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Committee:	**Budget Planning Committee**
Date:	**Tuesday 21 January 2025**
Time:	**6.30 pm**
Venue:	**Bodicote House, Bodicote, Banbury, Oxon OX15 4AA**

Membership

Councillor Edward Fraser Reeves (Chairman)
Councillor Tom Beckett
Councillor Andrew Crichton
Councillor Rob Parkinson
Councillor David Rogers
Councillor Dom Vaitkus

Councillor Matt Hodgson (Vice-Chairman)
Councillor Gordon Blakeway
Councillor Frank Ideh
Councillor Rob Pattenden
Councillor Les Sibley
Councillor Barry Wood

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 10 December 2024.

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. **Monthly Performance Report** (Pages 11 - 46)

Report of Assistant Director of Finance

Purpose of report

To report to the committee the council's financial positions at the end of the financial year 2024-2025.

Recommendations

The Budget Planning Committee resolves:

1.1 To note the contents of the report.

7. **Capital and Investment Strategy 2025-26** (Pages 47 - 82)

Report of Assistant Director of Finance (Section 151 Officer)

Purpose of report

To submit the draft Capital and Investment Strategy for 2025-26 for recommendation by the committee to the Executive.

Recommendation

The Budget Planning Committee resolves:

1.1 To recommend the draft Capital and Investment Strategy for 2025-26 (Appendix 1) to Executive.

8. **Review of Reserves** (Pages 83 - 100)

Report of the Assistant Director of Finance

Purpose of report

To update Budget Planning Committee (BPC) on the Review of Reserves that has taken place in preparation of the budget for 2025/26 and the Medium-Term Financial Strategy (MTFS) 2025/26 – 2029/30.

Recommendations

The Budget Planning Committee resolves:

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.

9. **Review of Committee Work Plan** (Pages 101 - 102)

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 221534

Shiraz Sheikh
Monitoring Officer

Published on Monday 13 January 2025

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 10 December 2024 at 6.30 pm

Present:

Councillor Edward Fraser Reeves (Chairman)
Councillor Matt Hodgson (Vice-Chairman)
Councillor Tom Beckett (also, Portfolio Holder for Greener Communities)
Councillor Andrew Crichton
Councillor Frank Ideh
Councillor Rob Pattenden (also, Portfolio Holder for Healthy Communities)
Councillor David Rogers
Councillor Les Sibley
Councillor Dom Vaitkus
Councillor Barry Wood

Apologies for absence:

Councillor Gordon Blakeway
Councillor Rob Parkinson also, Portfolio Holder for Safer Communities)

Also Present:

Councillor Lesley McLean, Deputy Leader and Portfolio Holder for Finance, Regeneration and Property
Councillor Chris Brant, Portfolio Holder for Corporate Services

Also Present Virtually:

Councillor John Broad
Councillor Kieron Mallon
Councillor Dr Chukwudi Okeke
Councillor Amanda Watkins

Officers:

Michael Furness, Assistant Director Finance & S151 Officer
Shiraz Sheikh, Assistant Director Law & Governance and Monitoring Officer
Nicola Riley, Assistant Director Housing and Wellbeing
Leanne Lock, Strategic Business Partner - Business Partnering & Controls
Matt Swinford, Democratic and Elections Officer

Officers Attending Virtually:

Joanne Kaye, Head of Finance and Deputy Section 151 Officer
Gordon Stewart, Chief Executive
Ian Boll, Corporate Director Communities
Stephen Hinds, Corporate Director Resources and Transformation
Claire Cox, Assistant Director Human Resources
David Spilsbury, Head of Digital and Innovation
Mona Walsh, Assistant Director - Property
Shona Ware, Assistant Director Customer Focus
Paul Seckington, Head of Development Management

24 **Declarations of Interest**

There were no declarations of interest.

25 **Minutes**

The minutes of the meeting held on 29 October 2024 were agreed as a correct record and signed by the Chairman.

26 **Chairman's Announcements**

There were no Chairman’s announcements.

27 **Urgent Business**

There were no items of urgent business.

28 **Monthly Performance Report**

The Assistant Director of Finance (Section 151 Officer) submitted a report to report to the Committee the council’s financial positions at the end of the financial year 2024-2025.

In introducing the report, the Portfolio Holder for Finance, Property and Regeneration advised the Committee that the Council’s outturn position for 2024/25 was currently an overspend of £0.248m. The forecasted overspend was due to variations across Legal, Democratic and Elections and Procurement, Planning and Development, Property and Environmental. The Portfolio Holder for Finance, Property and Regeneration advised that the Corporate Leadership Team had agreed that a budget oversight group would meet with service managers each month to agree in year mitigation plans and further strengthen budget management and forecasting.

