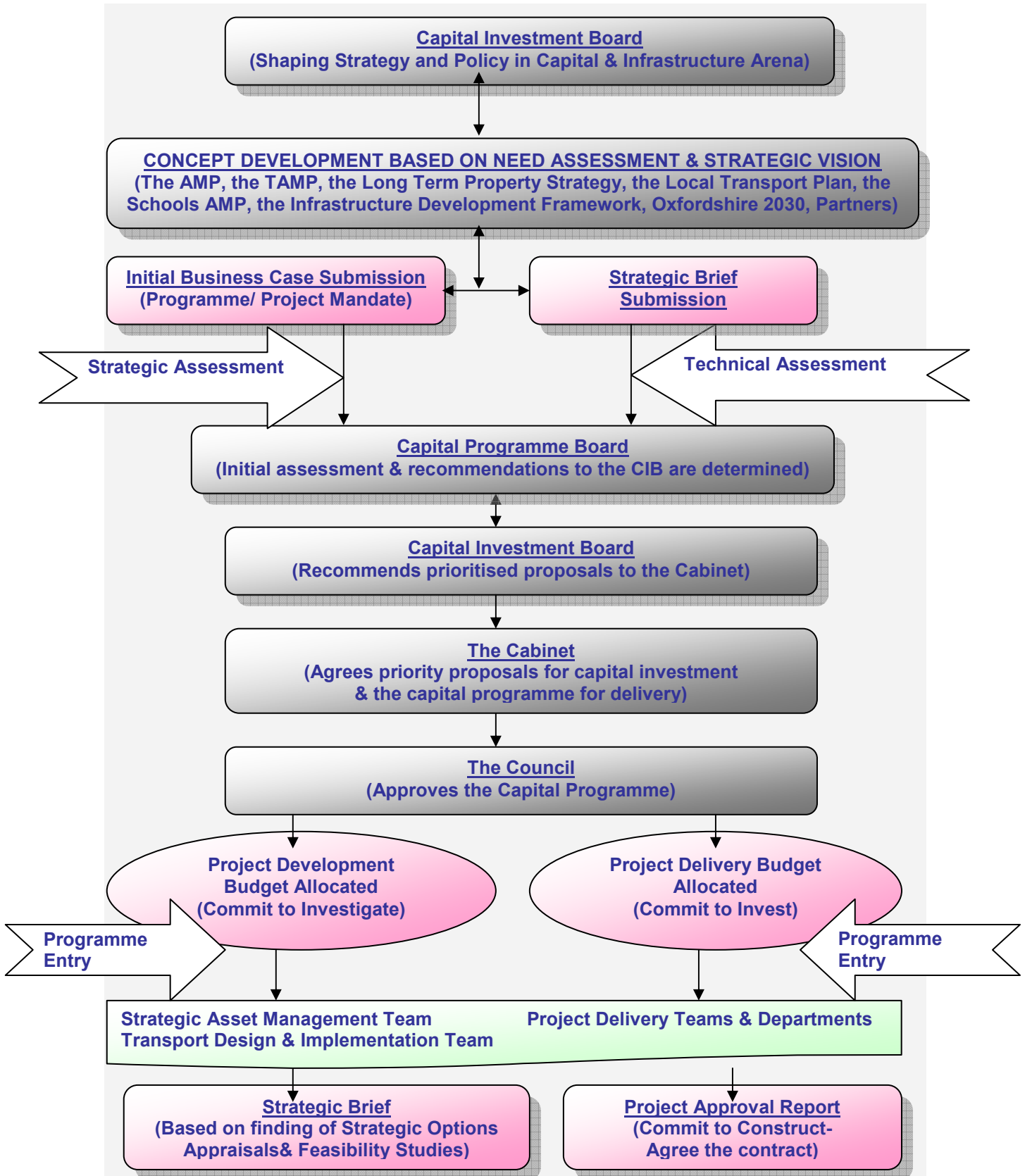


Figure 1: Two-stage Approval - High Level Process Map



## The Overview of the Staged Approach to Programme Entry and Project Approval

STAGES	STAGE 0 Concept Development	STAGE 1 Project Development	STAGE 2 Project Delivery	STAGE 3 Project Closure
<b>Responsible Owner</b>	CIB, CPB, Directorates Partners Transport Strategy Team Property Strategy Team	Transport Design & Implementation Teams Property Strategy & Tactical Teams	Transport & Property Project Delivery	The Client Directorate Transport & Property Strategy/Delivery Teams
<b>Activity</b>	Evidence need & strategic fit Define vision, objectives, aspirations & outcomes Identify infrastructure issues (condition, sufficiency, suitability, growth)	Options Appraisal Feasibility Study Outline Design Procurement Route Early assessment of land, highways, planning, utilities, sustainability, ICT issues Stakeholder Consultation	Statutory & regulatory approvals Detail Design (inc. ICT) Tenders, work/purchase orders (where required) Value engineering Change Control Supply chain management	Post implementation reviews Handover Plan (inc. responsibility for financial completion) Updates to asset register & other databases Defects reporting Performance reporting
<b>Criteria</b>	Strategic Assessment (the Capital Resource Allocation Model)	Technical Assessment (Options, Deliverability & Affordability Appraisals)	Deliverability against the brief, budget, timescales, procurement & quality	Client Satisfaction Survey Quality inspections End Project Report (RAG)
