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Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

Committee: Budget Planning Committee

Date: Tuesday 23 January 2024

Time: 6.30 pm

Venue: Bodicote House, Bodicote, Banbury, Oxon OX15 4AA

Membership

**Councillor Patrick Clarke
(Chairman)**

Councillor Tom Beckett
Councillor Donna Ford
Councillor Matt Hodgson
Councillor Adam Nell
Councillor Barry Wood

Councillor Douglas Webb (Vice-Chairman)

Councillor Becky Clarke MBE
Councillor David Hingley
Councillor Simon Lytton
Councillor Dorothy Walker
Councillor Sean Woodcock

AGENDA

1. Apologies for Absence and Notification of Substitute Members

2. Declarations of Interest

Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.

3. Minutes (Pages 5 - 10)

To confirm as a correct record the minutes of the meeting held on 5 December 2023.

4. Chairman's Announcements

To receive communications from the Chairman.

5. Urgent Business

The Chairman to advise whether they have agreed to any item of urgent business being admitted to the agenda.

6. Capital and Investment Strategy 2024-25 (Pages 11 - 44)

Report of the Assistant Director of Finance (Section 151 Officer)

Purpose of report

To consider the draft Capital and Investment Strategy for 2024-25.

Recommendations

The meeting is recommended:

- 1.1 To recommend the draft strategy for 2024-25 to Executive.

7. Reserves Review (Pages 45 - 58)

Report of the Assistant Director of Finance (Section 151 Officer)

Purpose of report

To update Budget Planning Committee (BPC) on the Review of Reserves that has taken place in preparation of the budget for 2024/25 and the Medium-Term Financial Strategy (MTFS) 2024/25 – 2028/29.

Recommendations

The meeting is recommended:

- 1.1 To note the outcome of the review of reserves and the forecast over the MTFS period.
- 1.2 To provide the Executive with feedback on whether the Committee supports the draft reserve allocations.

8. Monthly Finance Performance Report (Pages 59 - 90)

Report of Assistant Director of Finance (Section 151 Officer)

Purpose of report

This report summarises Cherwell District Council's (CDC's) forecast revenue and capital outturn for 2023/2024 as at 30 November 2023 to give the Committee the opportunity to consider the finance aspects of the report.

Recommendations

The meeting is recommended:

- 1.1 To note the contents of this report.

9. Review of Committee Work Plan (Pages 91 - 92)

To review the Committee Work Plan.

Councillors are requested to collect any post from their pigeon hole in the Members Room at the end of the meeting.

Information about this Meeting

Apologies for Absence

Apologies for absence should be notified to democracy@cherwell-dc.gov.uk or 01295 221534 prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item.

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare the fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

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Queries Regarding this Agenda

Please contact Matt Swinford, Democratic and Elections Team democracy@cherwell-dc.gov.uk, 01295 221591

Shiraz Sheikh
Monitoring Officer

Published on Monday 15 January 2024

Cherwell District Council

Budget Planning Committee

Minutes of a meeting of the Budget Planning Committee held at Bodicote House, Bodicote, Banbury, Oxon OX15 4AA, on 5 December 2023 at 6.30 pm

Present:

Councillor Patrick Clarke (Chairman)
Councillor Douglas Webb (Vice-Chairman)
Councillor Tom Beckett
Councillor Becky Clarke MBE
Councillor Donna Ford (also, Portfolio Holder for Regeneration)
Councillor David Hingley
Councillor Matt Hodgson
Councillor Simon Lytton
Councillor Adam Nell (also, Portfolio Holder for Finance)
Councillor Dorothy Walker
Councillor Barry Wood (also, Leader of the Council)
Councillor Sean Woodcock

Also Present:

Councillor Phil Chapman, Portfolio Holder for Healthy and Safe Communities
Councillor Sandy Dallimore, Portfolio Holder for Corporate Services
Councillor Andrew McHugh, Portfolio Holder for Cleaner and Greener Communities

Also Present Virtually:

Councillor Nicholas Mawer, Portfolio Holder for Housing
Councillor Eddie Reeves, Portfolio Holder for Property
Councillor Dan Sames, Portfolio Holder for Planning & Development
Councillor Rebecca Biegel
Councillor Ian Harwood
Councillor Lesley McLean
Councillor Dr Chukwudi Okeke
Councillor Lynne Parsons
Councillor Chris Pruden
Councillor George Reynolds
Councillor Amanda Watkins

Officers:

Michael Furness, Assistant Director Finance & S151 Officer
Nicola Riley, Assistant Director Wellbeing & Housing
David Peckford, Assistant Director Planning & Development

Natasha Clark, Governance and Elections Manager
Matt Swinford, Democratic and Elections Officer

Officers Attending Virtually:

Yvonne Rees, Chief Executive
Ian Boll, Corporate Director Communities
Stephen Hinds, Corporate Director Resources
Shiraz Sheikh, Assistant Director Law & Governance and Monitoring Officer
Mona Walsh, Assistant Director - Property
Shona Ware, Assistant Director Customer Focus
Joanne Kaye, Head of Finance and Deputy Section 151 Officer
David Spilsbury, Head of Digital and Innovation

26 **Declarations of Interest**

There were no declarations of interest.

27 **Minutes**

The minutes of the meeting held on 31 October 2023 were agreed as a correct record and signed by the Chairman.

28 **Chairman's Announcements**

The Chairman welcomed all non-Budget Planning Committee Members who were attending the meeting.

29 **Urgent Business**

There were no items of urgent business.

30 **2024/25 Budget Proposals - Revenue and Capital and Fees & Charges**

The Assistant Director of Finance submitted a report which set out the capital bids, revenue savings proposals and budget pressures for Cherwell District Council for the period 2024/25 to 2028/29 and proposed Fees & Charges schedule for 2024/25. This was an opportunity for the Budget Planning Committee to consider the proposals and provide feedback to Executive to consider in finalising its budget proposals which would be presented to the 26 February 2024 Full Council meeting.

The Portfolio Holder for Finance introduced the report and advised the Committee how the budget proposals had been determined and outlined that the forecasts had been updated by Officers by using all information available

at that time. The Portfolio Holder for Finance advised that a number of the grants to the Council were to be confirmed by the Government in late December so some of the proposed plans were liable to change.

The Assistant Director of Finance presented an update on the council's Medium Term Financial Strategy (MTFS) and advised that inflation, funding assumptions, pay inflation, the delay in the business rates reset until 2025/26 and the assumption that the new homes bonus will continue on a one-year basis had been included when updating the MTFS position.

The Assistant Director of Finance advised the Committee that as the council was going through a considerable amount of transformation it needed to ensure that there were the right level of support services in the future for the organisation.

In response to questions from the Committee on the current budget and decrease in the budget over future years, the Assistant Director of Finance advised that over the lifetime of the MTFS, the council expected a decrease of £13mil in the net revenue budget and most of that figure would be taken from funding so there would be a reduction in net spend. The Portfolio Holder for Finance explained that the council's Gross Revenue budget included income from fees and charges,

The Assistant Director of Finance also provided an update on the overall capital position advising that of the £10.484m capital bid total, £9.267m was funded from external contributions.

Executive Portfolio Holders, Corporate Directors and Assistant Directors gave an overview of the pressures, proposed saving and capital bids by service area within each directorate and answered questions from the Committee.

In response to Members' questions regarding the future ownership of the proposed 3G sports pitch at North Oxfordshire Academy, the Assistant Director of Wellbeing and Housing Services advised that the council would own the pitch, run it and receive any income received and the contribution from the school is the land. In response to a further question regarding if Banbury United could use the proposed 3G pitch for training, the Assistant Director of Wellbeing and Housing Services advised that the Portfolio Holder for Healthy and Safe Communities was in regular contact with the Chairman of Banbury United Football Club.

Following a question from the Committee regarding how the proposed net zero capital project funds would be issued, the Portfolio Holder for Cleaner and Greener Communities advised that there would be business cases for each proposal setting out what would be achieved and that how would help achieve the goals within the Climate Action Plan. The Corporate Director of Communities explained that the Climate Action Plan was an annual plan and would therefore be reviewed annually with the proposals needing to meet the initiatives set in the Plan.

In response to a question seeking clarification on what would be included within the council's Digital Futures Programme, the Head of Digital and Innovation advised that the council had been working on some proofs of concept to show what was possible to provide attractive solutions for savings. The Head of Digital and Innovation gave examples of projects that IT were working on and explained that these projects were to save money in the future and transform the council to provide better services.

In response to comments from the Committee regarding the proposed reduced spend on CCTV cameras across the district and who determines which were no longer needed, the Portfolio Holder for Healthy and Safe Communities advised that with new housing developments, the population shifts around and the focus on what needs to be covered by CCTV changes.

Following a question from the Committee regarding the proposed charge for the replacement of a waste bin, recycling bin or food waste caddy and if the age of a bin would be taken into consideration when a replacement request was submitted, the Portfolio Holder for Cleaner and Greener Communities advised he would speak to officers and provide a written response to the Committee.

In response to a query from the Committee regarding the increase in the cost of bulky waste charge and possible increase in fly tipping, the Portfolio Holder for Cleaner and Greener Communities advised that the proposed increase was to meet the cost of the service however the Committee's concerns were noted.

The Portfolio for Finance advised the Committee that the council had a statutory requirement to agree a balanced budget and at this stage, proposals were being put forward for public consultation to the public. The feedback received during the consultation would be considered and the budget would be submitted to the 26 February 2024 Council meeting.

In response to a question regarding the higher cost of Local Plan examinations to the previous figure given, the Assistant Director for Planning and Development advised it had been some time since the budget had been reviewed and with submission of the new Local Plan expected to be in January 2025, this needed to be reviewed.

It was proposed by Councillor P Clarke and seconded by Councillor Wood that the meeting move into private session to consider exempt appendix 2b, Operational Efficiencies.

31

Exclusion of Press and Public

Resolved

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business on the ground that, if the public and press were present, it would be likely that

exempt information falling under the provisions of Schedule 12A, Part 1, Paragraphs 2 and 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

32 **2024/25 Budget Proposals - Revenue and Capital and Fees & Charges - Exempt Appendix**

The Assistant Director of Finance advised the Committee that as part of the council's commitment to delivering value for money, and through a process of continuous improvement, operational efficiencies of £1.221m had been identified for 2024/2025. These did not have an impact on service delivery or impact Cherwell residents so were not included in the public consultation.

Portfolio Holders, Assistant Directors and Corporate Directors presented the operational efficiencies for their services and answered questions from the Committee.

33 **Readmittance of the Press and Public**

Resolved

That the press and public be readmitted to the meeting.

34 **2024/25 Budget Proposals - Revenue and Capital and Fees & Charges**

The Committee continued considering the 2024/2025 budget proposals - revenue and capital and fees and charges.

Following a question from the Committee to why there had been a significant increase to the Building Control charge for installation for a heating appliance, the Assistant Director for Planning and Development advised he would speak to Officers and provide a written response to the Committee.

In response to a question regarding the increase in the fee for a day booking of a holiday activity, the Assistant Director of Wellbeing and Housing Services advised that the increase was to bring the cost in line with similar provision and cover costs of the service. The proposed increased fee was still cheaper than other day offers.

The Assistant Director of Finance advised the Committee of the key dates and next steps regarding the budget which would culminate in Council considering the budget at their 26 February 2024 meeting as recommended by Executive at their 5 February 2024 meeting.

- (1) That, having given due consideration, Executive be advised that the Budget Planning Committee have no feedback, comments or

recommendations in relation to capital bids, revenue savings proposals and budget pressures and fees and charges for inclusion as part of the 2024/25 budget proposal.

(2) That the Budget Proposals 2023/24 - 2027/28 report be noted.

(Councillor Woodcock, Councillor Hodgson and Councillor Becky Clarke MBE requested that their abstention from the vote be recorded in the Minutes)

35

Review of Committee Work Plan

The Assistant Director of Finance gave a verbal update on the Budget Planning Committee Work Plan.

The Assistant Director of Finance advised that the Committee would consider the draft 2024/2025 capital and investment strategy, the 2024/2025 reserve strategy and reserves plan and the finance monitoring report P8 November 2023 at their next meeting on 23 January 2024.

Resolved

(1) That the update on the Committee Work Plan update be noted.

The meeting ended at 8.37 pm

Chairman:

Date:

Cherwell District Council

Budget Planning Committee

23 January 2024

Capital and Investment Strategy 2024-25

Report of the Assistant Director of Finance

This report is public.

Purpose of report

To submit the draft Capital and Investment Strategy for 2024-25.

1.0 Recommendations

The meeting is recommended:

- 1.1 To recommend the draft strategy for 2024-25 to Executive.

2.0 Introduction

- 2.1 The Capital and Investment Strategy was introduced for 2019-20, to sit alongside the Treasury Management Strategy. The Capital and Investment Strategy must be approved by Full Council annually and must satisfy the requirements of government legislation and CIPFA guidance.

3.0 Report Details

- 3.1 The **Capital Strategy** demonstrates how the council takes capital expenditure decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

- 3.2 The **Investment Strategy** relates only to non-treasury management investments. The purpose of the strategy is to demonstrate how the council:

- Makes investment decisions (governance, advice taken etc)
- Demonstrates investments are tied to corporate objectives
- Assesses and monitors risk
- Assesses and monitors return
- Ensures there is appropriate capacity, skills and culture to support its strategy

Investments which are covered by this strategy include such things as:

- Loans to third parties (e.g. suppliers, charities, businesses) [Service loans]

- Purchase of shares (in subsidiaries, businesses etc)
- Property

4.0 Conclusion and Reasons for Recommendations

4.1 The Council has to establish and approve an updated Capital and Investment Strategy that complies with CIPFA's revised Prudential Code for Capital Finance in Local Authorities (2021 edition) and Prudential Code Guidance Notes for Practitioners (2021 edition), CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2021 edition) and revised Statutory Guidance on Local Government Investments (Third Edition). Guidance requires the Strategy to be approved by Full Council on an annual basis and, moreover, that any mid-year material changes to the Strategy must also be subject to Full Council approval.

5.0 Consultation

5.1 None

6.0 Alternative Options and Reasons for Rejection

6.1 There are no alternative options – this is a requirement placed upon all local authorities.

7.0 Implications

Financial and Resource Implications

7.1 There are no financial implications arising directly from this report as the recommendation is to recommend the strategies to Executive committee. However, if the strategy is approved by Council there will be the following financial implications:

The Capital and Investment Strategy includes an updated Minimum Revenue Provision (MRP) policy which is proposed to be adopted from 2023/24 onwards. This Policy changes the calculation methodology from a straight-line approach to an annuity method – this reflects the time value of money, and so results in a lower charge initially, but increases over the life of the asset. The overall MRP charge required is unchanged – but is instead reprofiled. Over the MTFs period this change in MRP policy is forecast to provide the savings outlined in the below table:

	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m
Forecast MRP charge on straight-line basis	5.8	7.4	6.5	6.6	6.5	6.4
Forecast MRP charge on annuity basis	3.7	5.4	4.7	4.9	5.0	5.2
Saving	2.1	2.0	1.8	1.7	1.5	1.2

The 24/25 budget setting process has assumed the move to annuity basis will be approved, and so if this were to not be the case there would be a £2.0m pressure on the 24/25 budget.

Comments checked by:

Joanne Kaye, Head of Finance (Deputy S151 Officer)
01295 221545, joanne.kaye@cherwell-dc.gov.uk

Legal Implications

- 7.2 The Local Authorities (Capital Finance and Accounting) Regulations 2003 provides operational detail and specifically states that Authorities must have regard to CIPFA's Prudential Code when setting and reviewing borrowing limits. Local Authorities must also have regard to the Investment Guidance issued by Secretary of State under section 15(1)(a) of the Local Government Act 2003.

Comments checked by:

Shiraz Sheikh, Assistant Director Law & Governance | Monitoring Officer
01295 221651, shiraz.sheikh@cherwell-dc.gov.uk

Risk Implications

- 7.3 There are no risk management implications arising directly from any outcome of this report. The Capital and Investment strategy demonstrates how the council manages capital and investment risk. Risks are escalated as and when necessary to the leadership risk register.

Comments checked by:

Celia Prado-Teeling, Performance and Insight Team Leader
01295 221556, celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.4 There are no equalities implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Performance and Insight Team Leader
01295 221556, celia.prado-teeling@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision: N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

Links to all areas of Corporate Plan

Lead Councillor

Councillor Adam Nell – Portfolio Holder for Finance

Document Information

Appendix number and title

- Appendix 1 – Capital and Investment Strategy 2024-25

Background papers

None

Report Author and contact details

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CAPITAL AND INVESTMENT STRATEGY 2024/2025



Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

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A. Capital Strategy

A1. Introduction

As part of its annual budgeting cycle, Cherwell District Council proposes a capital programme that sets out the capital expenditure that is expected to take place over the next 5 years. The programme is a series of projects undertaken by service departments for which there has been an identifiable business need.

Capital expenditure is money spent on acquiring and enhancing non-current assets that are used in the delivery of services and providing economic benefits to the council and its residents.

The Council has had, and continues to put forward, an ambitious programme that seeks to deliver on its key corporate priorities as detailed in the 2023-24 Business plan, namely:

- Healthy, resilient, and engaged communities
- An enterprising economy with strong and vibrant local centres
- Supporting environmental sustainability
- Housing that meets your needs
- Running the business - support service

To ensure that the council can deliver upon these priorities, a medium to long-term view is taken of planned capital expenditure to ensure that the programme is affordable, sustainable, and deliverable.

Owing to the nature of capital spend, there are financial and non-financial factors that need to be evaluated and monitored to ensure council stakeholders and decision makers are kept fully informed, in line with the CIPFA Prudential Code for Capital Finance.

The Prudential Code for Capital Finance sets out that to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy. The capital strategy should set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The Strategy must be approved by full Council.

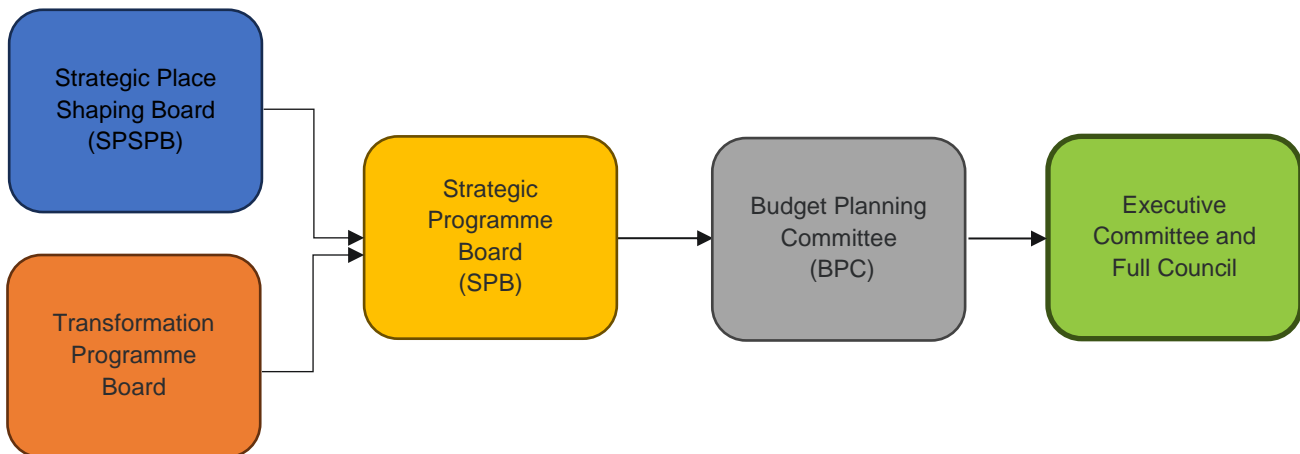
A2. Capital Planning and Project Approval

Starting in the Spring of each new budget cycle, service managers are tasked with conceptualising, proposing, and developing capital projects that are linked to corporate or service priorities as part of the Budget & Business Planning process.