In response to a question from the Committee regarding the costs of planning appeals that the Council may incur as a result of losing a planning appeal and occurring costs from the appellant, the Portfolio Holder for Finance, Property and Regeneration advised that the Planning Committee made decisions on applications within it’s terms of reference at committee meetings, however officers would work with Planning Committee members and give training so decisions made at Planning Committee were less likely to incur costs at appeals.

Resolved

(1) That the report be noted.

29 **Budget Proposals 2025/26 - 2029/30**

The Assistant Director of Finance (S151 Officer) submitted a report that set out the capital bid, investments, efficiencies and income changes for Cherwell District Council for the period 2025/26 to 2029/30 and proposed Fees & Charges schedule for 2025/26.

The Portfolio Holder for Finance, Property & Regeneration introduced the report and advised that the Council had identified that there was a budget gap in future years and recognised that funding would be significantly reduced. This was primarily due to the anticipated business rates reset, changes to new homes bonus grant and the fall out of one-off funding that had been provided in recent years. The Council was anticipating that the business rates reset and fall of funding will not take place until at least 2026/27.

The Portfolio Holder for Finance, Property & Regeneration advised that the Council had identified where investment was required across council services to meet external challenges like the impact of the cost-of-living crisis on homelessness and temporary accommodation.

The Assistant Director of Finance presented an update on the council’s Medium Term Financial Strategy (MTFS). The Committee was advised that the main change to the MTFS that was set in February 2024 was a change to the Business Rates reset from Government which was not expected to take place in 2026/27 and would be phased in over a 3 year period. It had been assumed in February 2024 that the reset would take place in 2025/26.

The Assistant Director of Finance advised the Committee of the draft budget proposal risks and highlighted that it was expected that core funding would be allocated as it was in 2024/25 so the major grants would be distributed on the same basis. However, the Government’s Finance Policy Statement advised that there would be a minimum increase of 0% for any local authority as part of their core spending power of which was a tweak made after the Council’s Budget consultation was launched. It was expected more details would be issued with the draft local government finance statement, expected to be published on 19 December 2024.

In response to a question from the Committee in relation to the assumption of inflation being at 2%, the Assistant Director of Finance advised that it was a forecast however inflation has come down to around 2% and this was the Government's long-term target for inflation.

In response to Members' questions regarding the drop in the Council's spending budget shown in the latest position in the MTFS from £28.111mil in 2025/26 to £16.650mil in 2029/30, the Portfolio Holder for Finance, Property & Regeneration advised that the Council was currently undertaking a transformation programme and other projects with officers to ensure that the Council could meet the budget for that year. The Portfolio Holder for Finance, Property & Regeneration also advised that the Council was waiting for definite figures from Government and dates for changes, for example the business rates reset which may have an effect on the budget at a different time than currently expected.

Following a question from the Committee regarding the changes to National Insurance, the Assistant Director of Finance advised the £650k figure set out related to CDC staff costs.

Following a question from the Committee regarding a proposed 5% increase from Government in core funding for rural areas, the Assistant Director of Finance advised that the Government policy statement that mentioned the proposed increase was published after the Council's draft budget had been published. The Council was waiting for the draft local government finance statement that was expected to be published on 19 December 2024.

In response to a question as to why no revenue was projected from long term empty properties and second homes council tax, the Assistant Director of Finance advised that the proposal for the long term empty property premium would be introduced in April 2025. The additional income would be ongoing there would be no further income in future years. In relation to the second homes premium, legislation stated that the policy could not be implemented immediately. Consultation on the proposal was underway so the premium could be implemented a year later, in April 2026.

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

In response to a question from the Committee regarding the investment request from Housing for a £250k fund for temporary accommodation due to the rise in demand for temporary accommodation, the Assistant Director for Wellbeing and Housing confirmed that it was considered the amount should be sufficient.

Following a question on the increase in the subscription for the collection of garden waste, the Portfolio Holder for Finance, Property & Regeneration advised the Committee that this was a non-statutory function that the Council carried out and that other factors had been considered when putting forward the increase. The Corporate Director of Communities added that

Environmental Services were reporting a circa £200k overspend due to pressures in staffing budgets and recycling gate fees.

In response to a question from the Committee regarding the 20% increase in planning fees, the Head of Development Management advised that whilst the department had already been receiving the increased planning fees, the amount received had been below what had been expected. Whilst large applications were to be expected before the end of the financial year, the Head of Development Management confirmed that the increase in fees did not cover the full cost of the planning department.

Following a question from the Committee regarding the proposed reduction in weekday overtime rates from time and a half to standard pay and the possible consequences that may have on staff, the Assistant Director of Human Resources advised that departments with staff working high levels of overtime during the week were seeking more efficient ways to work.

Resolved

(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, investments, efficiencies and income changes and fees and charges for inclusion as part of the 2025/26 budget proposal.