<b>Outputs</b>	Initial Business Case (Project Mandate)	Strategic Brief (Outline Business Case) Monitoring Report & Risk	Project Approval Report (Full Business Case) Monitoring Report & Risk	Impact Assessment/Benefit Realisation Report Lessons learnt report
<b>Cost/Savings Resources</b>	Conception Cost Form Funding Sources Revenue Imps (Annex 3) CFT, S106 Team & FBPs	Cost/Benefit Analysis Project Abnormals & WLC Revenue Imps (Annex 3) CFT, S106 Team & FBPs	Detailed cost & resources plan (inc. WLC, VfM, VAT) Financial Appraisal Form CFT & FBPs	Final account valuation FPR- ± 5% , SAP capital close, SAP revenue start CFT & FBPs
<b>Communication &amp; Consultation</b>	Users & other Directorates Portfolio Holder Stakeholders & Partners Service Providers Local Members Capital Programme Mng. CPB & CIB	The Client & Directorates Portfolio Holder Stakeholders & Partners Service Providers Local Members Capital Programme Mng. CPB, CIB & PDB	The end user and the client representative liaison Collaboration with contractor Neighbourhood Liaison Portfolio Holder Capital Programme Mng. CPB & PDB	Post project appraisal meeting (end users, the client directorate, project team & key stakeholders) The client representative Capital Programme Mng. CPB & PDB
<b>Approval</b>	<b>Commit to Investigate</b> Prj. Development Budget FPR, Cabinet & Council <b>(Programme Entry)</b>	<b>Commit to Invest</b> Project Delivery Budget Cabinet & Council <b>(Programme Entry)</b>	<b>Commit to Construct</b> Prj. Approval Budget ±5% S151, Portfolio Holder, Cabinet	<b>Client Acceptance</b> Revenue Budget (running & operating costs) Service Manager