The council operates a gateway process to ensure that projects have appropriate governance arrangements in place to identify and manage risk.

The Strategic Place Shaping, Transformation and Strategic Programme Boards provide oversight and scrutiny for the process, alongside the Strategic Programme Board and Budget Planning Committee. Project boards comprise officers from the director and assistant director level, as well as project managers, budget holders and finance officers. Approval of capital projects and the capital programme is made by Full Council. Capital projects may occasionally be approved outside of the annual budget cycle in line with the Council's Financial Regulations.

Diagram A2.1: Capital Project Oversight Boards



The capital gateway process has five stages:

Diagram A2.2: Capital Gateway Process



Gateway 0 - Business Need

Capital proposals first and foremost, must have a demonstrable business need. Officers must put forward rationale for why undertaking a project is necessary, including the corporate objectives it aligns with and a high-level budget outline, estimating both capital and revenue impact and any identified sources of capital funding. Bids are considered and discussed by the relevant boards and recommendations are made to the Strategic Programme Board (SPB) which takes a decision on progression of the scheme to gateway 1.

Gateway 1 - Business Case

Progression through gateway 1 requires the development of an outline business case and options for the scheme, ensuring that the council can deliver projects that offer value for money. The business case will include information that will assist board members in appraising the project. Within each option, an analysis of the benefits and drawbacks must be provided, alongside a summary of key risks, a project timeline and more detailed budget proposal. The business case must discuss carbon and climate impact, and any stakeholder engagement. Programme boards consider the business cases and provide feedback to officers, with recommendations made by the board for the project to be taken forward to gateway 2, reworked, paused, or postponed. At this point, finance officers conduct a review of the affordability of the project and prepare revenue budget figures for inclusion in the Medium-Term Financial Strategy (MTFS).

Gateway 2 - Business Decision

Recommendations made by the boards at gateway 1 are considered by SPB, both in terms of priority and affordability. Projects proposed to be included in the Council's capital programme are then considered and appraised by the Budget Planning Committee which provides comments to the Executive on the proposals. The Executive then, taking into consideration any comments, propose which schemes to include in the Capital Programme ahead of the final capital programme being presented to Council in February each year. Once approved by Council, budgets are uploaded to the financial system and project officers can commence work on the approved schemes.

Gateway 3 - Business Delivery

Approved projects are overseen by project managers that are responsible for delivering projects on time and within budget. This responsibility extends to risk management and escalation of issues to ensure that projects remain on track. All capital projects and programmes are reviewed monthly as part of routine budget monitoring, which provides an opportunity to review project costs against budget and escalate potential areas of concern with senior management. The outputs from routine budget monitoring processes feed into the Finance Capital reporting to the Executive, this reporting includes narrative which provides non-financial updates on capital projects.

Gateway 4 - Business Benefit Realisation

As part of project closure, officers are encouraged to reflect on the project undertaken and report back to project boards via a Benefit Realisation Report.

A3. Capital Expenditure

Regulations

Local Authorities operate under a capital prudential framework and under a statutory legal environment through the Local Government Act 2003.

Expenditure can only be capitalised (i.e., recorded as an asset on the Council's balance sheet) under these regulations, if the spend is incurred in:

- Acquiring, constructing, or enhancing physical or intangible assets, such as land, buildings, plant, vehicles, and equipment
- Acquiring share capital in a third party
- Advancing a loan to a third party that would be for capital purposes if incurred by the council
- Granting of funds to a third party which is to be used for a capital purpose
- Purchasing or enhancing assets from which the council does not have the legal right to economic or service benefits from but would otherwise be capital if the council had those rights (Revenue Expenditure Funded by Capital Under Statute).

As part of the capital gateway process outlined in section A2, projects are appraised on whether proposed expenditure falls into the above categories. Proposed expenditure that does not meet capitalisation regulations as determined by the Capital Accountant and/or S151 Officer, is then considered as a potential revenue pressure as part of the revenue budget setting process.

Expenditure on assets that are capital in nature and in the same class, but do not aggregately meet the council's capital de minimis threshold of £10,000, are also charged as a revenue expense.

Project officers are provided with guidance that outlines the requirement for expenditure being treated as capital. The below table demonstrates how the council typically treats expenditure that are related to capital projects:

Table A3.1: Accounting Treatment of Project Expenditure*

Expenditure Type	Accounting Treatment
Feasibility Studies	Revenue Expense
Options Appraisal	Revenue Expense - expenditure incurred on the option that is proceeded with <i>may</i> be capitalised e.g., if three options are appraised, 1/3 of the cost may be capitalised
Internal Staff Costs	Revenue unless a <u>direct contribution</u> is made to the progressing of the creation, acquisition, or enhancement of an asset e.g., a project manager. Officers are <u>required</u> to provide timesheets and other written documentation as justification for capitalising a staff member's cost for audit purposes.
Interest Costs on Prudential Borrowing	Revenue Expense
Design, Architect and Engineer Costs	Capital Expense
Contractors Costs	Capital Expense
Legal Fees	Capital Expense (except in relation to conveying the sale of an asset)

**This is not an exhaustive list of expenditure types*

It is therefore vital that project officers correctly classify spend for revenue and capital purposes to avoid unforeseen budget pressures. Aborted projects which no longer meet capitalisation requirements are subsequently charged to revenue.

Capital Programme

The council has a sizeable capital budget with committed spend of £40m across the programme. Projects already in the existing capital programme, prior to the inclusion of 2024/25 proposals, include:

- Transforming Bicester Market Square - £4m
- S106 Community Infrastructure Projects across the District - £2.8m
- Construction of a New Waste Services Depot - £3.9m
- Vehicle Replacement Programme - £5.7m
- Development of Castle Quay - £2.4m

All projects exist to further the council's delivery against its corporate objectives or to improve service delivery and council operations. A summary of planned capital spend in accordance with the corporate objectives is outlined in table A3.2 below:

Table A3.2: Capital Programme across Corporate Priorities in £m

Corporate Priority	2022/23 Actual	2023/24 Forecast	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
Healthy, resilient, and engaged communities	0.3	1.7	6.2	0.0	0.0	0.0
An enterprising economy with strong and vibrant local centres	2.3	0.9	7.3	0.0	0.0	0.0
Supporting environmental sustainability	3.7	1.2	3.9	1.1	1.1	1.5
Housing that meets your needs	8.1	21.5	4.6	1.4	1.4	1.4
Running the business - support service	0.8	4.7	9.2	0.1	0.0	0.0
Total Capital Expenditure	15.3	29.9	31.1	2.5	2.6	2.9

As part of the 2024/25 budget setting process, Full Council is requested to approve additions to the capital programme to further progress against corporate objectives. These projects are mostly funded by capital grants and S106 receipts, keeping borrowing levels at to a minimum. Proposed projects include:

- £1.6m of S106 spend on development of a 3G pitch at North Oxfordshire Academy
- £0.7m of debt financed Carbon Net Zero Capital Projects (subject to business cases prior to spend)
- £0.6m of S106 spend on development of Activity Play Zones

The council also has projects in the pipeline which are being planned, but for which capital funding has not yet been fully identified or received.

This includes the development of a New Learner Pool at Bicester Leisure Centre (£5.2m) and the BMX Pump Track (£0.2m). It is expected that future S106 receipts will be received to fully fund these projects and enable progress to Gateway 2. These items are included in the capital programme but are not able to proceed until all funding has been identified for them.

A4. Capital Financing and Affordability

Financing the Capital Programme

Capital expenditure included in the capital programme is financed from various sources – these sources can either be external (from third party contributions such as grants and Section 106 contributions) or internal (making use of reserves and capital receipts). Borrowing may be used as a temporary source of finance – as such the council may borrow externally within the prudential framework to acquire and enhance assets, including finance lease arrangements. Alternatively, it can borrow internally, making use of cash balances it holds in advance of expenditure to temporarily finance its capital spend. Internal borrowing is usually the preferred route - where possible - as interest payable on external borrowing is typically higher than interest receivable on surplus cash balances. A reduction in interest receivable will therefore be outweighed by the cost avoidance benefit in not borrowing externally. More information on this can be found in the Council's Treasury Management Strategy.

Borrowing results in an increase to the Council's Capital Financing Requirement (CFR) which needs to be carefully managed. Table A4.1 shows the expected use of receipts and the effects on the council's need to utilise borrowing as a temporary source of finance:

Table A4.1: Sources of Capital Finance

<i>Financing Source</i>	2022/23 Actual	2023/24 Forecast	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
Capital Expenditure	15.3	29.9	31.1	2.5	2.6	2.9
Capital Receipts	(7.9)	(15.0)	(0.4)	(5.3)	0.0	0.0
S106 Receipts	(1.1)	(0.7)	(5.1)	0.0	0.0	0.0
Capital Grants	(5.3)	(3.0)	(6.5)	(1.2)	(1.2)	(1.2)
Total Financing	(14.3)	(18.7)	(12.0)	(6.5)	(1.2)	(1.2)
Increase/(Decrease) in CFR*	1.0	11.2	19.1	(4.0)	1.4	1.7

*Figures may not cross-cast between tables due to rounding

Capital receipts are a permanent source of finance i.e., it is funding the council controls and does not have to repay. Capital receipts typically arise from the disposal of a non-current asset. Examples of capital receipts include:

- Proceeds from the sale of land or a building
- Repayment of a capital loan from a borrowing entity
- Disposal of a financial interest in a capital asset, such as a re-sale covenant on a house

Once received, capital receipts can be used to finance new capital expenditure or applied to existing expenditure to reduce the council's need to borrow. Application of capital receipts to new or historical spend will be a decision taken by the S151 Officer. Capital loan receipts are applied to the unfinanced capital spend incurred in making the original loan advancement.

Capital grants are generally received for a specific expenditure purpose and are recognised as a council resource when reasonable assurance has been received that the council will meet any conditions attached to the use of the funds. Capital grants are used for financing in the financial year the spend is incurred, with unspent balances transferred to capital reserves which can be used to finance spend in future years.

To finance capital expenditure that has no permanent source of finance such as capital receipts or grants, and that has utilised borrowing as a temporary source of finance, revenue resource must be provided for over the lifetime of the underlying asset or enhancement made. This is known as the Minimum Revenue Provision (MRP) and is a statutory requirement for councils that have utilised prudential borrowing. MRP is provided for annually and acts to reduce the council's need to borrow money, i.e., its CFR. The MRP charge must demonstrate prudence and be made with due regard to statutory guidance published by central government. The Council's MRP statement can be found in Annex A to this document. The Council's MRP forecast is outlined in table A4.2.

Table A4.2: Minimum Revenue Provision Forecast

<i>MRP (£m)</i>	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Minimum Revenue Provision (MRP)	(4.9)	(3.7)	(5.5)	(4.7)	(4.9)	(5.0)

Capital Financing Requirement

The level of capital expenditure not yet permanently financed is measured through the Capital Financing Requirement (CFR). The CFR indicates the extent to which the council has needed to borrow (incur debt) and is calculated by taking the Council's total spend for capital purposes and deducting capital grants, receipts and revenue resource applied against the expenditure. Forecasting the CFR is a vital part of revenue budget management as it determines the level of prudent MRP.

Table A4.3: Capital Financing Requirement Actuals and Estimates

<i>CFR (£m)</i>	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
CFR	238.6	246.1	259.6	250.9	247.4	244.0

A5. Treasury Management and Prudential Borrowing

Prudential Borrowing

The council as a local authority can borrow for purposes that comply with the CIPFA Prudential Code for Capital Finance. As part of this capital strategy a series of indicators are provided to help demonstrate that borrowing is incurred in-line with the Prudential Code. Prudential indicators are provided in section A6 of this strategy.

Under the revised code, the council *cannot* borrow for commercial purposes i.e., make capital investments primarily for financial return. The council takes decisions on its capital programme with the fundamental principle that the capital project must deliver against corporate priorities as its primary objective. The council will therefore comply with this requirement.

Treasury Management

Treasury management is concerned with the management of the local authority's investments and 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.

Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council typically has surplus cash in the short-term as revenue income is received before it is spent, but insufficient cash in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing. At 31 December 2023 the Council had borrowings of £166m at an average interest rate of 2.18%, and £27m of investments at an average interest rate of 5.58%. The borrowing position is reported regularly to Accounts, Audit & Risk Committee as part of the Treasury Management reports.

Borrowing Strategy

The Council's main objective when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. To meet this objective the Council must review the current market conditions alongside the long-term forecasts from Link to determine how to structure borrowings. Short term loans, which usually have lower interest rates and offer excellent flexibility, are suitable for stable market conditions or when interest rates are forecast to fall. Medium to long term loans offer a certain cost of finance but are generally more expensive and inflexible. The Council must therefore seek to strike a balance between short and medium to long term loans, to meet its objectives, by anticipating both its borrowing need and the forecast interest rates.

A6. Prudential Indicators

Under the Prudential Code, the council is required to ensure that all capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so the council must take into account arrangements for the repayment of debt (including through MRP) and consideration of risk, and the impact and potential impact on the council's overall fiscal sustainability.

A series of prudential indicators are set each year as part of the Capital Strategy to demonstrate that the council has due consideration of these factors when determining its capital programme.

A6.1 Debt and the CFR

The council can only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes. The council should ensure that gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and the next two financial years.

Projected levels of the Council's total outstanding debt (which comprises borrowing and leases) are shown below, compared with the capital financing requirement (see table A4.3)

Table A6.1: Debt vs CFR (£m)	2022/23 actual	2023/24 forecast	2024/25 forecast	2025/26 forecast	2026/27 forecast
Gross Borrowing (incl. PFI & leases)	188.0	181.0	180.0	180.0	175.0
Capital Financing Requirement	238.6	246.1	259.6	250.9	247.4

As per the table, the council expects that its gross borrowing will not exceed its CFR across the MTFS period.

A6.2 Borrowing Boundaries and Limits

The council is legally obliged to determine and keep under review an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit:

Table A6.2: Operational Boundary vs Authorised Limit (£m)	2023/24 limit	2024/25 limit	2025/26 limit	2026/27 limit
Operational boundary	290.0	290.0	290.0	280.0
Authorised limit	310.0	310.0	310.0	300.0

There are no changes to the 2024/25 boundary and limit, indicating that the council is effectively managing its debt and cashflows.

A6.3 Financing Cost to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. Together these are referred to as financing costs and it is useful to compare this to the net revenue stream, i.e., the amount funded from Council Tax, business rates and general Government grants, to determine that capital financing costs are proportionate and affordable.

Table A6.3: Financing Costs to Net Revenue Stream (£m)	2022/23 Actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Interest Payable	3.6	4.0	4.5	4.8	5.0
Minimum Revenue Provision	4.9	3.7	5.5	4.7	4.9
Total Financing Costs	8.4	7.7	10.0	9.5	9.9
Net Revenue Stream	22.6	28.1	26.2	21.1	18.1
Total Funding	22.6	28.1	26.2	21.1	18.1
Proportion of Net Revenue Stream	37.3%	27.4%	38.2%	45.3%	54.7%

This indicator shows that the ratio of financing costs to net revenue streams is high, however it doesn't consider is that a large proportion of the council's financing costs are offset by the interest from on-lending to the Council's subsidiaries, and income generated by assets acquired as part of the Council's regeneration programme. **This “non-treasury investment” income is not included in the net revenue stream as it does not form part of the council's core funding but is nonetheless a key resource for the council.**

A6.4 Net Income from Service Investment Income to Net Revenue Stream

This Indicator shows the financial exposure of the Authority to the loss of its non-treasury investment income, i.e., income from financial investments (e.g., share and loan capital in council subsidiaries) and income from property assets:

Table A6.4: Ratio of Service Investment Income to Net Revenue Stream (£m)	2022/23 Actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Net Income from Financial Investments	4.9	5.1	4.5	4.5	4.5
Net Income from Property Assets	4.2	5.1	5.8	8.2	8.3
Total Service Investment Income	9.1	10.2	10.3	12.8	12.8
Net Revenue Stream	22.6	28.1	26.2	21.1	18.1
Total Funding	22.6	28.1	26.2	21.1	18.1
Ratio of Service Investment Income	40.4%	36.3%	39.1%	60.6%	70.7%

Investment income represents a significant proportion of the net revenue stream and therefore the risks around loss of this income should be monitored closely. The council conducts regular reviews of projected levels of income as part of monthly budget management and provides regular updates to senior management via performance and aged debt reporting. Risks associated with income loss can therefore be identified early and plans can be implemented to mitigate the impact so the council can continue to deliver a balanced budget.

Whilst financing costs are high, the overall picture is incomplete without factoring the contribution investment income makes towards these costs. Deducting the ratio of net income from Service Investments from the Ratio of Financing costs reveals the affordability ratio, which demonstrates the net revenue impact to the taxpayer as a result of the Council's capital investment decisions.

A6.5 Affordability Ratio

There is no established Local Authorities benchmark for this ratio as activities differ widely. Interest earned on Treasury investment is not considered in either of the calculations and therefore it is not unexpected to see a positive percentage when the two are netted off against each other.

The affordability ratio shows that after taking into account the income relating to the capital expenditure that is being financed the Council has an affordable net cost of capital financing:

Table A6.5: Affordability Ratio	2022/23 Actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Ratio of Financing costs	37%	27%	38%	45%	55%
Ratio of Service Investment income	40%	36%	39%	61%	71%
Affordability ratio	-3%	-9%	-1%	-15%	-16%

The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable, and sustainable.

With increases in interest rates in the past year, the Council will continue to monitor this ratio and report to senior management via its regular Treasury Management review. Should the affordability ratio move adversely, the council will need to review whether this is sustainable and what actions may be required to mitigate the impact to the taxpayer as part of its budget monitoring and Medium-Term Financial Strategy.

A7. Capital Health

To get an indication of the Council's overall capital health, it is useful to examine the ratio of the CFR to the Council's total long-term asset value to determine the extent to which the council's assets could clear its debt through asset disposals, if necessary.

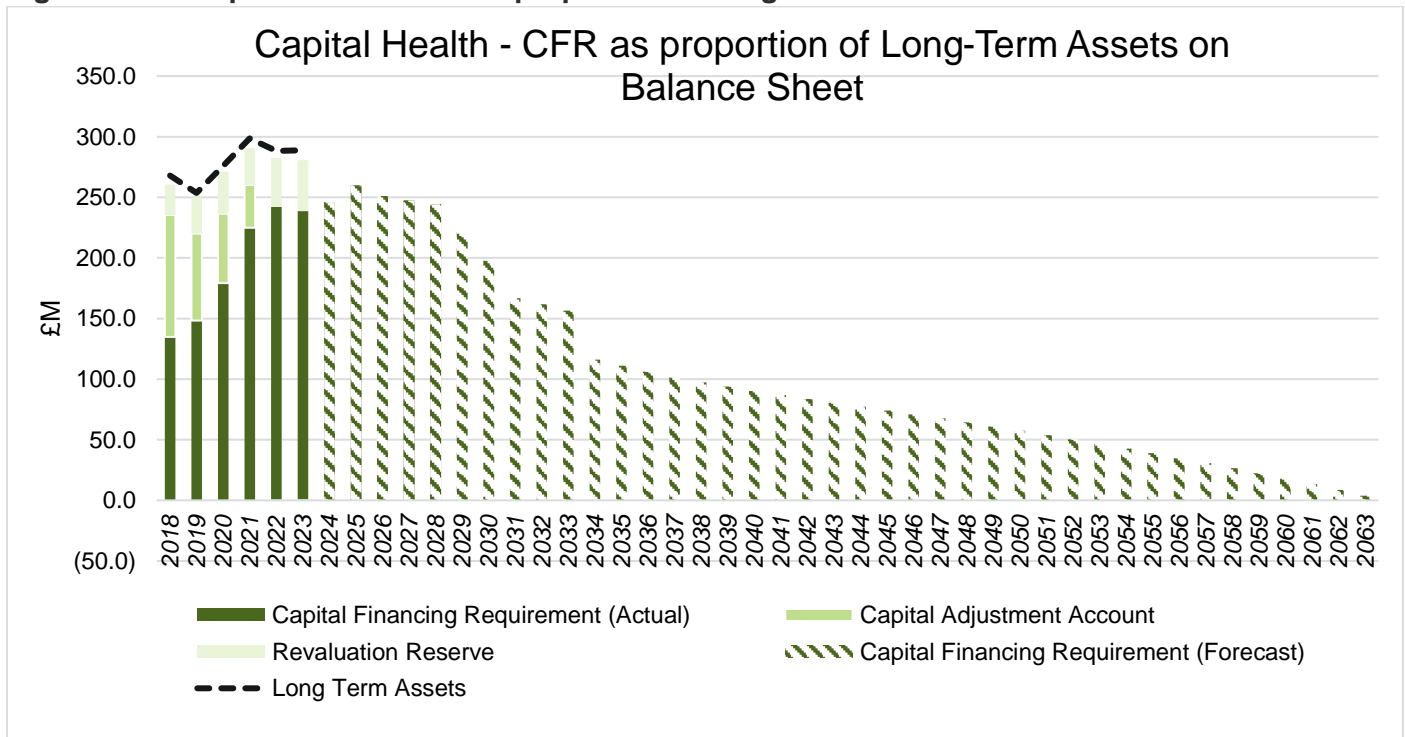
Table A7.1 – Capital Health in £ millions

Capital Health (£m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Capital Financing Requirement	134.9	148.2	179.2	224.8	242.1	238.6
Long-Term Assets (as per statement of accounts)	267.8	253.6	275.8	298.6	288.2	288.8
CFR to Long-Term Asset Ratio	50%	58%	65%	75%	84%	83%

As of 31st March 2023, the Council's CFR amounted to 83 percent of the value of its total capital worth (Long-term asset value), demonstrating that the Council's total capital worth exceeds its borrowing requirement.

