

Division(s): N/A

## **PERFORMANCE SCRUTINY COMMITTEE**

### **7 January 2016**

### **Service & Resource Planning**

### **2016/17 to 2019/20**

#### **Report by the Chief Finance Officer**

### **Introduction**

1. On 17 December 2015, this Committee considered the savings options for 2016/17 – 2019/20 that had been consulted on to address shortfalls in funding and other emerging pressures over the medium term. On the same date as the Committee meeting, the Government announced the Provisional Local Government Finance Settlement. A briefing on this is included as an annex to this report. This report also sets out the other elements relevant to the Service & Resource Planning process; the capital programme proposals for 2016/17 – 2019/20, updated transport asset management programme and a draft treasury management strategy.
2. The following annexes are attached to this report:
  - Annex 1: Briefing on the Provisional Local Government Finance Settlement
  - Annex 2: Capital programme:
    - a) Draft Highway Asset Management Programme 2016/17 & 2017/18
    - b) Capital proposals 2016/17 – 2019/20
  - Annex 3: Draft Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17

### **Provisional Local Government Finance Settlement**

3. The provisional local government finance settlement was announced by the Secretary of State for Communities and Local Government on 17 December 2015. The announcement set out provisional allocations for 2016/17 as well as 2017/18 through to 2019/20. The publication of the Draft 2016/17 Local Government Finance Report marks the start of a consultation period ending on 15 January 2016. The final settlement is therefore not expected until the first week of February 2016 at the earliest.
4. Annex 1 sets out a briefing on the main issues that arise from the provisional settlement and the following table shows the updated position

of the Council from what was set out in the report to Cabinet in December 2015.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Total Pressures per December Cabinet report	24.0	1.8	11.4	9.7	47.0
Total Savings per December Cabinet report	-15.2	-10.3	-10.8	-9.6	-45.9
<b>Net Position</b>	<b>8.8</b>	<b>-8.5</b>	<b>0.6</b>	<b>0.1</b>	<b>1.1</b>
Changes from Spending Review and Provisional Settlement	8.5	12.1	2.2	-1.8	20.9
<b>Revised Net Position</b>	<b>17.3</b>	<b>3.6</b>	<b>2.8</b>	<b>-1.7</b>	<b>22.0</b>

## Capital Programme

12. Asset management plans underpin the Council's capital strategy. The Asset Management Plan sets out the role of the Council's property assets in meeting strategic objectives and the business strategy. The Highways Asset Management Plan sets out the prioritisation for investment in highway infrastructure. It is proposed not to update the Asset Management Plan until the budget is agreed and the service implications that arise can be incorporated into the plan. An updated Highways Asset Management Plan was approved by Cabinet in September 2014 and does not require updating this year. The proposed two year Highways Asset Management Programme of works is attached at Annex 2a.
13. The funding assumptions within the capital programme have been revised and an extra year included for 2019/20. This includes an increase of £25.4m from basic need funding after the Education Funding Agency announced in February 2015 that the Council's allocation for 2017/18 will be £19.4m<sup>1</sup>. In light of this allocation, the assumption for 2018/19 has been increased to £4.5m from £1.5m and the additional year, 2019/20 has also been included at £4.5m. Including an additional year of highways maintenance funding and the estimated new funding from the self-assessed incentive fund results in funding of £19m.

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<sup>1</sup> Still subject to confirmation

14. The following table summarises the estimated funding available for allocation and the current known pressures. Further details on the funding position and capital proposals are set out in Annex 2b.

	<b>£m</b>
<u>Estimated Funding Available:</u>	
Additional estimated funding up to and for 2019/20	51.1
Removal of reported basic need funding gap	-5.8
<b>Total Estimated Funding Available</b>	<b>45.3</b>
<u>Funding Requirement:</u>	
Statutory Requirements	-36.0
Other new pressures/proposals	-6.4
<b>Total Funding Requirement</b>	<b>-42.4</b>
<b>Total Surplus(+)/Shortfall(-)</b>	<b>+2.9</b>

15. Overall, an estimated residual balance of £2.9m of capital funding remains available. It is proposed not to allocate this funding at present.

## **Treasury Management Strategy**

16. Treasury management is the management of the council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.
17. The prime objective of the council's investment strategy is to maintain capital security whilst ensuring that there is the necessary liquidity to carry out its business and only once these have been satisfied should the return on the investment be considered.
18. How the Council intends to work within this framework is set out in the Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16 (Annex 3). It sets out, amongst other things the investment strategy for the Council's temporary cashflow surpluses. It also sets out the council's expectation for interest rates and highlights the uncertainties and risks in the forecast.
19. As Accountable Body to the Oxfordshire Local Enterprise Partnership (OxLEP), the Council has agreed to borrow up to £36.5m to fund a range of projects that are priorities for the OxLEP and the council. The majority of the projects are being delivered by the Council. The borrowing will be repaid by the retained business rates of the Enterprise Zone. Current expenditure forecasts on the projects show that the majority of this borrowing will be required in 2017/18.
20. As part of the service & resource planning process for 2016/17 the Council is required to approve a set of prudential indicators which show that the Council's borrowing is prudent, affordable and in line with the Council's treasury management strategy. It is too early in the Service &

Resource Planning process to calculate draft prudential indicators but they will be included in the draft Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17 that is considered by Cabinet on 27 January 2016.

## **Next Steps**

21. The comments from this Committee on the Provisional Local Government Finance Settlement briefing, highways asset management programme, capital proposals, and the draft Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17 will be fed back to the Cabinet for it to take into consideration in proposing the revenue budget for 2016/17, the MTFP 2016/17 – 2019/20 and capital programme on 26 January 2016.
22. The Council will meet to set the budget and council tax requirement for 2016/17 on 16 February 2016.

## **Financial and Legal Implications**

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

## **RECOMMENDATION**

24. **The Performance Scrutiny Committee is invited to consider and comment on the Provisional Local Government Finance Settlement briefing, highways asset management programme and capital proposals for 2016/17 – 2019/20, and the draft Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17.**

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