## Appendix 5

### 2010/11 Capital Budget Setting Process Map

Capital Budget Setting Process			
Timetable (week commencing)	Programme Review Process	Capital Bid Evaluation Process	Financial Control Process
29 <sup>th</sup> June 2009	The Capital Budget Setting Process endorsed by the CSG	New AMP Templates produced by Property Services (PS)	<ul style="list-style-type: none"> <li>Disposal Programme Update (June 09)</li> <li>The Capital Programme Update (July 09)</li> </ul>
6 <sup>th</sup> July 2009 & 13 <sup>th</sup> July 2009	CYP&F Challenge Panel (2)	<ul style="list-style-type: none"> <li>CWG approves the new AMP Template</li> <li>New AMP Templates sent to Directorate Property Representatives</li> </ul>	<ul style="list-style-type: none"> <li>Support to the Challenge Panels</li> <li>Produce MMR Report with revised profiles (July 09)</li> </ul>
20 <sup>th</sup> July 2009 & 7 <sup>th</sup> Sep 2009	Directorates work on <ul style="list-style-type: none"> <li>their AMP templates and link them with their Annex 3;</li> <li>their current capital programme and review them in light of new AMP priorities;</li> </ul>	<ul style="list-style-type: none"> <li>Capital Resources Allocation Model Workshop;</li> </ul>	<ul style="list-style-type: none"> <li>Capital position statements (individual shortfall positions) for individual programmes produced and communicated to the Directorates</li> <li>Produce MMR report with revised profiles (Sep 09)</li> <li>Service &amp; Resource Planning Report Input (Sep 09)</li> </ul>
14 <sup>th</sup> Sep 2009	Directorates <ul style="list-style-type: none"> <li>Work on their proposals to reduce the shortfall;</li> <li>Consider the results of the challenge panel actions;</li> <li>Cross-check and revise expenditure profiles with more than £500k allocation in 2009/10 and 2010/11;</li> </ul>	<ul style="list-style-type: none"> <li>Directorate AMP Templates returned to the PS;</li> <li>The Capital Investment Board (CIB) considers the capital programme position and endorses the principles of 2010/11 budget setting process (agreed by the CSG in July 2009);</li> <li>The CIB considers the draft CRAM and makes recommendation for its further development;</li> </ul>	<ul style="list-style-type: none"> <li>New project report finance information check;</li> <li>Disposal Programme Update (Sep 09)</li> <li>S106 Resources Profile Update (Sep 09)</li> </ul>
21 <sup>st</sup> Sep 2009 & 28 <sup>th</sup> Sep 2009	<ul style="list-style-type: none"> <li>E&amp;E- Other Programmes Challenge Panel (PSMT);</li> <li>New programme delivery boards set up and start operation;</li> <li>Identification of projects that will be included in</li> </ul>	<ul style="list-style-type: none"> <li>PS quality check the AMP returns</li> <li>Resources shortfall determined based on the AMP returns;</li> <li>2010/11 Transport project/ programme proposals returned to the CPM;</li> <li>The CRAM criteria development</li> </ul>	<ul style="list-style-type: none"> <li>Capital Programme Update (Oct 09)</li> <li>Produce MMR report with revised profiles (Oct 09)</li> </ul>