Figure A7.2 demonstrates how this has changed since the Council began borrowing to fund its capital programme and includes a forecast of the Council's CFR up to 2063 based on the current 5-year capital programme and no future additions to this.

Figure A7.2– Capital Health: CFR as proportion of Long-Term Assets



The Council's capital assets are comprised of fixed assets, such as property, and financial assets, such as loan and share capital. Fixed assets and long-term financial assets are less liquid than treasury management investments, as loans and share capital have contractual arrangements and agreed repayment profiles in place, whilst property is utilised in the delivery of corporate priorities. It is important that the council continues to monitor the repayment profiles of loans and valuation of its property assets to ensure that the council can cover its debt obligations through asset sales if required to do so (e.g. in the unlikely event that PWLB refinancing of loans becomes unavailable).

Based on current forecasts, the CFR is expected to reduce by 30% by 2031 and be cleared by 2064. This is mainly due to the effects of the annual minimum revenue provision set aside by the council and principal repayment of capital loans and share capital investments by the Council's subsidiary company Graven Hill.

The council continues to ensure that wherever possible, new capital projects are fully funded by capital grants, capital receipts or S106 receipts, keeping additional borrowing requirements to a minimum level and on projects whether there is a demonstrable business need or statutory duty.

A8. Asset Management and Commercial Risk

Asset Management

To ensure that capital assets continue to be of long-term use, the Council is in the process of preparing a revised Asset Review, where the purpose of each asset held, is challenged, and these properties will be underpinned by a series of policy documents which detail how each category of property is managed. This is a multi-level approach structured as follows:

- At a property level this will comprise of the preparation of an asset management plan which are then subject to periodic review and updating. This process is ongoing and informs the portfolio strategy as a whole.
- At a tenancy level the Comprehensive Asset Register (a database of key lease events) is being updated and used to identify forthcoming lease events such as expiries, rent reviews and breaks. These are allocated to specific Property Managers to progress whose work schedules are reviewed periodically.

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Receipts from capital grants, loan repayments and investments also generate capital receipts

Commercial Risk

To drive leadership of place within Cherwell, stimulate growth, pursue economic regeneration and to generate income to support the revenue activity, the council holds commercial property assets that are subject to commercial risks. The council continues to make investments in enhancing and adapting these assets to ensure they remain fit for purpose and to maximise their service and economic potential in a what has been a turbulent financial environment for commercial property nationwide.

The council recognises that the investments made in commercial property are higher risk than treasury investments. The principal risk exposures are listed below together with an outline of how those risks are managed:

Table A8.1 – Commercial Risk Management

Illiquidity	<p>The council acknowledges illiquidity as a risk in property and whilst it cannot be avoided the risk is mitigated by the following strategies:</p> <ol style="list-style-type: none"> The council invests across a range of sectors and its assets are diversified in terms of lot size. Some of the Council's investments are not what is termed 'Investment Grade', but they are fundable – i.e., if sold they could be suitable for debt backed investors. The Council's assets are uncharged. It is often lenders who require assets to be sold and whilst gearing does not increase illiquidity per se, it can expose an owner to greater risk of selling an illiquid asset at an inopportune time.
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Tenant default	<p>The council's portfolio includes both large national concerns and small local businesses (mainly retail or industrial type tenants). Tenant default risk is managed in two ways:</p> <ol style="list-style-type: none"> Tenants are vetted when entering the portfolio either as new tenants when property is let or as replacement tenants when existing tenants assign their leases. It must be acknowledged that there is less control when a tenant applies for consent to assign, though guarantees may be sought. Risk is managed by diversification as only a small proportion of tenants will fail in any given year. A policy contingency budget is held within the Council's annual revenue budget alongside a market risk earmarked reserve which can meet a shortfall in income that may arise in year due to tenant defaults.
Obsolescence	<p>A significant proportion of the Council's portfolio comprises industrial / warehouse buildings and retail assets which have relatively low obsolescence compared to office premises. This is because offices in general require significant investment to maintain the landlords fit out specification in line with market demands.</p> <p>Where matters of council policy override commercial concerns, the Council's portfolio is more vulnerable. E.g., where significant outlay may be required on plant and machinery at the end of their useful economic lives. This will be considered in the Asset Management plan for each asset.</p>
Capital expenditure	<p>Please see above but also note that the council aims to let space on Full Repairing terms which makes the tenant either explicitly responsible for maintaining the asset or allows CDC to recover the cost of repairs through the service charge provisions of the relevant lease.</p>
Market risk	<p>Two key market risks are falling rents in response to declining economic conditions and extended marketing voids when leases end or tenants fail. These risks are mitigated in three main ways:</p> <ol style="list-style-type: none"> Lease lengths should be 3 – 5 years + which obviates most market risks during the period of the tenancy. Longer leases which contain regular rent review provisions normally require the rents to be reviewed in an upwards only direction. Tenant failure – see above under Tenant Default, re: vetting and diversification policies plus earmarked reserves held. <p>An additional risk is over-exposure to town centre retailing as the portfolio's largest assets are the Castle Quay Centre and Retail Complex in Banbury as well as Pioneer Square in Bicester. The risks arising from these investments will be managed as part of the Strategic Asset Management plan and Asset Actions Plans for each asset.</p>
Returns eroded by inflation	<p>Most properties are let on lease terms which contain upwards only rent reviews and some are indexed linked guaranteeing rental growth. Although in general rental levels lag against inflation (both when rising and falling due to reviews or renewals being generally every 3-5 years) rents are historically considered to be more stable with less fluctuations.</p>
Rising interest rates	<p>Interest rate risks are managed by the Council's Treasury Management function which is supported by professional advisers. The council publishes its approach to interest rate management in its quarterly Treasury Management Report and annual Treasury Management Strategy which should be read in conjunction with this strategy.</p>

Commercial Governance

Decisions on investment in assets with commercial risk are made by Members and Statutory Officers in line with the criteria and limits approved by Council in the Investment Strategy. Acquisitions of property are made in-line with strategic priorities of the council, are capital in nature and will therefore form part of the council's capital programme.

The Council also has commercial activities in trading companies, exposing it to normal commercial risks. These risks are managed by the governance structure in place. The Shareholder Committee is regularly

informed of the progress of each company. The Shareholder representative meets with the directors both formally and informally to ensure there is a consistent dialog between the companies and the council.

Further details on commercial investments and limits on their use can be found in the Investment Strategy (Section B of this report).

A9. Knowledge and Skills

The council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Section 151 Officer is a qualified accountant with many years of experience and several other members of the Finance team are CIPFA members and fully qualified accountants. Senior members of the Property team are registered surveyors with the Royal Institute of Chartered Surveyors (RICS). The council also pays for junior staff to study towards relevant professional qualifications, including CIPFA, to support professional development and team resilience.

Where council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field.

B. Investment strategy

B1. Introduction

The CIPFA Prudential Code for Capital Finance outlines that in the Investment Strategy presented to Full Council each year, it should report on all financial investments of the authority, together with other non-financial investments such as those held for service purposes or for financial return.

Local authority investments (including commercial property) may be categorised in accordance With the primary purpose of the investment. The chief financial officer makes a judgement as to the primary purpose of the investment. For the purposes of this strategy, all investments and investment income must be attributed to the following purposes as per the prudential code:

- ‘Investments for **treasury management** purposes’ (or treasury management investments) are those investments that arise from the organisation’s cash flows or treasury risk management activity, and ultimately represent balances that need to be invested until the cash is required for use in the course of business.
- ‘Investments for **service** purposes’ (or service investments) are taken or held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services.
- ‘Investments for **commercial** purposes’ (or commercial investments) are taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.

In line with the above definitions, the council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations, such as subsidiaries and local community groups (**service investments**) and
- to deliver against corporate priorities as detailed in the council’s annual business plan (**service investments**)

The council does not invest *primarily* for financial return (commercial purposes) – for the council to do so, it is likely the council would need to incur borrowing. The prudential code does not permit borrowing for commercial purposes.

The council realises the benefits of its investments either through direct delivery towards corporate priorities, or by generating additional income that supports service delivery and the revenue budget.

The below table summarises how each type of investment benefits the council and its residents:

Table B1.1: Investment types and Benefits

Investment	Purpose	Examples	Strategic and Service Benefits	Economic Benefits
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Treasury Investments	To manage surplus cash balances held in advance of expenditure	Money Market Funds, DMADF, other Local Authorities & fixed deposits with banks	Effective treasury management – i.e. deposit cash in facilities that are secure, liquid and generate a financial return	Interest received can be used to support day-to-day revenue spend the council incurs in delivering its services.
Service Investment: <i>Purchasing of Share Capital</i>	To enable subsidiary companies such as Graven Hill to deliver service objectives and be commercially viable enterprises	Graven Hill, Crown House	The subsidiary is provided financial resource to deliver housing for the district	Investing in subsidiaries can help deliver service objectives that impact the local economy and help to stimulate economic growth e.g., in providing housing, attracting businesses, encouraging private investment in the district. The council may receive a dividend payment from the profits generated that can support revenue spend.
Service Investment: <i>Advancing of Capital Loans</i>	Loans are advanced to organisations such as its subsidiaries, local parishes and local charities to support local public services and stimulate local economic growth	Graven Hill, Crown House, Local Charities and other organisations	To enable continual delivery of housing and infrastructure to the local community. To enable local groups to deliver objectives and priorities which align with the Council's.	Advancing loans can enable local organisations to facilitate economic growth. The council receives interest on the loan advances. Loans are repaid to the council on maturity.
Service Investments: <i>Property</i>	To help the council to deliver services, meet its corporate priorities and generate income to support its revenue activity	Bicester Depot, Castle Quay, Tramway Industrial Estate	A direct impact is made on the district through strategic place shaping, regeneration, and other forms of service delivery	Property investments support public services and help to attract for local and national businesses, driving economic prosperity. The council can generate income from lettings of space that it does not occupy, e.g., retail, and industrial space.

B2. Treasury Management Investments

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and Central Government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to be an average of £14m during the 2024/25 financial year.

Full details of the Council's policies and its plan for 2024/25 for treasury management investments are covered in a separate document, the treasury management strategy.

B3. Service Investments: Loans

Contribution

The Council lends money to third parties (e.g., its subsidiaries, local parishes, local charities) to support local public services and stimulate local economic growth. The main loans issued are to the council's subsidiaries – the Graven Hill Village companies and Crown House Banbury Ltd. Graven Hill is a housing development providing significant housing in Bicester. Crown House is a redeveloped derelict office building in the centre of Banbury which is providing significant rental opportunities in the town centre.

Security

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. To limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table B3.1: Fair Value of Loans

Category of borrower (£m)	31 st March 2023 actual			
	Balance	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	71.2	1.3	69.9	71.2
Parishes	0.1	0.0	0.1	0.1
Local charities	0.1	0.0	0.1	0.1
Other	1.3	0.1	1.2	1.3
TOTAL	72.7	1.4	71.3	72.7

Accounting standards (IFRS 9) require the council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. The council, however, makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk Assessment

The Council assesses the risk of loss before entering into and whilst holding service loans by approaching each loan request individually. The bulk of the council's loans are to its subsidiaries. When the council considers whether or not to create or acquire a subsidiary a full business case is prepared which sets out the optimal financing of the company. This will include an assessment of the market in which it will be competing, the nature and level of competition, how that market may evolve over time, exit strategy and any ongoing investment requirements. External advisors are used where appropriate to complement officer expertise and second opinions from alternate advisors is sought in order to monitor and maintain the quality of advice provided by external advisors.

Other service loans are evaluated against a set of criteria designed to demonstrate:

- Evidence of project objectives and needs analysis is provided
- The loan must have a demonstrable community impact
- The loan would provide up to 50% of the whole project cost

- Such a loan can only be applied for by constituted voluntary organisations with their own bank account; Town or Parish councils; charitable organisations
- The loan cannot be applied retrospectively
- The applicant has provided evidence of its financial stability and of its ability to manage the proposed scheme.
- Appropriate checks have been carried out on the owners of the organisations to be satisfied as to their integrity and to avoid any potential embarrassment to the Council.
- The applicant has demonstrated that the proposed scheme has been developed following good practice in terms of planning, procurement, and financial appraisal.
- The applicant has provided evidence the affordability of their proposed scheme and the loan repayments
- That the project furthers the council's priorities as reflected in its Business Plan

B4. Service Investments: Share Capital

The council invests in the shares of its subsidiaries to support local public services and stimulate local economic and housing growth. The council currently holds shares in Graven Hill Holding Company Ltd, Graven Hill Development Company Ltd and Crown House Banbury Ltd.

One of the risks of investing in shares is that the initial outlay may not be recovered. To limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table B4.1: Fair Value of Share Capital Investments

Category of company	31 st March 2023 actual			
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	35.7	0.0	35.7	35.7
TOTAL	35.7	0.0	35.7	35.7

The Council assesses the risk of loss before entering into entering and whilst holding shares by maintaining close links with the Boards of Directors of the companies through an established Shareholder Committee. Risk is assessed as above in Service Loans.

The maximum periods for which funds may prudently be committed are assessed on a project-by-project basis. The decision will balance both the long-term viability of the subsidiary and the revenue and capital requirements of the Council.

Shares are the only investment type that the council has identified that meets the definition of a non-specified investment in the Government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

B5. Service Investments: Property

The council invests in local property in two ways: by acquiring new assets and by enhancing existing assets to help provide and meet the needs of its residents and businesses. For example, the council has recently acquired land to relocate and expand its Waste Collection Depot in Bicester to accommodate growth across the district. The Capital Programme includes significant investment over the next five years, which includes:

- Development of the new Bicester Depot
- Transforming Bicester Market Square
- Investing in Solar Panels and Solar Photovoltaic car ports at the Council's leisure and community centres
- Acquiring and making capital improvements to Town Centre House to return the building to use, to help rehouse Ukrainian Refugees, and to provide safe, secure and affordable housing
- Commitment of funding to net zero carbon projects

The Council also continues to hold strategic assets that have received significant investment in recent years to regenerate town centres and generate income for the council, the largest of which include,

- Castle Quay Centre and Waterfront, Banbury;
- Pioneer Square, Bicester;
- Tramway Industrial Estate; Banbury.

Security

Under the statutory guidance on investments published by Central Government, the council should evaluate the security of its investments by conducting a fair value assessment against the capital invested. A fair value assessment is possible for assets held at fair value, i.e. properties valued annually as investment property (IAS 40 as adapted by the CIPFA code) or operational assets valued under Existing Use Value (EUV) where there is an active market for these types of assets.

In 2023, the council undertook a review of properties held under IAS 40 and determined that most of the assets classified as investment property up to 2021/22 were done so incorrectly. The CIPFA code defines Investment Properties as assets held *solely* for financial return, either through rental income or capital appreciation.

Assets like Castle Quay, Tramway and Pioneer Square that were originally classed as investment properties, were investments made for the purpose of meeting the strategic regeneration objectives of the council, and *not* solely for financial return. Regeneration is, and has been, a key service objective for the council and whilst the assets are partly commercial in their day-to-day use as retail, leisure and industrial operations by tenants and generate rental income, the council continues to hold the assets as part of its wider regeneration strategy.

The council has therefore reclassified these assets as Property, Plant and Equipment (operational assets) and made prior year adjustments to its accounts to correct erroneous classification made in prior years' financial statements.

Under the CIPFA code, operational assets are valued under the Existing Use Value approach. Existing Use valuations are conducted on assets that have service benefits, such as in provision of housing or in the delivery of regeneration objectives. Existing Use (EUV) valuations may in some circumstances be lower than Market Value due to EUV disregarding potential alternative uses of the asset, known as ‘hope value’. An assessment of the security of these assets is therefore made against valuations in Existing Use where Market Value is unavailable. Table B5.1 shows the latest fair value assessments of the council’s high value strategic investments made in recent years:

Table B5.1: Fair Value of High Value Investments in the Council’s Strategic Assets

Asset Name	Investment Cost (£m)	Fair Value 31/03/2022 (£m)	Movement in Fair Value (£m)	Fair Value 31/03/2023 (£m)	Gains/(Losses) in Book Value Recognised in Accounts (£m)
Castle Quay Waterfront, Hotel and Supermarket	68.3	32.0	(2.6)	29.4	(38.9)
Castle Quay Centre	64.7	15.4	(1.6)	13.8	(50.9)
Tramway Industrial Estate	9.6	10.7	(1.6)	9.1	(0.5)
Pioneer Square	8.2	4.1	0.3	4.4	(3.8)
Totals	150.8	62.2	(5.5)	56.7	(94.1)

The decline in book values have been driven by multiple factors, namely:

- The decline of high street retail, accelerated by the Covid-19 pandemic
- Performance of retail assets nationally, affecting property yields and therefore asset valuations
- National economic conditions, such as interest rates and inflation

Book gains and losses are recognised in the Council’s statutory accounts to reflect fluctuations in asset values and represent a snapshot of the Council’s financial position as at a balance sheet date. Cash movements against the original capital investment are therefore not realised until an asset is disposed of.

The council recognises that property valuations are important. The book value losses recognised to date, whilst significant, are temporary and are expected to improve in the medium to long-term which will ensure the authority remains in a healthy long-term financial position. The investment benefits will continue be realised through non-financial factors such as regeneration and place shaping and through revenue receipts which will help finance the capital investment.

Whilst strategically important, property valuations do not have a direct impact on the council’s day-to-day financial standing. The council has prudently budgeted for the debt servicing costs on these investments and continues to receive income from the assets to support the financing of the investments. Many of the assets are long-term for the council, with current and future service benefits that also need to be taken into consideration in evaluation of the investment. As detailed in section A6 of the capital strategy, the council deems its capital investment plans to be affordable, prudent, and sustainable.

To improve the economic and service potential of its property investments and ensure they remain fit for purpose, the council intends to undertake a strategic review of its property within the next 12 months. A strategic review on one of the Council’s largest assets, the Castle Quay Centre, is already underway. As part of this review, the council has already assessed the viability of moving council offices to the centre, for which a business case has been approved. Further work is now being undertaken to progress the project.

Once the move to Castle Quay completes, a capital receipt may be generated from the sale of the current council headquarters, Bodicote House.

It should be noted that the security of investment is not only considered through annual fair value assessment. Asset valuations fluctuate in accordance with the market, which has been on a downward trend in recent years. Assets that generate income to the council contribute to the overall business case and therefore whilst capital values may fluctuate, income generated from property assets may be considered secure in accordance with the lease terms granted, tenant performance, and asset obsolescence.

Risk assessment

The council assesses the risk of loss before entering and whilst holding property investments by cash flow modelling the income and expenditure profile of each investment and interrogating that model across a range of scenarios to test the robustness of the investment. The modelling exercise is informed by the likelihood of tenant default and the chances that individual units will become empty during the hold period.

The property investment market is dynamic, and the council is kept abreast of developments by frequent communication and established relationships with local and national agents, supplemented by in-house investigations and reading of published research. The Council's focus is on assets that are local and help to deliver the strategic aims of the council.

In all acquisitions the council takes external advice from acknowledged experts in the field and sense-check their input against our in-house knowledge, experience, and expertise. The advice sourced covers market value but also, letting risk, marketability and occupational demand, and likely expenditure over the hold period.

The council uses a number of local and national advisors and cross reference their views periodically. There is no single party who expects to be instructed by the council without competition.

Credit ratings are used on acquisitions, new lettings and when tenants request consent to assign their leases. The council uses D&B ratings as well as reviewing the published accounts of tenants or potential tenants.

A number of other strategies are used to mitigate risk:

- Tenant rent payment histories are analysed on any acquisition.
- Tenant rent payment patterns and arrears are examined in the existing portfolio.
- Introducing agents advise the council throughout the acquisition process and their advice includes market commentary at a national and a local level and commentary on perceived risks to the investment.
- In tandem with the above every acquisition is subject to a third-party RICS Red Book valuation by qualified surveyors who are independent i.e., not acting for the council or the vendor on the acquisition.

Liquidity

Compared with other investment types, property is relatively difficult to sell to convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the council acknowledges

illiquidity as a risk in property and whilst it cannot be avoided the risk is mitigated by the following strategies:

- The council invests across a diverse range of sectors and lot sizes. This affords the council the ability to access a range of purchaser types e.g., small local investors, listed property companies or institutions.
- The council does not invest in high-risk assets which can be the most illiquid of all other than for the purposes of delivering regeneration which has a different investment objective from pure revenue or capital return.
- Some of the Council's investments are not what is termed 'Investment Grade', but they are fundable – i.e., if sold they could be suitable for debt backed investors
- The council does not invest in specialist properties, where the market tends to be most illiquid.
- The Council's assets are uncharged. It is often lenders who require assets to be sold and whilst gearing does not increase illiquidity per se, it can expose an owner to greater risk of selling an illiquid asset at an inopportune time.

B6. Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the council and are included here for completeness.

The council has contractually committed to the following loan, bond, and guarantee amounts:

Table B5: Loan Commitments, Bonds and Guarantees

Borrower	Purpose	£m Contractually Available
Graven Hill Village Development Company Ltd	Revolving Credit Facility available to the council's subsidiary until 2026	£17.0m
Graven Hill Village Development Company Ltd	Bonds and Guarantees in place	£22.4m
Graven Hill Village Development Company Ltd	Bond and Guarantees agreed in principle	£14.4m
TOTAL		£53.8m

B7. Capacity, Skills and Culture

Elected members and statutory officers

The majority of senior statutory officers are qualified to degree level and have appropriate professional qualifications. Their shared business experience encompasses both the public and private sectors.

Training and guidance are provided to support members in delivering their roles and support effective decision making.

Investments

Negotiations are either undertaken directly by Assistant Directors or at a senior level with Assistant Director direct involvement and oversight, alongside input from Directors and Lead Members where required. Assistant Directors are aware of the regulatory regime and convey that to all junior staff.

Corporate governance

There are appropriate corporate governance measures in place which comprise end to end decision making procedures. These include risk assessments within the organisation; presentation to relevant committees including Members, statutory officers' approvals, and relevant project boards.

B8. Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure resulting from its investment decisions.

Total risk exposure

The first indicator shows the council's total exposure to losses in investment book value (i.e. losses not already recognised on balance sheet) which includes amounts the council is contractually committed to lend but have yet to be drawn down and guarantees the council has issued over third-party loans and the council's high value property assets. These risks are managed by the council operating within the Treasury Management, Capital and Investment Strategies and strict governance arrangements around the council subsidiary Companies.

Table B8.1: Total investment exposure in £ millions

Total investment exposure	31/03/2023 Actual	31/03/2024 Forecast	31/03/2025 Forecast
Treasury management investments*	43.5	13.3	14
Service investments: Loans*	63.4	57.4	57.4
Service investments: Shares	35.7	35.7	35.7
Service investments: Property***	56.7	65.9	80.3
TOTAL INVESTMENTS	199.3	172.3	187.4
Commitments to lend	11.0	17.0	17.0
Bonds & Guarantees in place and agreed in principle	45.4	17.9	11.8
TOTAL INVESTMENT EXPOSURE	255.7	207.2	216.2

*The investment forecast for 2024/25 is as per the MTFS budget and includes a forecast loan necessary for the Council to maintain its professional client status with its providers of financial services. This figure will differ from table 1.3 in the Treasury Management Strategy, as that only takes loans already committed to, into account.

**Loans as per the investment funded by borrowing (excluding interest income) as per Table B8.2

***As per the net book value in Table B5.1 for 2022/23 on high value property investments

How investments are funded

Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate specific assets with specific liabilities, this guidance is difficult to comply with. However, the following investments could be described as funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table B8.2: Investments funded by borrowing in £ millions

Investments funded by borrowing	31/03/2023 Actual	31/03/2024 Forecast	31/03/2025 Forecast
Service investments: Loans	63.4	57.4	57.4
Service investments: Shares	35.6	35.7	35.7
Service investments: Property	156.3	163.7	178.8
Total Funded by Borrowing*	255.3	256.8	271.9

*The total funded by borrowing represents the gross expenditure incurred on these types of investments which form part of the Council's CFR. MRP (see Annex A) made to date on these investments has not been included in this total.

Rate of return received

This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred

Table B8.3: Investment rate of return (net of all costs)

Investments net rate of return	2022/23 Actual	2023/24 Forecast	2024/25 Forecast
Treasury management investments	2.1%	5.1%	4.9%
Service investments: Loans	6.3%	6.9%	6.0%
Service investments: Property	1.0%	0.9%	0.9%

The rate of return on property assets represents the return across property service investments in housing, car parks, property bought with regeneration objectives and other property. The rate is lower than the return on loans and treasury investments as the council has invested in properties to meet corporate priorities in which financial return is not the primary objective. The council has invested in local housing projects which generate income at a below market rate, e.g., Affordable Housing, for which the gross capital costs (i.e. not including capital grants and receipts received to finance the spend) on the construction and development have been included in this calculation.

Annex A – Annual Minimum Revenue Provision (MRP) Statement

MRP Summary

Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). The council is required by statute to charge an amount of MRP to the General Fund Revenue account each year for the repayment of debt. The MRP charge is how capital expenditure

which has been funded by borrowing is paid for by council taxpayers. Legislation requires local authorities to draw up a statement of their policy on the annual MRP, for full approval by Council before the start of the financial year to which the provision will relate.

The statutory guidance^[1] on MRP outlines 4 ready-made options for calculating prudent provision:

- Option 1 – Regulatory Method
- Option 2 – CFR Method
- Option 3 – Asset Life method a and b
 - Option 3a – *Straight Line*
 - Option 3b – *Annuity*
- Option 4 – Depreciation Method

Options 1 and 2 can only be used for capital expenditure incurred prior to 1 April 2008 (supported capital expenditure). These options are therefore unavailable to the council as it has no supported capital balances within its Capital Financing Requirement (CFR).

MRP Statement

The Council is recommended to approve the following statement:

- For unsupported capital expenditure incurred on fixed assets after 31st March 2008 and not acquired under a finance leasing arrangement, MRP will be determined using **option 3b (Annuity method)** of the statutory guidance on MRP starting in the *year after* the asset becomes operational.
- MRP on the acquisition of share capital in a subsidiary company will also be calculated using **option 3b** of the statutory guidance.
- For capital expenditure incurred in the advancing of loans to third parties that are delivering service objectives on behalf of the Council, such as subsidiary companies, MRP will be charged at an amount equal to any expected credit losses on the loans recognised in the financial year in accordance with IFRS 9. For service loans with historical credit losses incurred in prior financial years, the council will make a one-off MRP charge in the current financial year to ensure prudent provision is made for the IFRS 9 accounting losses.
- Repayments of loan principal on capital loans will be treated as capital receipts and applied to the capital adjustment account to clear any unfinanced capital spend and reduce the council's capital financing requirement.
- Capital expenditure incurred on acquiring assets under finance leases will have an MRP charge made equal to the capital rent payment made to reduce the lease liability in year.
- Capital expenditure incurred in 2024/25 will not be subject to an MRP charge until 2025/26 at the earliest.

For **option 3b**, under statutory guidance:

- *“MRP is the principal element for the year of the annuity required to repay over the asset's useful life the amount of capital expenditure financed by borrowing or credit arrangements, using an appropriate rate of interest.”* In simpler terms, this is equivalent to the MRP charge matching the capital repayment profile of a mortgage or a finance lease arrangement, with payments taking place over the life of the asset and using an appropriate rate of interest to determine the annual amount.

- Adjustments to the calculation to take account of repayment by other methods during repayment period (e.g., by the application of capital receipts) will be made as necessary.

As external debt balances cannot be directly linked to specific capital expenditure (external debt is a Treasury Management function) the Council has determined an *appropriate* interest rate to be the Public Works Loans Board (PWLB) rate available for an annuity-based loan, with a repayment lifetime that matches the estimated useful life of the underlying asset. The PWLB rate used is taken from on the PWLB website^[2] and will be the rate available on the first working day of the financial year in which the expenditure is incurred.

Indicative annuity rates used in the Council's MRP calculation are shown below which are then further reduced by 0.2% for use in the MRP calculation, in accordance with the borrowing discount available to Local Authorities:

PWLB Borrowing Rates		Loan Term/Asset Life				
Publication Date/Time	Year	10	20	30	40	50
03/04/2023 09:15:48	2023/24	4.49%	4.60%	4.86%	4.89%	4.82%
01/04/2022 12:19:13	2022/23	2.50%	2.69%	2.85%	2.86%	2.80%
01/04/2021 09:08:50	2021/22	1.43%	1.97%	2.28%	2.41%	2.42%
01/04/2020 12:28:08	2020/21	2.13%	2.32%	2.60%	2.76%	2.77%
01/04/2019 12:13:33	2019/20	1.74%	2.09%	2.44%	2.60%	2.59%
03/04/2018 12:15:35	2018/19	2.07%	2.46%	2.67%	2.75%	2.72%
03/04/2017 12:15:31	2017/18	1.49%	2.18%	2.62%	2.80%	2.78%
01/04/2016 12:15:18	2016/17	1.86%	2.59%	3.08%	3.31%	3.32%
01/04/2015 12:15:49	2015/16	2.13%	2.72%	3.08%	3.29%	3.34%
01/04/2014 12:15:51	2014/15	2.96%	3.95%	4.34%	4.47%	4.50%

Change of MRP Approach

Adopting **option 3b** for fixed asset and share capital expenditure represents a change of approach for the council, having previously adopted a straight-line MRP approach in prior years (option 3a). Under the statutory guidance, where a local authority changes the method(s) that it uses to calculate MRP, it should explain in its Statement, why the change will better allow it to make prudent provision.

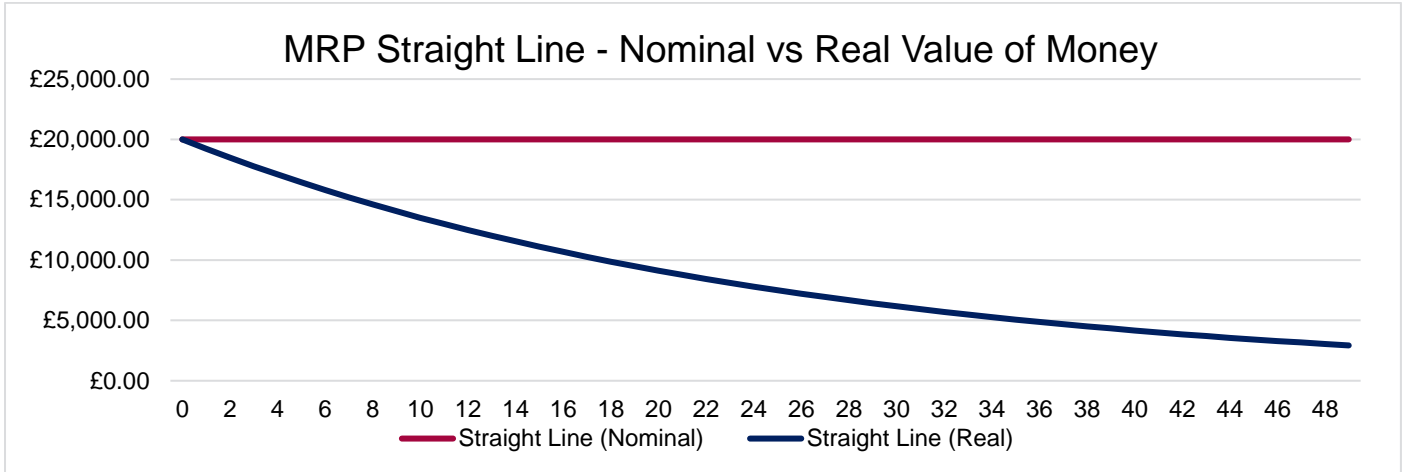
The change to annuity based MRP improves the council's ability to make prudent provision as it helps to distribute MRP more fairly when factoring that the value of money decreases with time due to its earning potential. The current adoption of a straight-line approach means that the real value that future revenue budgets are expected to provide for MRP can be significantly less than the current budget, whilst the assets are delivering the same benefits. The divergence in the real vs nominal value of money therefore creates a divergence in the suitability of a straight-line vs annuity-based approach to MRP, particularly over the medium to long-term. With interest rates and inflation presently much higher than when the Council began to generate a CFR (incurring capital spend without capital receipts available to finance the spend), this factor is becoming more prevalent and therefore should be considered in making prudent provision.

Much of the capital the council has outlaid which has increased its CFR has been in the purchase and enhancement of long-term assets that will have an expected lifetime of 50 years or more for the district. These assets include Castle Quay Shopping Centre, Castle Quay Waterfront development and investments in subsidiary companies, such as Graven Hill, that are set to provide long-term economic and innovative housing benefits. Factoring the time value of money into the MRP calculation helps to distribute the cost more fairly to the revenue budget over the lifetimes of the underlying assets resulting from the investments. This ensures that the current revenue budget is not unfairly burdened with costs associated with assets

delivering long-term strategic objectives of the council or where economic benefits are expected to be maintained or increase over the life of the assets, benefitting the future as well as the current taxpayer.

For example, if the council spends £1m on purchasing a building with a 50-year useful life, under the straight-line approach, the council will charge £20,000 annually in MRP. However, where interest rates are expected to remain around 4% on average over that period (as an illustration), the real value of the MRP decreases across the life of the asset, meaning that future revenue budgets pay proportionally less in MRP compared to the current budget. This is depicted in the figure below:

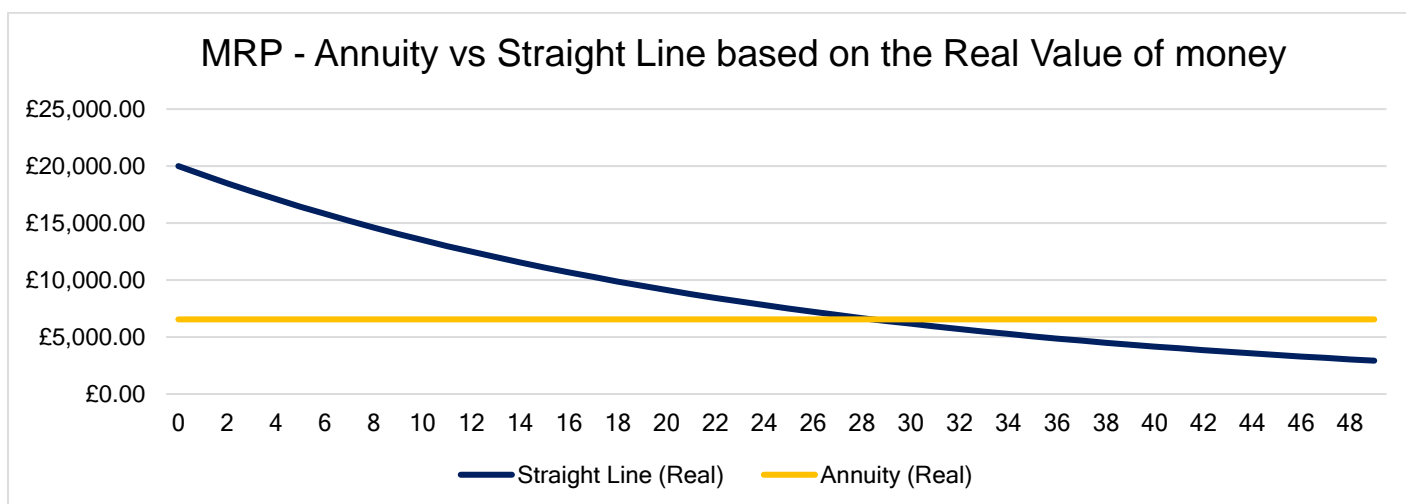
Figure M1: MRP Straight Line comparison between the real and nominal value of money



The time value of money means that an MRP charge of £20,000 in fifty years would be around £3,000 in today's terms. The annuity method seeks to combat this effect by ensuring an even spread of MRP with the time value of money factored in. Whilst the nominal value increases with time, the real value of the MRP will remain proportionate to the value of money at the time the charge is made, essentially making the MRP charge constant in real terms.

Below is a profile of MRP on an annuity basis for the same scenario, demonstrating that using the annuity method factoring the time value of money, results in a straight-line MRP charge in real terms:

Figure M2: Annuity vs Straight Line MRP based on the real value of money



Conclusions

By adopting an annuity based MRP approach for fixed asset and share capital expenditure service benefits, the council will:

- Factor in the time value of money into its MRP calculation;
- More fairly distribute MRP across the underlying lifetime of the assets invested in, and;
- Better allow a prudent MRP charge to revenue to be made.

Future MRP Considerations

The council recognises that the interest rates and inflation determine the time value of money and are likely to fluctuate over the lifetime of MRP for long-term assets. As such, the council will review the suitability of the annuity based method annually to ensure it remains appropriate. If interest rates decrease significantly, the current annuity model may no longer be the most appropriate methodology.

[1] – Statutory Guidance on Minimum Revenue Provision

https://assets.publishing.service.gov.uk/media/5a7451d9ed915d0e8bf188f4/Statutory_guidance_on_minimum_revenue_provision.pdf

[2] – PWLB Lending Facility Rates

<https://www.dmo.gov.uk/responsibilities/local-authority-lending/historical-interest-rates/>

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Cherwell District Council

Budget Planning Committee

23 January 2024

Reserves Review

Report of the Assistant Director of Finance (Section 151)

This report is public.

Purpose of report

To update Budget Planning Committee (BPC) on the Review of Reserves that has taken place in preparation of the budget for 2024/25 and the Medium-Term Financial Strategy (MTFS) 2024/25 – 2028/29.

1.0 Recommendations

The meeting is recommended:

- 1.1 to note the outcome of the review of reserves and the forecast over the MTFS period.
- 1.2 to provide the Executive with feedback on whether the Committee supports the draft reserve allocations.

2.0 Introduction

- 2.1 The Council undertakes a review of its reserves at least annually. The reserves are divided into the following strategic pots:
 - General Balances
 - Earmarked Reserves
 - Revenue Grant Related Reserves
 - Capital Reserves

This report delivers the outcome of the review for 2023/24 for inclusion in the Budget and Medium-Term Financial Strategy 2024/25 – 2028/29 report which will be taken to the Executive and Council in February 2024.