## The Capital Strategy- 2010/11 to 2014/15

Capital Budget Setting Process			
Timetable (week commencing)	Programme Review Process	Capital Bid Evaluation Process	Financial Control Process
5 <sup>th</sup> Oct 2009 & 30 <sup>th</sup> Oct 2009	<p>the cost challenge</p> <ul style="list-style-type: none"> <li>The Capital Programme Board (CPB) reviews the CP and make recommendations to the CIB on deferrals;</li> <li>Directorates consider the recommendation coming from the CPB and provide additional information to inform the CIB meeting;</li> <li>S&amp;CS Challenge Panel;</li> </ul>	<p>&amp; consultation;</p> <ul style="list-style-type: none"> <li>The CPB considers the new capital bids and makes recommendations to the CIB;</li> <li>Directorates consider the recommendation coming from the CPB and provide additional information to inform the CIB meeting;</li> <li>Strategic Directors asked to do a final review of the services' capital priorities and their timetable for implementation</li> <li>The AMP is revised in light of Directorate returns;</li> <li>The CRAM is tested using projects/ programme within the current CP;</li> </ul>	<ul style="list-style-type: none"> <li>Contractual commitment levels determined;</li> <li>Revenue implications of capital bids cross-checked against Annex 3s</li> </ul>
2 <sup>nd</sup> Nov 2009 & 16 Nov 2009	<ul style="list-style-type: none"> <li>CYP&amp;F Challenge Panel;</li> <li>Results of challenge panels cross-checked with the delivery partners</li> </ul>	<ul style="list-style-type: none"> <li>CCMT considers the proposed list of capital bids;</li> <li>The capital strategy is reviewed in light of the revised AMP;</li> <li>Final capital bid &amp; de-prioritisation/ deferral proposals is prepared for the CIB following the feedback from               <ol style="list-style-type: none"> <li>Challenge Panels</li> <li>Portfolio Holder</li> <li>Strategic Directors/ CCMT</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Produce MMR report with revised profiles (Nov 09);</li> <li>Any significant change affecting the surplus/ shortfall position reported to the CPM;</li> <li>Results of the challenge panels are integrated to the capital programme;</li> <li>Service &amp; Resource Planning Report Input (Nov 09)</li> </ul>
23 <sup>rd</sup> Nov 2009	<p>CIB considers the draft/ interim programme for 2010/11 &amp; makes the final adjustments to the delivery timetables in light of the strategic priorities</p>	<p>The Capital Star Chamber (the CIB)</p> <ul style="list-style-type: none"> <li>The CIB considers the final bid portfolio &amp; makes required prioritisation/ de-prioritisation/ deferral decisions;</li> <li>The CIB considers the details of the CYP&amp;F and Transport Capital Programmes &amp; makes required prioritisation/ de-prioritisation/ deferral decisions;</li> </ul>	<ul style="list-style-type: none"> <li>An interim position statement is produced for the CIB</li> <li>Disposal Programme Update (Nov 09)</li> <li>S106 Resources Profile Update (Nov 09)</li> </ul>
30 <sup>th</sup> Nov 2009 & 7 <sup>th</sup> Dec 2009	<ul style="list-style-type: none"> <li>Final updates made to the individual programmes</li> </ul>	<ul style="list-style-type: none"> <li>The CPB considers the draft Capital Strategy and AMP;</li> <li>Preparation for presentations to the Scrutiny Committees (Strategy &amp; Partnership (17<sup>th</sup> December 2009), Growth &amp; Infrastructure (7<sup>th</sup> January 2010))</li> </ul>	<ul style="list-style-type: none"> <li>Produce MMR report with revised profiles (Dec 09);</li> <li>Annual capital settlement confirmations integrated to the resources profile</li> </ul>

## The Capital Strategy- 2010/11 to 2014/15

Capital Budget Setting Process			
Timetable (week commencing)	Programme Review Process	Capital Bid Evaluation Process	Financial Control Process
14 <sup>th</sup> Dec 2009 & 28 <sup>th</sup> Dec 2009	<ul style="list-style-type: none"> <li>▪ Final controls and updates to the capital strategy &amp; capital programme reports</li> </ul>	<ul style="list-style-type: none"> <li>▪ The AMP and CS finalised following the comments from the CPB &amp; the Portfolio Holder;</li> <li>▪ Strategy &amp; Partnership Scrutiny Committee considers the Capital Strategy&amp; the AMP (@17<sup>th</sup> Dec 2009);</li> </ul>	<ul style="list-style-type: none"> <li>• Final controls and updates to Period 3 Capital Programme Update and 2009/10 Capital Programme</li> </ul>
4 <sup>th</sup> Jan 2010 & 25 <sup>th</sup> Jan 2010	<ul style="list-style-type: none"> <li>▪ Directorates consider any significant changes to the draft capital programme and report to the CPB;</li> </ul>	<ul style="list-style-type: none"> <li>• The CIB considers the AMP &amp; the CS and makes recommendations to the Cabinet;</li> <li>• Strategy &amp; Partnership Scrutiny Committee considers the 2010/11 Capital Programme (@14<sup>th</sup> Jan 2010);</li> <li>• The Cabinet considers and approves the proposed CS, AMP and CP (@19<sup>th</sup> Jan 2010)</li> </ul>	<ul style="list-style-type: none"> <li>• Capital Programme Update (Jan 10)</li> <li>• Significant changes (over £250k) to the CP are integrated into the Feb 09 Programme for approval by the Council</li> </ul>
9 <sup>th</sup> Feb 2010	Council approves the Capital Strategy& 2010/11 Capital Programme		