3.0 Report Details

- 3.1 Executive approved a revised Reserves Policy (attached at Appendix 1 for reference) at its meeting in July 2023 and throughout the year the Executive has been consulted on proposed movements to and from reserves regularly as part of

the monthly performance reporting. A further review has taken place to consider the forecast use of reserves to ensure the Council retains a prudent level of reserves over the medium term.

- 3.2 The review was carried out in a number of stages:
1. Understanding what plans there were to spend reserves that were held over the next five years.
 2. Considering what level of general balances CDC should hold, based on a risk assessment.
 3. Identifying those reserves that are ringfenced as they have specific grant objectives to deliver.
 4. Considering what strategic earmarked reserves CDC should hold.
- 3.3 After conducting a risk assessment, it is proposed that the Council retain its current minimum level of general balances at £6.129m. This will be achieved by making a transfer between earmarked and general reserves in the event of an overspend at the end of 2023/24. The forecast overspend as at the end of November (period 8) is an overspend of £0.259m.
- 3.4 A summary of the outcome of the reserves review can be seen in Table 1 and the detailed reserves anticipated to be held by the Council can be seen at Appendix 2.

Table 1: Overview of reserves

	Actual Balance 1 April 2023	Forecast Transfer FROM reserves	Forecast Transfer TO Reserves	S151 Review of Reserves	Forecast Balance 1 April 2024	2024/25	2025/26	2026/27	2027/28	2028/29	Expected Balance 1 April 2029
General Balances	(6.150)	0.000	0.000	0.000	(6.150)	0.000	0.000	0.000	0.000	0.000	(6.150)
Earmarked Reserves	(20.627)	2.148	(7.504)	(0.697)	(26.681)	1.043	(0.674)	(1.176)	(1.226)	(1.226)	(29.940)
Revenue Grants	(3.771)	0.805	(0.028)	0.697	(2.297)	0.898	0.007	0.007	0.007	0.007	(1.371)
Total Revenue Reserves	(30.548)	2.953	(7.532)	0.000	(35.128)	1.941	(0.667)	(1.169)	(1.219)	(1.219)	(37.461)
Capital Reserves	(8.389)	1.000	0.000	0.000	(7.389)	3.250	0.000	0.000	0.000	0.000	(4.139)
TOTAL RESERVES	(38.937)	3.953	(7.532)	0.000	(42.516)	5.191	(0.667)	(1.169)	(1.219)	(1.219)	(41.600)

- 3.5 It should be noted that the uses of reserves for the 2024/25 budget and MTFS are still being finalised, so figures may be updated in the final budget proposals.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The proposed allocations of reserves will retain flexibility in how the Council uses its reserves in the future and puts in place mitigations for risks the Council may face in the future.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

- Option 1: Do nothing. This would leave resources in earmarked funds that have been funded in alternative ways and reduce the Council's strategic flexibility with its reserves.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no immediate financial implications associated with this report. The Reserves Policy and proposed changes to reserves will be considered by the Executive and uses of/contributions to reserves agreed by Council as part of the 2024/25 budget.

Comments checked by:

Joanne Kaye, Head of Finance, 01295 221545, joanne.kaye@cherwell-dc.gov.uk

Legal Implications

- 7.2 The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget and precept, the Chief Finance Officer must report to it on the following matters:
the robustness of the estimates made for the purposes of the calculations; and
the adequacy of the proposed financial reserves.
The authority must have due regard to the report when making decisions on the budget and precept.

Comments checked by:

Shahin Ismail, Legal Services Manager, 01295 221651, Shahin.Ismail@Cherwell-DC.gov.uk

Risk Implications

- 7.3 The move to retain general balances at their current level and more strategic reserves will help the Council to manage financial risks that materialise in the future. This will be managed within service operational risk, and the Leadership Risk Register, as and when deemed necessary.

Comments checked by:

Celia Prado-Teeling, Performance and Insight Team Leader, 01295 221556
Celia.Prado-Teeling@Cherwell-DC.gov.uk

Equalities and Inclusion Implications

- 7.4 There are no Equalities and Inclusions implications arising directly as a result of this report.

Comments checked by:

Celia Prado-Teeling, Performance and Insight Team Leader, 01295 221556
Celia.Prado-Teeling@Cherwell-DC.gov.uk

8.0 Decision Information

Key Decision N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Document Information

Appendix number and title

- Appendix 1 – Reserves Policy
- Appendix 2 – Reserves Forecast

Background papers

None

Report Author and contact details

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DOCUMENT CONTROL

Organisation(s)	Cherwell District Council (CDC)
Policy title	Reserves Policy
Owner	Finance
Date of implementation	February 2020

DOCUMENT APPROVALS

This document requires the following committee approvals:

Committee	Date of meeting approved
Executive	05 July 2023

DOCUMENT DISTRIBUTION

This document will be available on the Finance intranet page.

DATE FOR REVIEW

No later than 31 March annually but sooner if required.

REVISION HISTORY

Version	Revision date	Summary of revision
2.0	05 July 2023	Addition of section 6.2

CHERWELL DISTRICT COUNCIL RESERVES POLICY

1. Background

- 1.1. The purpose of this policy is to set out how Cherwell District Council (CDC) will determine and review its overall level of reserves and how it uses them.
- 1.2. Sections 31A and 42A of the Local Government Finance Act 1992 require authorities to have regard to the level of balances and reserves needed for meeting estimated future expenditure when calculating the council tax requirement.
- 1.3. CDC has usable reserves and unusable reserves on its Balance Sheet. The unusable reserves are as a result of accounting adjustments and are not therefore available to spend. This policy will concentrate on usable reserves.

2. General Policy

- 2.1. Usable reserves can be split into the following categories:
 - General Balances
 - Earmarked Reserves
 - Revenue Grant Related Reserves
 - Capital Reserves
- 2.2. CDC maintains usable reserves primarily for the following reasons:
 - The need to put aside sums in case of unexpected or unplanned events or emergencies.
 - To smooth out the impact of payments on the revenue account
 - To cover timing differences such as grant money received in any given year where expenditure takes place in a later year
 - To provide pump prime funding for projects to deliver changes in working practices on an invest to save basis. Any approved use on this basis must include an agreed repayment plan
 - A means of building up funds to meet known or predicted liabilities
- 2.3. Reserves can only be used on a one-off basis which means that their application does not offer a permanent solution to delivering savings or reductions in the level of expenditure.

3. Usable Reserves

3.1. General Balances

3.1.1. These are funds that do not have restrictions as to their use. CDC can use them for any purpose within the General Fund. The purpose of general reserves is to manage the impact of exceptional emergencies and unforeseen events. Without such reserves the potential financial impact of these unforeseen events could cause a financial deficit in the General Fund, which would be severely disruptive to the effective operation of the authority.

3.2. Earmarked Reserves

3.2.1. Earmarked Reserves enable CDC to set aside sums to meet specific future anticipated liabilities. Funds could be set aside for items such as (but not limited to):

- cyclical maintenance,
- cyclical events such as elections,
- income generated that must be spent on specific purposes,
- managing market volatility (e.g. commercial rent)
- insurance.

3.2.2. Earmarked reserves should not be held for a sustained period of time as they are held for a specific purpose¹. Where earmarked reserves are no longer required for their original purpose or are not expected to be spent over the medium term they should be reviewed and a decision made on using for alternative purposes.

3.2.3. In line with financial regulations, where a service has generated a service underspend as part of its day to day running, this should not be requested to be set aside as an earmarked reserve without a specific purpose; it should contribute to the overall benefit of CDC's financial position and the achievement of its corporate objectives.

3.2.4. The request to use earmarked reserves, create new earmarked reserves or contribute to existing earmarked reserves (where not approved as part of the budget) must be approved by the Executive. The allocation of Earmarked Reserves will be made when services can demonstrate that the funding is required for that particular purpose.

3.3. Revenue Grant Related Reserves

3.3.1. These reserves relate to the unused element of grant support for which the conditions of the grant are expected to be met. The reserves will be used to meet future years' expenditure for the service for which the grant was awarded. These reserves are managed by Directors.

3.3.2. CDC holds various Section 106 reserves which were contributed by private companies to improve the local community. The fund must be used for the specific scheme and within the agreed timescale. If funds are not used they need to be returned back to the contributors.

¹ with the exception of insurance reserves held to manage risk for which it is difficult to forecast when they will be called upon

3.3.3. Use of these reserves should be planned as part of the budget setting process. Use of these reserves during the financial year requires approval by the Section 151 Officer.

3.4. Capital Reserves:

3.4.1. These are reserves that have been set aside to finance capital schemes and cannot be used to support revenue expenditure without the consent of the Secretary of State for Local Government. These reserves comprise:

- Capital Receipts Reserve reflects the income received from the disposal of capital assets prior to being used to fund future capital expenditure or for the redemption of debt. Capital receipts cannot be used to fund revenue expenditure except where allowed by statute. CDC will allocate resources from the Capital Receipts Reserve in line with its priorities
- Capital Grants Unapplied reflects the unused element of capital grants or capital contributions awarded to CDC, for which the conditions of the grant support are expected to be met or for which there are no conditions. The reserve will be used to meet future years' capital expenditure in a way which best fits with CDC's priorities.

4. **Determining the Level of General Balances and Earmarked Reserves**

4.1. CDC must maintain sufficient general balances and earmarked reserves to cover the key financial risks and contingencies.

4.2. Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and council tax precept, the Chief Finance Officer must report on the adequacy of the proposed financial reserves

4.3. As part of the budget setting process the Section 151 Officer will consider and assess the level of general balances and earmarked reserves. Consideration will be given to the strategic, operational and financial risks facing CDC.

4.4. Major factors to be considered when evaluating the level of general balances and earmarked reserves, include but are not limited to the following:

Budget Assumptions	Issues to Consider
Inflation and interest rate volatility	The overall financial standing of CDC
Scale of budget gap over the medium term	The trend of CDC's financial management and the robustness of the MTFS – i.e. is it balanced over the medium term and delivered annually?

Savings delivery	Size, scale, complexity and pace of the savings programme and risks around slippage or non-delivery.
The availability of other funds to deal with major contingencies and the adequacy of provisions	The adequacy of CDC's arrangements to cover major unforeseen risks.
Income streams	Volatility in levels of income
Government funding	Political landscape and approach to allocating funding across local government

5. Governance and Review

- 5.1. The Council recognises the need to hold and maintain adequate reserves that meet the needs of the organisation. However, there is an opportunity cost as a result of the Council allocating resources away from other potential uses. It is therefore essential for the Section 151 Officer to regularly review the purpose and level of reserves.
- 5.2. All anticipated use of reserves should be understood and recognised as part of the budget setting process and agreed when Council approves the budget.
- 5.3. Any identified use of, or contribution to, reserves after the budget has been set should be approved by the Executive, or the Section 151 Officer in the case of grant reserves, prior to the budget being changed. Uses should be for specific purposes for which reserves have been set aside and not to address savings non-delivery or budget pressures. Contributions to reserves should be for specific costs expected to be incurred in the future.
- 5.4. The reserves position is reported quarterly as part of the revenue monitoring process. The planned usage of reserves is also included as part of the budget setting process. In addition the level and use of reserves is reported and reviewed during the closedown process.
- 5.5. The reserves policy will be reviewed annually as part of the budget setting process.

6. Use of Reserves Approval

- 6.1. Table 1 below shows the level of approval required to use or contribute to usable reserves.

Table 1 Level of approval required for requested use of or contribution to reserves

Type of Reserves	Level of Approval Required
General Reserves and Balances	Executive*
Earmarked Reserves	Executive*
Revenue and Capital Grant Related Reserves	Section 151 Officer
Capital Reserves**	Executive*

* Unless previously approved by Full Council as part of approval of the budget

** Approval required for contribution from reserves only

- 6.2 The current trend for external audits to extend beyond the end of the next financial accounting year can result in changes to the accounts which could have an impact on useable reserves. Therefore, for changes to and from useable reserves which come about as a result of external audit following the submission of the annual outturn report, the Section 151 Officer will have delegated authority, in consultation with the Portfolio Holder for Finance, to manage the impact on useable reserves of such changes to ensure the long-term resilience of the Council. Any such changes made under this delegated power will be reported to the Executive when the audit is complete.

Appendix 2 - Forecast use of earmarked reserves

	Actual Balance 1 April 2023	Forecast Transfer FROM reserves	Forecast Transfer TO Reserves	S151 Review of Reserves	Forecast Balance 1 April 2024	2024/25	2025/26	2026/27	2027/28	2028/29	Expected Balance 1 April 2029
General Balances	(6.150)	0.000	0.000	0.000	(6.150)	0.000	0.000	0.000	0.000	0.000	(6.150)
Earmarked Reserves	(20.627)	2.148	(7.504)	(0.697)	(26.681)	1.043	(0.674)	(1.176)	(1.226)	(1.226)	(29.940)
Revenue Grants	(3.771)	0.805	(0.028)	0.697	(2.297)	0.898	0.007	0.007	0.007	0.007	(1.371)
Total Revenue Reserves	(30.548)	2.953	(7.532)	0.000	(35.128)	1.941	(0.667)	(1.169)	(1.219)	(1.219)	(37.461)
Capital Reserves	(8.389)	1.000	0.000	0.000	(7.389)	3.250	0.000	0.000	0.000	0.000	(4.139)
TOTAL RESERVES	(38.937)	3.953	(7.532)	0.000	(42.516)	5.191	(0.667)	(1.169)	(1.219)	(1.219)	(41.600)

Appendix 2 - Forecast use of earmarked reserves

Category	Project Code	Description	Owner	Opening	Forecast 23/24			Closing	Forecast use over MTFS Period					Forecast Balance at end of Period	
				Actual Closing Balance 31 March 2023 £m	Transfer FROM Reserve 2023/24 £m	Transfer TO Reserve 2023/24 £m	S151 Review of Reserves £m	Forecast Closing Balance as at 31 March 2024 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	£m	
General Balances															
General Balances		General Fund Balance	S151 Officer	(6.150)	-	-	-	(6.150)	-	-	-	-	-	-	(6.150)
Earmarked Reserves															
Earmarked Reserv	ER0002	Country Park Reserve	Corporate Director - Communities	(0.050)	0.025	-	-	(0.025)	0.025	-	-	-	-	-	-
Earmarked Reserv	ER0032	Elections	Chief Executive	(0.070)	0.070	-	-	-	-	-	-	-	-	-	-
Earmarked Reserv	ER0007	Licensing	Corporate Director - Communities	(0.121)	0.040	-	-	(0.081)	0.030	-	-	-	-	-	(0.051)
Earmarked Reserv	ER0008	Local Plan Charges	Corporate Director - Communities	(0.239)	0.100	-	-	(0.139)	-	(0.075)	(0.075)	(0.075)	(0.075)	(0.075)	(0.439)
Earmarked Reserv	ER0012	Planning Control	Corporate Director - Communities	(0.296)	0.296	-	-	-	-	-	-	-	-	-	-
Earmarked Reserv	ER0020	Pensions Deficit	S151 Officer	(2.881)	0.252	-	-	(2.629)	0.252	0.252	0.252	0.252	0.252	0.252	(1.369)
Earmarked Reserv	ER0026	Bicester reserve	Corporate Director - Communities	(0.148)	-	-	-	(0.148)	-	-	-	-	-	-	(0.148)
Earmarked Reserv	ER0016	Transformation Reserve	Chief Executive	(2.000)	0.400	-	-	(1.600)	0.573	-	-	-	-	-	(1.027)
Earmarked Reserves		Health & Safety - Public Food	Corporate Director - Communities	(0.046)	-	-	-	(0.046)	-	-	-	-	-	-	(0.046)
Earmarked Reserv	ER0042	Cherwell Lottery - Revenue	Chief Executive	(0.016)	0.016	-	-	-	-	-	-	-	-	-	-
Earmarked Reserv	ER0036	Dilapidations, Garage Project and Canalside	Corporate Director - Resources	(0.560)	0.285	(0.025)	-	(0.300)	0.065	(0.025)	(0.025)	(0.025)	(0.025)	(0.025)	(0.335)
Earmarked Reserv	ER0039	Capital Reserve	S151 Officer	(0.039)	0.500	(1.800)	(2.027)	(3.366)	-	-	-	-	-	-	(3.366)
Earmarked Reserv	ER0033	Projects	S151 Officer	(4.073)	0.105	-	(0.076)	(4.044)	0.250	-	-	-	-	-	(3.794)
Earmarked Reserv	ER0040	Transformation Implementation Reserve	S151 Officer	(2.000)	-	(4.474)	-	(6.474)	-	-	-	-	-	-	(6.474)
Earmarked Reserv	ER0043	Market Risk Reserve	S151 Officer	(4.996)	-	(1.205)	-	(6.201)	(0.396)	(0.916)	(1.388)	(1.388)	(1.388)	(1.388)	(11.677)
Earmarked Reserves		Growth Deal	Corporate Director - Communities	(0.351)	-	-	0.125	(0.226)	-	-	-	-	-	-	(0.226)
Earmarked Reserves		M&S Surrender Premium	S151 Officer	(1.902)	-	-	1.902	-	-	-	-	-	-	-	-
Earmarked Reserves		DOVECOTE MILCOMBE	Corporate Director - Communities	(0.032)	-	-	0.032	-	-	-	-	-	-	-	-
Earmarked Reserv	ER0035	Bicester Youth Bus	Chief Executive	(0.020)	0.008	-	-	(0.013)	0.008	0.005	-	-	-	-	(0.000)
Earmarked Reserves		Sport and Physical Activities	Chief Executive	(0.055)	-	-	-	(0.055)	-	0.025	-	-	-	-	(0.030)
Earmarked Reserv	ER0037	Courtyard Youth Arts	Chief Executive	(0.006)	0.003	-	-	(0.003)	0.003	-	-	-	-	-	-
Earmarked Reserves		Housing & Planning Reserve	Chief Executive	(0.322)	-	-	-	(0.322)	0.139	-	-	-	-	-	(0.183)
Earmarked Reserv	ER0034	Home Improvement Agency	Chief Executive	(0.103)	0.028	-	-	(0.075)	0.035	-	-	-	-	-	(0.040)
Earmarked Reserv	ER0041	Development management Casework	Corporate Director - Communities	(0.200)	-	-	-	(0.200)	0.050	0.050	0.050	-	-	-	(0.050)
Earmarked Reserv	ER0038	Revenues and Benefits New burdens	S151 Officer	(0.100)	0.020	-	-	(0.080)	0.010	0.010	0.010	0.010	0.010	0.010	(0.030)

Appendix 2 - Forecast use of earmarked reserves

Category	Project Code	Description	Owner	Opening	Forecast 23/24			Closing	Forecast use over MTFS Period					Forecast Balance at end of Period
				Actual Closing Balance 31 March 2023 £m	Transfer FROM Reserve 2023/24 £m	Transfer TO Reserve 2023/24 £m	S151 Review of Reserves £m	Forecast Closing Balance as at 31 March 2024 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	£m
Earmarked Reserves		Climate action reserve	Corporate Director - Communities	-	-	-	(0.067)	(0.067)	-	-	-	-	-	(0.067)
Earmarked Reserves		Business Rates Equalisation reserve	S151 Officer	-	-	-	(0.586)	(0.586)	-	-	-	-	-	(0.586)
Revenue Grants														
Revenue Grants		S31 Reserve	S151 Officer	(0.586)	-	-	0.586	-	-	-	-	-	-	-
Revenue Grants	GR0005	COMF - general allocation remainder of £913k	Chief Executive	(0.344)	0.344	-	-	-	-	-	-	-	-	-
Revenue Grants		Garden Community Capacity Funding	Corporate Director - Communities	(0.125)	-	-	-	(0.125)	-	-	-	-	-	(0.125)
Revenue Grants	GR0004	SPARK	Chief Executive	(0.015)	0.015	-	0.000	(0.000)	-	-	-	-	-	(0.000)
Revenue Grants		Rough Sleep Initiative	Chief Executive	(0.043)	-	-	-	(0.043)	0.038	-	-	-	-	(0.005)
Revenue Grants		Eco Town Revenue	Corporate Director - Communities	(0.004)	-	-	0.004	-	-	-	-	-	-	-
Revenue Grants		Flood Recovery Grant	Corporate Director - Communities	(0.040)	-	-	0.040	-	-	-	-	-	-	-
Revenue Grants	GR0002	Homelessness Prevention	Chief Executive	(0.889)	0.065	-	-	(0.824)	0.228	-	-	-	-	(0.596)
Revenue Grants		Police & Crime Commissioner	Corporate Director - Communities	(0.064)	-	-	-	(0.064)	-	-	-	-	-	(0.064)
Revenue Grants		Green Deal Pioneer Places	Corporate Director - Communities	(0.067)	-	-	0.067	-	-	-	-	-	-	-
Revenue Grants	GR0001	Bicester Garden Town	Corporate Director - Communities	(1.059)	0.375	-	-	(0.684)	0.625	-	-	-	-	(0.059)
Revenue Grants	GR0003	Bicester Village Roundabout	Corporate Director - Communities	(0.195)	0.007	-	-	(0.189)	0.007	0.007	0.007	0.007	0.007	(0.155)
Revenue grants		Hanwell Fields S106 funding revenue	Corporate Director - Communities	(0.075)	-	-	-	(0.075)	-	-	-	-	-	(0.075)
Revenue grants	GR0006	Community Initiative Fund (S106)		-	-	(0.028)	-	(0.028)	-	-	-	-	-	(0.028)
Revenue grants		Land at White Post road S106 funding revenue	Corporate Director - Communities	(0.049)	-	-	-	(0.049)	-	-	-	-	-	(0.049)
Revenue grants		Milton Road, Ayres Drive S106 funding revenue	Corporate Director - Communities	(0.217)	-	-	-	(0.217)	-	-	-	-	-	(0.217)
Capital Reserves														
Capital Reserves		Disabled Facilities Grants	Chief Executive	(0.104)	-	-	-	(0.104)	-	-	-	-	-	(0.104)
Capital Reserves		Capital Receipts Reserve	S151 Officer	(0.100)	-	-	-	(0.100)	-	-	-	-	-	(0.100)
Capital Reserves		Cherwell Local Lottery - Play Well in Cherwell	Chief Executive	(0.165)	-	-	-	(0.165)	-	-	-	-	-	(0.165)
Capital Reserves		Capital Grants & Contributions	S151 Officer	(7.633)	1.000	-	-	(6.633)	3.250	-	-	-	-	(3.383)
Capital Reserves		Hanwell Fields S106 funding capital	Corporate Director - Communities	(0.046)	-	-	-	(0.046)	-	-	-	-	-	(0.046)
Capital Reserves		Land at White Post road S106 funding Capital	Corporate Director - Communities	(0.340)	-	-	-	(0.340)	-	-	-	-	-	(0.340)
				(38.938)	3.953	(7.532)	(0.000)	(42.516)	5.191	(0.667)	(1.169)	(1.219)	(1.219)	(41.600)

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Cherwell District Council

Budget Planning Committee

23 January 2024

Monthly Finance Performance Report

Report of Assistant Director of Finance

This report is public

Purpose of report

This report summarises Cherwell District Council's (CDC's) forecast revenue and capital outturn for 2023/2024 as at 30 November 2023 to give the Committee the opportunity to consider the finance aspects of the report.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of this report.

2.0 Introduction

- 2.1 CDC monitors its financial position on a monthly basis. This report provides the forecast outturn position for the year end based on the position as at 30 November 2023.

Revenue Budget

- 2.2 The Council's forecast outturn position for 2023/2024 is an overspend of £0.259m shown in Table 1.

Capital Budget

- 2.4 There is a forecast in-year underspend of (£12.439m), of which £12.435m is to be reprofiled into future years.
- 2.5 There is a total capital project spend for the council of £49.325m resulting in an underspend of (£0.754m).

3.0 Report Details

- 3.1 The Council's forecast outturn position for 2023/2024 is an overspend of £0.259m shown in Table 1. Within Executive Matters there is a forecast over recovery of interest amounting to (£0.130m) which we are requesting to be moved to the Market Risk Reserve along with the previous (£1.212m) which has previously been approved by Executive.

Report Details

Table 1: Year End Position

Service	Original Budget £m	Current Budget £m	November Forecast £m	November Variance (Under) / Over £m	% Variance to current budget %	Prior Month Variance (Under) / Over £m	Change since Previous (better) / worse £m
HR & OD	0.807	0.813	0.813	0.000	0.0%	0.000	0.000
Wellbeing & Housing	2.286	2.609	2.409	(0.200)	-7.7%	(0.232)	0.032
Customer Focus	2.367	2.443	2.373	(0.070)	-2.9%	(0.045)	(0.025)
Chief Executive	5.460	5.865	5.595	(0.270)	-4.6%	(0.277)	0.007
Finance	3.303	3.376	3.326	(0.050)	-1.5%	(0.025)	(0.025)
Legal, Democratic, Elections & Procurement	1.959	2.033	2.273	0.240	11.8%	0.222	0.018
ICT	1.526	1.526	1.506	(0.020)	-1.3%	(0.020)	0.000
Property	(1.691)	(2.489)	(2.424)	0.065	-2.6%	0.036	0.029
Resources	5.097	4.446	4.681	0.235	5.3%	0.213	0.022
Planning & Development	1.890	1.893	2.242	0.349	18.4%	0.398	(0.049)
Growth & Economy	0.546	0.502	0.412	(0.090)	-17.9%	(0.090)	0.000
Environmental	5.106	6.265	6.348	0.083	1.3%	0.024	0.059
Regulatory	1.150	1.151	1.151	0.000	0.0%	0.000	0.000
Communities	8.692	9.811	10.153	0.342	3.5%	0.332	0.010
Subtotal for Directorates	19.249	20.122	20.429	0.307	1.5%	0.268	0.039
Executive Matters	3.695	3.695	3.647	(0.048)	-1.3%	(0.048)	0.000
Policy Contingency	5.229	4.356	4.356	0.000	0.0%	0.000	0.000
Total	28.173	28.173	28.432	0.259	0.9%	0.220	0.039
FUNDING	(28.173)	(28.173)	(28.173)	0.000	0.0%	0.000	0.000
(Surplus)/Deficit	0.000	0.000	0.259	0.259		0.220	0.039

Note: A positive variance is an overspend or a reduction in predicted income and a negative is an underspend or extra income received. Green represents an underspend and red represents a overspend for the current month's forecast.

Table 2: Analysis of Forecast Variance – November 2023

Breakdown of current month forecast	November 2023 Forecast	Base Budget Over/ (Under)	Savings Non-Delivery
	£m	£m	£m
Chief Executive	(0.270)	(0.325)	0.055
Resources	0.235	0.024	0.211
Communities	0.342	0.339	0.003
Subtotal Directorates	0.307	0.038	0.269
Executive Matters	(0.048)	(0.048)	0.000
Policy Contingency	0.000	0.000	0.000
Total	0.259	(0.010)	0.269

FUNDING	0.000	0.000	0.000
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(Surplus)/Deficit	0.259	(0.010)	0.269
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Table 3: Budget compared with Forecast

The graph below shows the change from October’s forecast to November 2023 compared to budget.

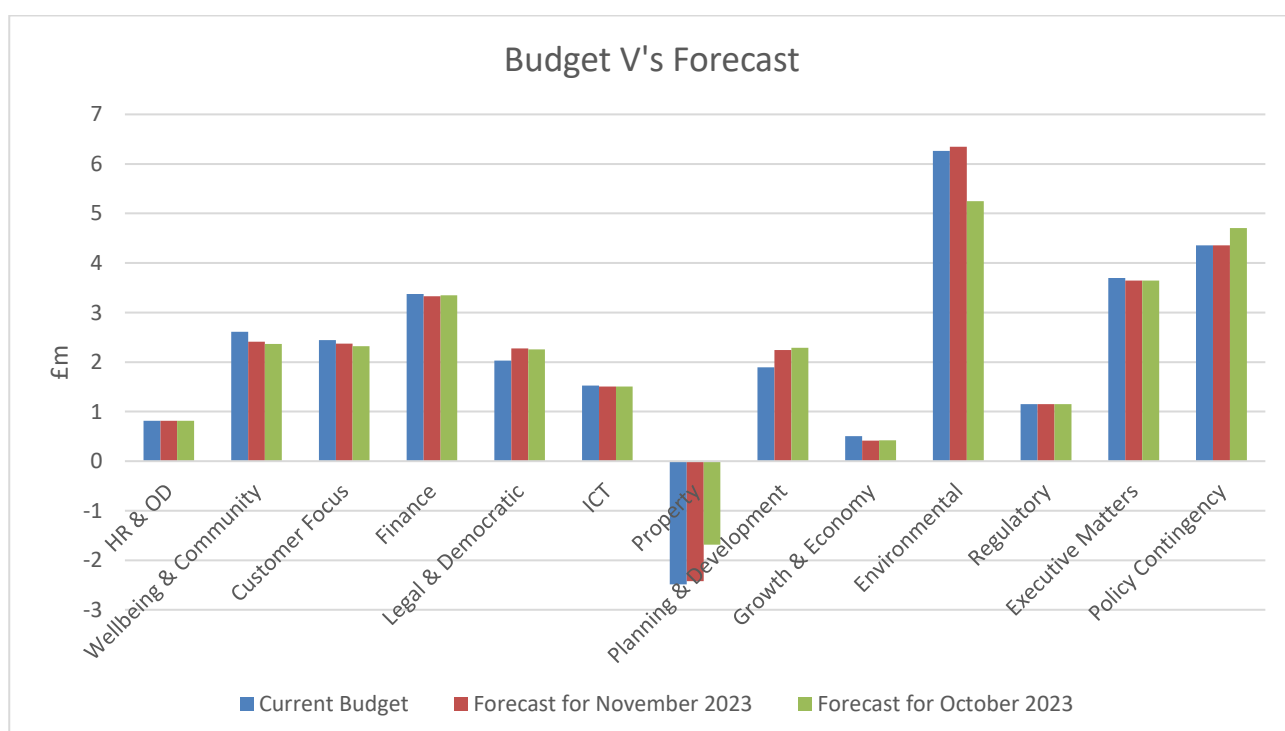


Table 4: Top Major Variance:

Service	Service	Current Budget	Variance	% Variance
Planning & Development	Development Management	0.598	0.349	58.4%
Legal & Democratic	Legal & Democratic	2.033	0.240	11.8%
Environmental Services	Waste & Recycling	3.230	0.083	2.6%
	Total	5.861	0.672	

Development Management Variance £0.349m (October's Variance Overspend £0.398m)

Planning and Development presently has a forecasted overspend of £0.349m for the end of the financial year due to overall income receipts and projections being lower than expected and agency costs exceeding the cost of unfilled establishment posts. The department continues to feel the effect of national construction industry conditions and the reduced availability of planning and building control officers. An increase in planning appeals which necessitates legal and consultant representation is also creating budgetary pressure.

The national increase in planning application fees in December is helping to provide some mitigation and a corporately boosted recruitment process is underway in the interest of filling vacant posts.

The expected outturn is (£0.049m) better than last month helped by the national increase in planning fees and the receipt of planning monitoring fees which are helping to offset additional costs.

The overspend for Building Control has also fallen this month due to lower staffing costs resulting in a £0.050m forecast overspend at year end.

Due to staff vacancies, Planning Policy, Conservation & Design is now expected to be under budget by (£0.015m).

Legal, Democratic Elections & Procurement Variance £0.240m (October's Variance overspend 0.222m)

Overspend is due to:

- 1) higher than anticipated costs of delivering the District Elections.
- 2) an unavoidable reliance on agency staff whilst we continue with recruitment for permanent staff.
- 3) Legal fees and license charges for case management system .4) Under recovery of income due to decrease in s106 fees (because of work being carried out externally).

Waste & Recycling Variance £0.083m (September's Variance over spend £0.055m): -

The forecasted pressure of £0.083m within Environmental Services is primarily due to changes in the global market for recycled materials falling as recycling processing costs have increased.

Commodity prices are currently very volatile, and this could change again during the fourth quarter.

The movement of £0.028m is a result of an increase in gate fees being higher than anticipated for the third quarter. This was identified after the previous months reporting. Monthly meetings with our recycling reprocessor and monitoring of the individual commodity prices allows to estimate gate fees in advance of the quarterly price agreement. Cost savings identified for 2024/25 for direct delivery of food waste have been commenced early. The service is continually reviewing its spend in less critical, front line services.

Table 5: Earmarked Reserves and General Balances at November 2023

The table below is a summary of the level of reserves the council holds.

Reserves	Balance 1 April 2023	Original Budgeted use/ (contribution)	Changes agreed since budget setting	Changes proposed November 2023	Balance 31 March 2024
	£m	£m	£m	£m	£m
General Balance	(6.150)	0.000	0.000	0.000	(6.150)
Earmarked	(19.123)	(2.469)	0.975	(0.130)	(20.747)
Ringfenced Grant	(3.506)	0.711	0.344	0.000	(2.451)
Subtotal Revenue	(28.779)	(1.758)	1.319	(0.130)	(29.348)
Capital	(8.049)	1.000	0.000	0.000	(7.049)
Total	(36.828)	(0.758)	1.319	(0.130)	(36.397)

For reserve requests please see appendix 5.

Capital

There is a forecast in-year underspend of (£12.439m), of which £12.435m is to be reprofiled into future years.

Table 6: Capital Spend 2023/2024

Directorate	Budget £m	Forecast Spend 2023/24 £m	Re- profiled beyond 2023/24 £m	Variance to Budget £m	Prior Month Variance to Budget £m
Chief Executives	10.367	6.968	3.298	(0.101)	0.037
Resources	13.222	6.404	6.961	0.143	0.020
Communities	3.782	1.560	2.176	(0.046)	0.073
Total	27.371	14.932	12.435	(0.004)	0.130

For further detail please view appendix **Page 63**

Table 7: How the Capital Programme is financed

Financing	23/24 Budget £m	Future Years £m
Borrowing	19.542	12.527
Grants	7.829	9.006
Capital Receipts	0.000	1.175
	27.371	22.708

Table 8: Total Capital Project Forecast

Directorate	Budget £m	Total Forecast 2023/24 £m	Variance to Budget £m	Prior Month Variance to Budget £m
Chief Executives	18.591	17.740	(0.851)	0.037
Resources	14.432	14.575	0.143	0.020
Communities	17.056	17.010	(0.046)	0.073
Total	50.079	49.325	(0.754)	0.130

For further detail please view appendix 1 Finance Capital November 2023.

Table 9 - Top Five in Year Capital Variances: -

Code	Top 5 In-Year Variances	Budget Total £'000	Reprofile to 24/25 £'000	% of in year Budget Variance
40278	Development of New Land Bicester Depot	2.775	2.675	96.40%
40144	Castle Quay	2.985	2.485	83.24%
40300	S106 - Bicester Leisure Centre Extension	1.154	1.154	100.00%
40028	Vehicle Replacement Programme	1.731	1.109	64.07%
40286	Transforming Market Square Bicester	1.000	0.960	96.00%
		9.645	8.383	

Development of New Land Bicester Depot: -

Scoping underway. Spend will require re profiling in line with programme, detail to be confirmed as work is undertaken. This project moved over from Environmental Services to Property in December 2023.

Castle Quay: -

As part of the Castle Quay Development and the regeneration of Banbury, the Council is working closely and in partnership with a number of public and private organisations to repurpose parts of Castle Quay Shopping Centre to deliver a number of complimentary uses enabling the regeneration of Banbury. Once each element has been contractually agreed, work can commence.

S106 – Bicester Leisure Centre Extension: -

Initial stages of feasibility have been completed with high level costings received to

deliver the project. Further stages required including detailed business case.

Vehicle Replacement Programme: -

Reprofiling of £1.109m in to 2024/25. A review of the programme has been undertaken. Nationally there is delay in vehicle supply and thus delivery.

Transforming Market Square Bicester: -

£0.180m approved by Executive (September 2023) for design and consultation work in 2023/24 (for final plans for Market Square Public Realm and full business plan). Design Consultants to be procured February 2024 £0.040m to be spent by end of financial year remaining budget to be reprofiled into 2024/25 for continuation of the project.

4.0 Conclusion and Reasons for Recommendations

4.1 It is recommended that the contents of the report are noted.

5.0 Consultation

None required.

6.0 Alternative Options and Reasons for Rejection

6.1 The report sets out CDC's revenue and capital forecast outturn position for 2023/24. No alternative options have been considered.

7.0 Implications

Financial and Resource Implications

7.1 There are no direct financial considerations as a result of this report as it is reporting what has already been approved by Executive.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

Legal Implications

7.2 There are no direct legal implications arising directly as a result of this report.

Comments checked by:

Shahin Ismail, Legal Services Legal Manager
Shahin.Ismail@cherwell-dc.gov.uk

Risk Implications

7.3 There are no risk implications arising directly as a result of this report. Any risks will be managed as part of the operational risk register and escalated as and when necessary to the Leadership Risk Register.

Comments checked by:

Shona Ware, Assistant Director – Customer Focus, 01295 221652
shona.ware@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.4 There are no equalities implications arising directly as a result of this report. Any service or policy review required to support any reprofiled spend will have an accompanying Equalities Impact Assessment as needed.

Comments checked by:
Shona Ware, Assistant Director – Customer Focus, 01295 221652
shona.ware@cherwell-dc.gov.uk

Sustainability Implications

- 7.5 There are no direct sustainability implications as a result of this report.

Comments checked by:
Jo Miskin, Climate Action Manager, Environmental Services, 01295 221748,
Jo.Miskin@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision: N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Document Information

Appendix number and title

- Appendix 1 – Capital November 2023
- Appendix 2 – Detailed Revenue Narrative on Forecast November 2023
- Appendix 3 – Virements November 2023
- Appendix 4 – Funding November 2023
- Appendix 5 – Use of Reserves and Grant Funding November 2023

Report Author and contact details

Leanne Lock
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APPENDIX 1 - CHERWELL CAPITAL EXPENDITURE

Cost Centre	DESCRIPTION	BUDGET	YTD ACTUAL	PO COMMITMENTS	Forecast	RE-PROFILED BEYOND 2023/24	RE-PROFILED BEYOND 2024/25	Current month Variances £000	Prior month Variances £000	Forecast Narrative
40010	North Oxfordshire Academy Astroturf	183	0	0	80	103		-	-	Good progress made to date on scale,scope and nature of the project. Close working with the school. Next steps are to apply for pre-application planning advice and complete project costings.
40019	Bicester Leisure Centre Extension	79	15	0	0	79		-	-	The project continues to progress as predicted. Outline costings for the project have been received. The next step is to complete a detailed business case prior to planning permission being sought.
40083	Disabled Facilities Grants	1,550	1,035	22	1,550	0		-	-	£108k additional funding from DLUHC was confirmed in September and has been added to the budget. Full spend is still anticipated.
40084	Discretionary Grants Domestic Properties	140	19	0	90	0		(50)	-	This budget covers small repairs and larger essential repairs to vulnerable households and some grants for landlords. Demand for essential repairs is typically heavily weighted towards the winter months -. Private rented sector market forces have led to lower than usual uptake of landlord grants, so an underspend is now expected.
40160	Housing Services - capital	160	0	0	0	160		-	-	Developer completions slower at NW Bicester than expected therefore final payment will be made to the developer in 2024/25.
40251	Longford Park Art	45	0	0	0	45		-	-	The final delivery of the public art programme is dependent on overall site handover which has been delayed by the developers. The remaining spend on the public art programme has been reprofiled to acknowledge this.
40262	Town Centre House Roof Repair	4,750	4,354	42	4,750	0		-	-	The purchase of TCH is expected to complete in November. The tender for improvement works will conclude shortly with works due to begin on site in December with final completion in 2024/25.
40275	UKSPF - CDC community facilities x 3	30	30	0	30	0		-	-	Working in partnership with communities on the scope of works to be procured. Full spend is anticipated.
40131	S106 Capital Costs	15	11	2	13	0		(2)	-	S106 funding has been identified for projects that have proceeded this year and there will be no overspend at year end
40294	S106 - Ambrosden Community Facility Project	20	0	0	0	20		-	-	Parish Council has a variety of projects they are looking to bring forward to increase capacity at the village hall.

40295	S106 - Ambrosden Indoor Sport Project	65	0	0	0	65		-	-	Indoor Sport Project involving upgrades to a portacabin building.
40296	S106 - Ambrosden MUGA Project	130	0	0	0	130		-	-	Land originally proposed for the MUGA might not be available, currently looking at alternative options. Site to be confirmed before project can move forwards.
40297	S106 - Ardley & Fewcott Play Area Project	15	0	0	0	15		-	-	Awaiting direction from the parish council regarding further play area investment.
40298	S106 - Ardley & Fewcott Village Hall Project	9	0	6	7	2		-	-	Village Hall project for chairs and tables submitted, S106 spend approved.
40299	S106 - Banbury Indoor Tennis Centre	55	60	0	60	0		5	-	Review of overall projected costs currently taking place.
40300	S106 - Bicester Leisure Centre Extension	1,154	0	0	0	1,154		-	-	Initial stages of feasibility have been completed with high level costings received to deliver the project. Further stages required including detailed business case
40301	S106 - Graven Hill Outdoor Sport Project	52	0	0	52	0		-	-	Initial discussions around delivery model and engagement with project management consultants to move forward with the project
40302	S106 - Grimsbury Community Centre Projects	20	0	0	20	0		-	-	No further projects identified at present.
40303	S106 - Hanwell Fields Community Centre Projects	180	0	0	0	180		-	-	No decision at present on capital project to be brought forward.
40304	S106 - Hook Norton Sport And Social Club Project	80	0	0	0	80		-	-	The scale and scope of the project is yet to be confirmed.
40305	S106 - Horley Cricket Club Pavilion Project	110	0	0	0	110		-	-	Horley Cricket Club in contact with CDC, looking at a staged project due to cost increases for a new build. Actively working with the club to finalise project details.
40306	S106 - Improvements to Bloxham Recreation Ground	35	34	0	34	0		(1)	-	Project for works to the roof at the changing room pavilion received and S106 spend approved.
40307	S106 - Kidlington & Gosford Leisure Centre	20	0	0	0	20		-	-	No detailed projects as yet for this spend.
40308	S106 - Milton Road Community Facility and Sports Pitch Project	479	0	8	8	471		-	-	Awaiting Update from Parish Council
40309	S106 - NOA Improvements	700	60	8	100	600		-	-	High level costings/detailed plans have now been received for this project, further works required to developing the business cases/other stages of feasibility
40310	S106 - Spiceball Leisure Centre Improvements	14	0	0	0	14		-	-	Options are being considered
40311	S106 - The Hill Improvements Project	50	0	0	0	50		-	-	Various possible projects are being considered to provide improvements to the external area around The Hill.
40312	S106 - Whitelands Farm Sports Ground (Pedestrian crossing and various works)	60	(2)	12	60	0		-	-	Remedial works to pathways/outdoor gym areas/bank slippage have been completed. Progress continues into the install of the new pedestrian crossing
40313	S106 - Woodgreen Leisure Centre Improvements	47	0	0	47	0		-	-	Plans in development stage relating to the modernisation of the changing facilities.
TBC	S106 - Deddington Parish Council Projects	40	40	0	40	0		-	40	Forecast to spend by the end of the financial year
TBC	S106 - Longford Park Sport Pitches	50	33	5	50	0		-	50	Forecast to spend by the end of the financial year

Wellbeing & Community		10,337	5,688	104	6,991	3,298	0	(48)	90	
40208	HR Payroll System	0	(23)	0	(23)	0		(23)	(23)	unmatched accrual balance
40292	iTrent HR System Upgrades	30	0	0	0	0		(30)	(30)	We have completed the overall implementation now so no longer have a need for the capital.
HR & OD		30	(23)	0	(23)	0	0	(53)	(53)	
Chief Executive		10,367	5,666	104	6,968	3,298	0	(101)	37	
40111	Admiral Holland Redevelopment Project (phase 1b)	61	54	0	61	0		-	-	On target
40139	Banbury Health Centre - Refurbishment of Ventilation, Heating & Cooling Systems	104	0	0	0	104		-	-	Work is scheduled for delivery in Q1 24/25
40141	Castle Quay Waterfront	0	(630)	0	0	0		-	-	On target (630K will be offset by the retention payment)
40144	Castle Quay	2,985	(30)	288	500	2,485		(0)	(0)	As part of the Castle Quay Development and the regeneration of Banbury, the Council is working closely and in partnership with a number of public and private organisations to repurpose parts of Castle Quay Shopping Centre to deliver a number of complimentary uses enabling the regeneration of Banbury. Once each element has been contractually agreed, work can commence.
40162	Housing & IT Asset System joint CDC/OCC	26	0	0	26	0		-	-	Forecasting on target
40167	Horsefair, Banbury	55	0	0	55	0		-	-	The works design is now completed for paving to the footpath on Horsefair. Project to be procured Q3/Q4 of the 2023/24 financial year
40191	Bodicote House Fire Compliance Works	149	4	0	0	85		(64)	(64)	Assessment completed, with works being developed and scoped from the assessment
40197	Corporate Asbestos Surveys	50	0	0	50	0		-	-	Review to be undertaken as planned in Q3/Q4 of the 2023/24 financial year
40201	Works From Compliance Surveys	99	0	0	49	50		-	-	Works will be carried out in phases - current phase planned for quarter three of the 2023/24 financial year. The next phase is planned for the next financial year(2024/25)
40203	CDC Feasibility of utilisation of proper Space	100	58	114	164	0		64	64	Works are in progress, will be finalised in Q4
40219	Community Centre - Works	54	0	0	54	0		-	-	Banbury Museum atrium stairwell works, currently in design with completion due in Q3/Q4 of the financial year 2023/24
40224	Fairway Flats Refurbishment	362	0	0	0	362		-	-	This project is within the asset review which will be completed in Q3/Q4 of the financial year 2023/24.Works to be reprofiled for 2024/25.
40226	Thorpe Lane Depot - Decarbonisation Works	0	(1)	0	0	0		-	-	On target
40227	Banbury Museum - Decarbonisation Works	0	0	20	20	0		20	20	End of defects period retention payments due

40232	Kidlington Leisure Centre - Decarbonisation Works	0	(9)	4	0	0		-	-	On target
40233	Spiceball Leisure Centre - Decarbonisation Works	0	(19)	0	0	0		-	-	On target
40239	Bicester East Community Centre	1,371	142	60	771	600		-	-	Now on site for a 35 week project. £1.371m of capital funding remains allocated to deliver this bespoke community centre for local residents. Some spend requiring to be reprofiled to 2024/25.
40241	Thorpe Place Roof Works	35	1	0	35	0		-	-	Carrying out drone survey of roof to identify condition ready for scoping and design.
40242	H&S Works to Banbury Shopping Arcade	127	0	15	127	0		-	-	Works currently in design together with review with investigations on potential partial recoverability from tenant service charge.
40246	Banbury Museum Pedestrian Bridge	3	3	0	3	0		-	-	On target
40249	Retained Land	260	18	73	260	0		-	-	Works almost complete pending final report
40252	Expiring Energy Performance Certificates plus Associated works	96	28	0	96	0		-	-	Works instructed and surveys complete, working on the recommendations for any improvement works to maintain a compliant EPC
40253	Energy Performance Certificates Gov't Implementation of target B - Strategic Plan	60	18	0	60	0		-	-	Works instructed and surveys in train, completion by end of Q3/Q4 of the financial year 2023/24
40254	Thorpe Lane Depot - Renewal of Electrical Incoming Main	171	1	0	51	120		-	-	Works are currently designed pending tender of the Electrical supply infrastructure. Works to be coordinated with the District Network Operator to install the new sub station, who are engaged. Waiting for dates from the DNO.
40255	Installation of Photovoltaic at CDC Property	79	0	0	79	0		-	-	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery quarter one of the financial year 2024/25
40263	Kidlington Leisure New Electrical Main	20	0	0	0	20		-	-	Works are currently designed pending tender of the Electrical supply infrastructure. Works to be coordinated with the District Network Operator to install the new sub station, who are engaged. Waiting for dates from the DNO. SP working with legal. Planned delivery expected to be Q2 2024/25
40279	Spiceball Sports Centre - Solar PV Car Ports	180	6	1	20	160		-	-	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery quarter one of the financial year 2024/25
40280	Kidlington Sports Centre - Solar PV Car Ports	137	0	0	20	117		-	-	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Work cannot start until electrical mains installed (dependant on DNO). Planned delivery Q2 2024/25
40281	North Oxfordshire Academy - Solar Panels	18	0	0	0	18		-	-	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery quarter one of 24/25
40282	Community Centre Solar Panels	108	0	0	0	108		-	-	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery Q1 of 24/25

40283	Thorpe Lane - Solar Panels	34	0	0	0	34		-	-	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery Q1 2024/25
40284	Thorpe Lane - Heater Replacement (Gas to Electric)	28	0	0	5	23		-	-	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery quarter 1 of the financial year 2024/25
40015	Car Park Refurbishments	46	0	0	46	0		-	-	Anticipating full spend in 2023/24. This to continue the projects of pay on exit sites across the district and upgrading of pay machines from 3G to 4G.
40026	Off Road Parking	18	0	0	0	0		(18)	(18)	Budget no longer required - saving.
40217	Car Parking Action Plan Delivery	18	0	0	18	0		-	-	Anticipating full spend in 2023/24. Project is part of ongoing review of Car Park Action Plan.
40260	Land for New Bicester Depot	2,989	3,130	0	3,130	0		141	137	Project completed. Purchase of site finalised in quarter 3.
40278	Development of New Land Bicester Depot	2,775	0	0	100	2,675		-	-	Scoping underway. Spend will require re profiling in line with programme, detail to be confirmed as work is undertaken.
Property		12,618	2,774	575	5,800	6,961	0	143	139	
40256	Processing Card Payments & Direct Debits	20	0	0	20	0		-	-	PCI Contract has now been signed and project kick off meeting has been held, design phase will be within the next month October 2023
Finance		20	0	0	20	0	0	0	0	
40237	Council Website & Digital Service	122	13	0	122	0		-	-	Work underway to select a product to form basis of Unified CRM Platform. Platform in place and initial Pilot expected to complete Q4.
40238	IT Shared Services	0	12	(10)	0	0		-	-	
40274	Digital Futures Programme	112	100	6	112	0		-	-	Continuation of Flytipping AI and RPA proof of concepts. Futurework/pilots will fall under Digital Futures Programme.
40285	Digital Strategy	350	87	0	350	0		-	-	Year one of the Digital Future strategy looks to: 1) Implemented a Data Lakehouse platform as a foundation to the Data and Analytics strategy . 2)Improve cyber security by aligning with a standard framework and implementing additional security measures (by end of Dec 2023) 3) Move all online files to sharepoint to reduce hosting costs (by end Oct 2023) 4) Implement new devices to monitor Fly Tipping in two locations.
ICT		584	212	(4)	584	0	0	0	0	
Resources		13,222	2,987	571	6,404	6,961	0	143	20	
40062	East West Railways	137	57	78	137	0		-	-	The capital fund has been set up to enable the Council's costs to be recharged when responding to enquiries and regulatory applications, involving for example environmental and land drainage matters, made in connection with the EWR project. This is in partnership with England's Economic Heartland.
40286	Transforming Market Square Bicester	1,000	0	0	40	960		-	-	"£0.180m approved by Executive (sept23) for design and consultation work in 2023/24 (for final plans for Market Square Public Realm and full business plan). Design Consultants to be procured Feb24 £0.040m to be spent by end of financial year remaining budget to be reprofiled into 2024/25 for continuation of the project."
40124	Spring Gardens	0	(70)	0	0	0		-	-	Capital receipt received from Trowers & Hamlins in respect of 10 Spring Walk. Will be moved to the capital receipts reserves

40287	UK Shared Prosperity Fund (UK SPF) Year Two Investment Plan Programme	82	2	0	82	0		-	-	UKSPF capital grant will be fully spent in 2023/24 on the following £0.030m improvement to town centres & high streets £0.002m Bridge Street Community Garden £0.050m contribution to floodlights at Whitelands Sport ground
40288	UKSPF Rural Fund	167	0	0	167	0		-	-	Investment in capacity building and infrastructure support for local civil society and community groups.A capital grant scheme for infrastructure improvements to village and rural community halls launched in September 2023, with a closing date of 6th November.A second application round will open in early January 2024
Growth & Economy		1,386	(11)	78	426	960	0	0	0	
40028	Vehicle Replacement Programme	1,731	540	82	622	1,109		-	-	Reprofiling of £1.109m in to 2024/25. A review of the programme has been undertaken. Nationally there is delay in vehicle supply and thus delivery
40186	Commercial Waste Containers	25	0	0	25	0		-	-	Anticipating full spend in quarter 4 of 2023/24.
40187	On Street Recycling Bins	18	0	0	18	0		-	-	Anticipating full spend in 2023/24. Sites have been identified for refurbishments.
40188	Thorpe Lane Depot Capacity Enhancement	0	7	0	7	0		7	7	Retention payments paid in 2023/24
40216	Street Scene Furniture and Fencing project	48	12	0	40	8		-	-	£0.040m to be spent in 2023/24 at various play and open spaces. Anticipating reprofiling of £0.08.
40218	Depot Fuel System Renewal	35	0	0	0	35		-	-	Anticipating reprofiling of £0.035m in to 2024/25. This will be reviewed as the new Bicester Depot site progresses.
40222	Burnehyll- Bicester Country Park	159	18	11	95	64		-	-	Anticipating reprofiling of £0.064m into 2024/25. Project delivery programme is under review
40248	Solar Panels at Castle Quay	53	0	0	0	0		(53)	(53)	Delivery and scope of project to be reviewed
40257	Additional Commercial Waste Containers	10	0	0	10	0		-	-	Anticipating full spend in quarter 4 of 2023/24
40258	Kidlington Public Convenience Refurbishment	90	0	0	90	0		-	-	Anticipating full spend in quarter 4 of 2023/24
40259	Market Equipment Replacement	15	0	0	15	0		-	-	Anticipating full spend in quarter 4 of 2023/24
40289	Computer Software Upgrade for Vehicle Management	12	0	0	12	0		-	-	Anticipating full spend in quarter 4 of 2023/24
40291	New Commercial Waste IT System	25	0		25	0		-	-	Anticipating full spend in quarter 4 of 2023/24
Environmental Services		2,221	577	93	959	1,216	0	(46)	(46)	

40245	Enable Agile Working	15	0	0	15	0		0	0	The funding is intended to be used to purchase the technology needed to enable the teams to use our new case management system whilst 'on-site' carrying out inspection work, etc. We have trialed different tablets but have delayed the project since the release of the app that will support mobile working continues to be delayed. The app is now due for release early 2024. The mobile working approach will potentially save approx. £1400 pa through reducing costs (mileage, printing and stationery) as well as making the inspection process more efficient, delivering an improved customer experience and realising a resource saving of 0.2 FTE. The ongoing cost of the app will be approx. £1500 pa.
	Regulatory Services	15	0	0	15	0	0	0	0	
40293	Planning - S106 Projects	160	160	0	160	0		0	0	S106 Funded contribution towards the construction and mechanisation of bridge over Oxford Canal (Canal and River Trust)
	Planning and Development	160	160	0	160	0	0	0	0	
	Communities	3,782	725	171	1,560	2,176	0	(46)	73	
	Capital	27,371	9,378	846	14,932	12,435	0	(4)	130	

CHERWELL TOTAL CAPITAL PROJECT EXPENDITURE

CODE	DESCRIPTION	Total 23/24 Project Budget	Forecast	RE-PROFIED BEYOND 2023/24	23/24 Variance	Future Years Budget	Project Total Budget	Project Total forecast	Project Total Variance	Narrative
40010	North Oxfordshire Academy Astro turf	183	80	103	0	0	183	183	0	Good progress made to date on scale, scope and nature of the project. Close working with the school. Next steps are to apply for pre-application planning advice and complete project costings.
40019	Bicester Leisure Centre Extension	79	0	79	0	0	79	79	0	The project continues to progress as predicted. Outline costings for the project have been received. The next step is to complete a detailed business case prior to planning permission being sought.
40083	Disabled Facilities Grants	1,550	1,550	0	0	4,956	6,506	6,506	0	£108k additional funding from DLUHC was confirmed in September and has been added to the budget. Full spend is still anticipated.
40084	Discretionary Grants Domestic Properties	140	90	0	(50)	600	740	690	(50)	This budget covers small repairs and larger essential repairs to vulnerable households and some grants for landlords. Demand for essential repairs is typically heavily weighted towards the winter months. Private rented sector market forces have led to lower than usual uptake of landlord grants, so an underspend is now expected.
40160	Housing Services - capital	160	0	160	0	0	160	160	0	Developer completions slower at NW Bicester than expected therefore final payment will be made to the developer in 2024/25.
40251	Longford Park Art	45	0	45	0	0	45	45	0	The final delivery of the public art programme is dependent on overall site handover which has been delayed by the developers. The remaining spend on the public art programme has been reprofiled to acknowledge this.
40262	Town Centre House Roof Repair	4,750	4,750	0	0	2,548	7,298	6,548	(750)	Latest estimated spend following the tender process and finalised costs of purchase.
40275	UKSPF - CDC community facilities x 3	30	30	0	0	0	30	30	0	Working in partnership with communities on the scope of works to be procured. Full spend is anticipated.
40131	S106 Capital Costs	15	13	0	(2)	0	15	13	(2)	S106 funding has been identified for projects that have proceeded this year and there will be no overspend at year end
40294	S106 - Ambrosden Community Facility Project	20	0	20	0	0	20	20	0	Parish Council has a variety of projects they are looking to bring forward to increase capacity at the village hall.
40295	S106 - Ambrosden Indoor Sport Project	65	0	65	0	0	65	65	0	Indoor Sport Project involving upgrades to a portacabin building.
40296	S106 - Ambrosden MUGA Project	130	0	130	0	0	130	130	0	Land originally proposed for the MUGA might not be available, currently looking at alternative options. Site to be confirmed before project can move forwards.
40297	S106 - Ardley & Fewcott Play Area Project	15	0	15	0	0	15	15	0	Awaiting direction from the parish council regarding further play area investment.
40298	S106 - Ardley & Fewcott Village Hall Project	9	7	2	0	0	9	9	0	Village Hall project for chairs and tables submitted, S106 spend approved,
40299	S106 - Banbury Indoor Tennis Centre	55	60	0	5	0	55	60	5	Review of overall projected costs currently taking place.
40300	S106 - Bicester Leisure Centre Extension	1,154	0	1,154	0	0	1,154	1,154	0	Initial stages of feasibility have been completed with high level costings received to deliver the project. Further stages required including detailed business case
40301	S106 - Graven Hill Outdoor Sport Project	52	52	0	0	0	52	52	0	Initial discussions around delivery model and engagement with project management consultants to move forward with the project
40302	S106 - Grimsbury Community Centre Projects	20	20	0	0	0	20	20	0	No further projects identified at present.
40303	S106 - Hanwell Fields Community Centre Projects	180	0	180	0	0	180	180	0	No decision at present on capital project to be brought forward.

40304	S106 - Hook Norton Sport And Social Club Project	80	0	80	0	0	80	80	0	The scale and scope of the project is yet to be confirmed.
40305	S106 - Horley Cricket Club Pavilion Project	110	0	110	0	0	110	110	0	Horley Cricket Club in contact with CDC, looking at a staged project due to cost increases for a new build. Actively working with the club to finalise project details.
40306	S106 - Improvements to Bloxham Recreation Ground	35	34	0	(1)	0	35	34	(1)	Project for works to the roof at the changing room pavilion received and S106 spend approved,
40307	S106 - Kidlington & Gosford Leisure Centre	20	0	20	0	0	20	20	0	No detailed projects as yet for this spend.
40308	S106 - Milton Road Community Facility and Sports Pitch Project	479	8	471	0	0	479	479	0	Awaiting Update from Parish Council
40309	S106 - NOA Improvements	700	100	600	0	0	700	700	0	High level costings/detailed plans have now been received for this project, further works required to developing the business cases/other stages of feasibility
40310	S106 - Spiceball Leisure Centre Improvements	14	0	14	0	0	14	14	0	Options are being considered
40311	S106 - The Hill Improvements Project	50	0	50	0	0	50	50	0	Various possible projects are being considered to provide improvements to the external area around The Hill.
40312	S106 - Whitelands Farm Sports Ground (Pedestrian crossing and various works)	60	60	0	0	0	60	60	0	Remedial works to pathways/outdoor gym areas/bank slippage have been completed. Progress continues into the install of the new pedestrian crossing
40313	S106 - Woodgreen Leisure Centre Improvements	47	47	0	0	0	47	47	0	Plans in development stage relating to the modernisation of the changing facilities.
TBC	S106 - Longford Park Sport Pitches	50	50	0	0	0	50	50	0	Forecast to spend by the end of the financial year
TBC	S106 - Deddington Parish Council Projects	40	40	0	0	0	40	40	0	Forecast to spend by the end of the financial year
Wellbeing & Community		10,337	6,991	3,298	(48)	8,104	18,441	17,643	(798)	
40208	HR Payroll System	0	(23)	0	(23)	0	0	(23)	(23)	unmatched accrual balance
40292	iTrent HR System Upgrades	30	0	0	(30)	120	150	120	(30)	We have completed the overall implementation now so no longer have a need for the capital.
HR & OD		30	(23)	0	(53)	120	150	97	(53)	
Chief Executives		10,367	6,968	0	(101)	8,224	18,591	17,740	(851)	
40111	Admiral Holland Redevelopment Project (phase 1b)	61	61	0	0	0	61	61	0	On target
40139	Banbury Health Centre - Refurbishment of Ventilation, Heating & Cooling Systems	104	0	104	0	0	104	104	0	Work is scheduled for delivery in Q1 24/25
40144	Castle Quay	2,985	500	2,485	(0)	0	2,985	2,985	(0)	As part of the Castle Quay Development and the regeneration of Banbury, the Council is working closely and in partnership with a number of public and private organisations to repurpose parts of Castle Quay Shopping Centre to deliver a number of complimentary uses enabling the regeneration of Banbury. Once each element has been contractually agreed, work can commence.
40162	Housing & IT Asset System joint CDC/OCC	26	26	0	0	0	26	26	0	Forecasting on target
40167	Horsefair, Banbury	55	55	0	0	0	55	55	0	The works design is now completed for paving to the footpath on Horsefair. Project to be procured Q3/Q4 of the 2023/24 financial year
40191	Bodicote House Fire Compliance Works	149	0	85	(64)	0	149	85	(64)	Assessment completed, with works being developed and scoped from the assessment
40197	Corporate Asbestos Surveys	50	50	0	0	0	50	50	0	Review to be undertaken as planned in Q3/Q4 of the 2023/24 financial year
40201	Works From Compliance Surveys	99	49	50	0	0	99	99	0	Works will be carried out in phases - current phase planned for quarter three of the 2023/24 financial year. The next phase is planned for the next financial year(2024/25)

40203	CDC Feasibility of utilisation of proper Space	100	164	0	64	0	100	164	64	Works are in progress, will be finalised in Q4
40219	Community Centre - Works	54	54	0	0	0	54	54	0	Banbury Museum atrium stairwell works, currently in design with completion due in Q3/Q4 of the financial year 2023/24
40224	Fairway Flats Refurbishment	362	0	362	0	0	362	362	0	This project is within the asset review which will be completed in Q3/Q4 of the financial year 2023/24. Works to be reprofiled for 2024/25.
40227	Banbury Museum - Decarbonisation Works	0	20	0	20	0	0	20	20	End of defects period retention payments due
40239	Bicester East Community Centre	1,371	771	600	0	0	1,371	1,371	0	Now on site for a 35 week project. £1.371m of capital funding remains allocated to deliver this bespoke community centre for local residents. Some spend requiring to be reprofiled to 2024/25.
40241	Thorpe Place Roof Works	35	35	0	0	0	35	35	0	Carrying out drone survey of roof to identify condition ready for scoping and design.
40242	H&S Works to Banbury Shopping Arcade	127	127	0	0	0	127	127	0	Works currently in design together with review with investigations on potential partial recoverability from tenant service charge.
40246	Banbury Museum Pedestrian Bridge	3	3	0	0	0	3	3	0	On target
40249	Retained Land	260	260	0	0	0	260	260	0	Works almost complete pending final report
40252	Expiring Energy Performance Certificates plus Associated works	96	96	0	0	0	96	96	0	Works instructed and surveys complete, working on the recommendations for any improvement works to maintain a compliant EPC
40253	Energy Performance Certificates Gov't Implementation of target B - Strategic Plan	60	60	0	0	0	60	60	0	Works instructed and surveys in train, completion by end of Q3/Q4 of the financial year 2023/24
40254	Thorpe Lane Depot - Renewal of Electrical Incoming Main	171	51	120	0	0	171	171	0	Works are currently designed pending tender of the Electrical supply infrastructure. Works to be coordinated with the District Network Operator to install the new sub station, who are engaged. Waiting for dates from the DNO.
40255	Installation of Photovoltaic at CDC Property	79	79	0	0	0	79	79	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery quarter one of the financial year 2024/25
40263	Kidlington Leisure New Electrical Main	20	0	20	0	0	20	20	0	Works are currently designed pending tender of the Electrical supply infrastructure. Works to be coordinated with the District Network Operator to install the new sub station, who are engaged. Waiting for dates from the DNO. SP working with legal. Planned delivery expected to be Q2 2024/25
40279	Spiceball Sports Centre - Solar PV Car Ports	180	20	160	0	0	180	180	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery quarter one of the financial year 2024/25
40280	Kidlington Sports Centre - Solar PV Car Ports	137	20	117	0	0	137	137	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Work cannot start until electrical mains installed (dependant on DNO). Planned delivery Q2 2024/25
40281	North Oxfordshire Academy - Solar Panels	18	0	18	0	0	18	18	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery quarter one of 24/25
40282	Community Centre Solar Panels	108	0	108	0	0	108	108	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery Q1 of 24/25
40283	Thorpe Lane - Solar Panels	34	0	34	0	0	34	34	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery Q1 2024/25
40284	Thorpe Lane - Heater Replacement (Gas to Electric)	28	5	23	0	0	28	28	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery quarter 1 of the financial year 2024/25
40015	Car Park Refurbishments	46	46	0	0	0	46	46	0	Full spend anticipated by March 2024
40026	Off Road Parking	18	0	0	(18)	0	18	0	(18)	Budget no longer required
40217	Car Parking Action Plan Delivery	18	18	0	0	0	18	18	0	Full spend anticipated by March 2024
40260	Land for New Bicester Depot	2,989	3,130	0	141	10	2,999	3,140	141	Purchasing of site completed in quarter 3 of 2023-24.
40278	Development of New Land Bicester Depot	2,775	100	2,675	0	1,200	3,975	3,975	0	Full spend anticipated by March 2025 - this will be confirmed as the project progresses.
Property		12,618	5,800	6,961	143	1,210	13,828	13,971	143	
40256	Processing Card Payments & Direct Debits	20	20	0	0	0	20	20	0	PCI Contract has now been signed and project kick off meeting has been held, design phase will be within the next month October 2023
Finance Total		20	20	0	0	0	20	20	0	
40237	Council Website & Digital Service	122	122	0	0	0	122	122	0	Work underway to select a product to form basis of Unified CRM Platform. Platform in place and initial Pilot expected to complete Q4.
40274	Digital Futures Programme	112	112	0	0	0	112	112	0	Works planned for 23/24

40285	Digital Strategy	350	350	0	0	0	350	350	0	Year one of the Digital Future strategy looks to: 1) Implemented a Data Lakehouse platform as a foundation to the Data and Analytics strategy . 2)Improve cyber security by aligning with a standard framework and implementing additional security measures (by end of Dec 2023) 3) Move all online files to sharepoint to reduce hosting costs (by end Oct 2023) 4) Implement new devices to monitor Fly Tipping in two locations.
ICT		584	584	0	0	0	584	584	0	
Resources		13,222	6,404	6,961	143	1,210	14,432	14,575	143	
40062	East West Railways	137	137	0	0	4,189	4,326	4,326	0	The capital fund has been set up to enable the Council's costs to be recharged when responding to enquiries and regulatory applications made in connection with the EWR project.
40286	Transforming Market Square Bicester	1,000	40	960	0	3,250	4,250	4,250	0	*£0.180m approved by Executive (sept23) for design and consultation work in 2023/24 (for final plans for Market Square Public Realm and full business plan). Design Consultants to be procured Feb24 £0.040m to be spent by end of financial year remaining budget to be reprofiled into 2024/25 for continuation of the project.*
40287	UK Shared Prosperity Fund (UK SPF) Year Two Investment Plan Programme	82	82	0	0	162	244	244	0	Improvements to town centres and highstreets and community facilities
40288	UKSPF Rural Fund	167	167	0	0	395	562	562	0	Investment in capacity building and infrastructure support for local civil society and community groups.A capital grant scheme for infrastructure improvements to village and rural community halls launched in September 2023, with a closing date of 6th November.A second application round will open in early January 2024
Growth & Economy		1,386	426	960	-	7,996	9,382	9,382	0	
40028	Vehicle Replacement Programme	1,731	622	1,109	0	5,242	6,973	6,973	0	Full spend anticipated by March 2025
40186	Commercial Waste Containers	25	25	0	0	0	25	25	0	Full spend anticipated in quarter 4 of 2023-24.
40187	On Street Recycling Bins	18	18	0	0	0	18	18	0	Full spend anticipated in quarter 4 of 2023-24.
40188	Thorpe Lane Depot Capacity Enhancement	0	7	0	7	0	0	7	7	Delayed retention payments made.
40216	Street Scene Furniture and Fencing project	48	40	8	0	12	60	60	0	Full spend anticipated by March 2026
40218	Depot Fuel System Renewal	35	0	35	0	24	59	59	0	Full spend anticipated by March 2025
40222	Burnehyll- Bicester Country Park	159	95	64	0	0	159	159	0	Full spend anticipated by March 2025
40248	Solar Panels at Castle Quay	53	0	0	(53)	0	53	0	(53)	Budget no longer required for this financial year. It is believed the bid/project is out of date so a review of the requirements on site is required and a new bid to be submitted when review completed.
40257	Additional Commercial Waste Containers	10	10	0	0	0	10	10	0	Full spend anticipated in quarter 4 of 2023-24.
40258	Kidlington Public Convenience Refurbishment	90	90	0	0	0	90	90	0	Full spend anticipated in quarter 2 of 2023-24.
40259	Market Equipment Replacement	15	15	0	0	0	15	15	0	Full spend anticipated in quarter 4 of 2023-24.
40289	Computer Software Upgrade for Vehicle Management	12	12	0	0	0	12	12	0	Full spend anticipated by March 2024
40291	New Commercial Waste IT System	25	25	0	0	0	25	25	0	Full spend anticipated by March 2024
Environmental		2,221	959	1,216	(46)	5,278	7,499	7,453	(46)	
40245	Enable Agile Working	15	15	0	0	0	15	15	0	The funding is intended to be used to purchase the technology needed to enable the teams to use our new case management system whilst 'on-site' carrying out inspection work, etc. We have trialed different tablets but have delayed the project since the release of the app that will support mobile working continues to be delayed. The app is now due for release early 2024. The mobile working approach will potentially save approx. £1400 pa through reducing costs (mileage, printing and stationery) as well as making the inspection process more efficient, delivering an improved customer experience and realising a resource saving of 0.2 FTE. The ongoing cost of the app will be approx. £1500 pa.
Regulatory Services		15	15	0	0	0	15	15	0	
40293	Planning - S106 Projects	160	160	0	0	0	160	160	0	S106 Funded contribution towards the construction and mechanisation of bridge over Oxford Canal (Canal and River Trust)
Planning and Development Communities		160	160	0	0	0	160	160	0	
Communities		3,782	1,560	2,176	(46)	13,274	17,056	17,010	(46)	
Capital Total		27,371	14,932	12,435	(4)	22,708	50,079	49,325	(754)	

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Appendix 2 - Report Details – Additional Revenue narrative

Chief Executive

Chief Executives are forecasting an underspend of (£0.270m) against a budget of £5.865m (-4.6%). Directorate is working efficiently to deliver high quality services within its budget envelope.

HR & OD

£0.000m Variance HR are forecasting to remain on budget at present.

Variation to October's
Forecast
£0.000m

Wellbeing & Housing

Variation
(£0.200m)
underspend The underspend is due predominantly to increased income from enforcement action taken to improve housing standards and better use of external funding.

Variation to October's
Forecast
£0.032m Additional expenditure has been incurred in essential maintenance in housing stock this month which has reduced the projected underspend.

Customer Focus

Variation
(£0.070m) underspend We are currently predicting an underspend at year end by managing vacancies and operational costs to offset the reduction in land charges income caused by volatile market conditions.

Variation to October's
Forecast
(£0.025m) We have found an additional (£0.025m) of savings from staffing efficiencies to increase our year-end underspend forecast to (£0.070m).

Resources

Resources are forecasting £0.235m overspend against a budget of £4.446m (5.3%).

There are tight managerial controls within the resources directorate that have enabled a forecast overspend. An understanding on the election costs is underway, and the team will work towards mitigating this further. £0.030m of the deterioration is a result of the car park service moving to Property from Environmental Services.

Finance

Variation
(£0.050m)
underspend

Based on the latest information, it is forecasted that bank charges linked to processing payments will be less than budgeted.

Variation to October's
Forecast
(£0.025m)

Legal & Democratic, Elections & Procurement

Variation
£0.240m
Overspend

Overspend is due to:

- 1) higher than anticipated costs of delivering the District Elections.
- 2) an unavoidable reliance on agency staff whilst we continue with recruitment for permanent staff.
- 3) Legal fees and license charges for case management system.
- 4) Under recovery of income due to decrease in s106 fees (because of work being carried out externally)

Variation to October's
Forecast
£0.018m

The overspend from last month is largely driven by increased agency costs.
A permanent recruitment campaign has been implemented.

ICT

Variation
(£0.020m) Underspend

(£0.020m) underspend due to:

- 1) savings we have made from further reductions in redundant and underutilised phone lines and
- 2) a reduction in hardware expenditure as more of our infrastructure is cloud based.

Variation to October's
Forecast
£0.000m

Property

Variation
£0.065m Overspend

The overspend in Property is largely as a result of a dependency on agency staff. Permanent recruitment is ongoing.

Variation to October's
Forecast
£0.029m

There has been an increase in repairs and maintenance costs and forecasted under recovery of car park income of around £0.030m.
The extra staff cost is partly offset by a projected over recovery of commercial rental income and the under recovery of Car Park income is partly offset by a reductions in anticipated management fees.

Communities

Communities are forecasting an overspend of £0.342m against a budget of £9.811m, (3.5%).

The directorate has looked carefully across all the service budget areas to identify savings to support the external cost pressure arising from changing gate fees for recycled materials.

Planning &
Development

Variation
£0.349m Overspend

Planning and Development presently has a forecasted overspend of £0.350m for the end of the financial year due to overall income receipts and projections being lower than expected and agency costs exceeding the cost of unfilled established posts. The department continues to feel the effect of national construction industry conditions and the reduced availability of planning and building control officers. An increase in planning appeals which necessitates legal and consultant representation is also creating budgetary pressure.

Variation to October's
Forecast
(£0.049m)

The expected outturn is (£0.048m) better than last month helped by the national increase in planning fees and the receipt of planning monitoring fees which are helping to offset additional costs. This has reduced the expected Development Management overspend by (£0.075m) (a fall from £0.413m to £0.338m)
The overspend for Building Control has also fallen, by (£0.013m), and assisted by lower staffing costs to year end.

The expected outturn has fallen from an overspend of £0.063 to £0.050m.
Due to staff vacancies, Planning Policy, Conservation & Design is now expected to be under budget by (£0.015m).
A coordinated recruitment campaign is being pursued to fill posts and costs are continuing to be managed closely.

Growth & Economy

Variation
(£0.090m)
Underspend

The UK Shared Prosperity grant received for 2023/24 has been utilised to support the services in delivering the Councils priorities allowing for Council resource to be diverted to support other services within the Communities directorate.

Variation to October's
Forecast
£0.000m

Environmental

Variation
£0.083m
Overspend

The forecasted pressure of £0.083m within Environmental Services is primarily due to changes in the global market for recycled materials falling as recycling processing costs have increased.
Commodity prices are currently very volatile and this could change again during the fourth quarter.

Variation to October's
Forecast
£0.059m

The movement of £0.059m is a result of an increase in gate fees being higher than anticipated for the third quarter. This was identified after the previous months reporting.

Monthly meetings with our recycling reprocessor and monitoring of the individual commodity prices allows to estimate gate fees in advance of the quarterly price agreement.

Cost savings identified for 2024/25 for direct delivery of food waste have been commenced early.

The service is continually reviewing it's spend in less critical, front line services.

Regulatory

Variation
£0.000m

Regulatory Services and Community Safety are forecasting a balanced outturn.

Variation to October's
Forecast
£0.000m

Executive Matters

Executive Matters is forecasting an underspend of (£0.048m) against the budget of £3.695m (-1.3%).

Interest

Variation
(£0.048m) underspend

Executive Matters are forecasting an over recovery of net interest, the windfall surplus is offset by movements of (£0.130m) to the Commercial Risk Reserve as part of Appendix 5.

Variation to October's
Forecast
(£0.000m)

Policy Contingency

Policy Contingency is forecasting on target against a budget of £4.357m, (0.00%)

Policy Contingency

Variation
£0.000m

Policy Contingency is forecasting to remain on budget at present. We will review Policy Contingency to identify any available budget to mitigate against any future overspends.

Variation to October's
Forecast
£0.000m

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APPENDIX 3- Virement Summary

Virement Movement

This table shows the movement in Net Budget from October to November 2023.

Virements - Movement in Net Budget	£m
Directorate Net Budget - October 2023	19.770
Directorate Net Budget - November 2023	20.122
Movement	0.352

Breakdown of Movements	£m
Other Use of Policy Contingency to cover overspend on Gate Fees	0.352
Total	0.352

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Appendix 4 - Funding for 2023/24

Specific Funding received since budget was set

Dept.	Grant Name	Funding
		£
DLUHC	Elections New Burdens	71,283
DLUHC	Homelessness Prevention Grant	761,091
DLUHC	Local Council Tax Support Scheme Grant	177,020
DLUHC	Domestic Abuse Grant	36,284
DLUHC	Tenant satisfaction measures new burdens	5,172
DLUHC	Rough Sleepers Initiative	58,820
DLUHC	Pavement Licensing New Burdens	1,000
Home Office	Syrian Resettlement scheme	53,996
Home Office	Asylum seeker dispersal grant	280,750
Home Office	Afghan relocations and assistance policy	260,920
BEIS	Energy Bills Support Scheme New Burdens	22,220
		1,728,556

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APPENDIX 5 - Reserves and Grant Funding

Uses of/ (Contributions to) Reserves

Specific requests

Directorate	Type	Description	Reason	Amount £m
Resources	Earmarked	Market Risk Reserve	Over-recovery of Treasury Income	(0.130)
Total Earmarked Reserves				(0.130)

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Agenda Item 9

Budget Planning Committee	
Work Programme 2023/2024	
Date	Agenda Items
5 March 2024	Finance Monitoring Report - Q3 - December 2023
	Work Programme Update

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