(2) That the Budget Proposals 2025/2026 - 2029/30 report be noted.

30 **Review of Committee Work Plan**

The Committee considered it’s work plan and had no queries or additional items for the Committee Work Plan.

Resolved

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

The meeting ended at 8.09 pm

Chairman:

Date:

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This report is public	
Monthly Performance Report	
Committee	Budget Planning Committee
Date of Committee	21 January 2025
Portfolio Holder presenting the report	Councillor Lesley McLean, Portfolio Holder for Finance and Resources & Transformation
Date Portfolio Holder agreed report	02 January 2025
Report of	Assistant Director of Finance, Michael Furness

Purpose of report

To report to the committee the council's financial position at the end of the financial year 2024-2025.

1. Recommendations

The Budget Planning Committee resolves:

1.1 To note the contents of this report.

2. Executive Summary

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 2024.

Implications & Impact Assessments

Implications	Commentary
Finance	Financial and Resource implications are detailed within sections 4.1 and 4.2 of this report. The reserves policy requires Executive to agree transfers to and from earmarked reserves and general balances during the financial year. Joanne Kaye, Head of Finance, 18 December 2024
Legal	There are no legal implications arising at this stage. The Council has a fiduciary duty to council taxpayers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers. The Council has a statutory obligation to maintain a balanced budget and the monitoring process enables Executive to remain aware of issues and understand the actions being taken to maintain a balanced budget. The report sets out as at November 2024 finance position for the Council as part of its fiduciary duty to implement budgetary controls and monitoring.

	Denzil Turbervill, Head of Legal, 2 January 2025			
Risk Management	There are no risk implications arising directly from this report. Financial resilience risk is managed, and reported quarterly, through the Leadership Risk register. Celia Prado-Teeling, Performance & Insight Team Leader, 18 December 2024.			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		X		There are no equalities implications arising directly from this report. Celia Prado-Teeling, Performance & Insight Team Leader, 18 December 2024
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Climate & Environmental Impact		X		N/A
ICT & Digital Impact		X		N/A
Data Impact		X		N/A
Procurement & subsidy		X		N/A
Council Priorities	N/A			
Human Resources	N/A			
Property	N/A			
Consultation & Engagement	This report sets out the financial forecast for the financial year ended 31 March 2025, therefore no formal consultation or engagement is required.			

Supporting Information

3. Background

3.1 The council actively and regularly monitors its financial position to ensure it can deliver its corporate priorities and respond effectively to emerging issues.

3.2 This monitoring takes place at least monthly for the finance element and quarterly for performance and risk, so the council can identify potential issues at the earliest opportunity and put measures in place to mitigate them.

4. Details

4.1.1 The council's overall forecast outturn position for 2024/25 is an overspend of £0.098m. The forecast overspend is due to pressures totalling £0.408m within service budgets which are being offset by an underspend of £0.310m across Executive Matters and Policy Contingency.

There is an overspend within Environmental Services relating to gate fees of £0.200m that is currently being reviewed and we will consider what level of market risk policy contingency is available to help mitigate this.

The Corporate Leadership Team (CLT) has agreed that a Budget Oversight Group will meet with service managers each month where overspends are identified to agree in-year mitigation plans and to further strengthen budget management and forecasting.

The projected outturn for the services is summarised below in Table 1 and further details providing explanations for variances can be found in Appendix 2.

Table 1: Year End Position

Service	Current Budget £m	November Forecast Outturn £m	November Variance (Under) / Over £m	% Variance to current budget %	October Variance (Under) / Over £m	Change since Previous (better) / worse £m
Finance	3.051	3.051	0.000	0.0%	0.000	0.000
Legal, Democratic, Elections & Procurement	2.307	2.439	0.132	5.7%	0.119	0.013
ICT	1.510	1.510	0.000	0.0%	0.000	0.000
Property	(2.432)	(2.296)	0.136	-5.6%	0.084	0.052
HR & OD	0.789	0.819	0.030	3.8%	0.030	0.000
Customer Focus	2.457	2.367	(0.090)	-3.7%	(0.090)	0.000
Resources & Transformation	**7.682**	**7.890**	**0.208**	**2.7%**	**0.143**	**0.065**
Planning & Development	1.738	1.795	0.057	3.3%	0.114	(0.057)

Growth & Economy	0.458	0.472	0.014	3.1%	0.013	0.001	
Environmental	5.741	5.986	0.245	4.3%	0.209	0.036	
Regulatory	1.116	1.100	(0.016)	-1.4%	(0.016)	0.000	
Wellbeing & Housing	2.156	2.056	(0.100)	-4.6%	(0.100)	0.000	
Communities	**11.209**	**11.409**	**0.200**	**1.8%**	**0.220**	**(0.020)**	
Subtotal for Directorates	**18.891**	**19.299**	**0.408**	**2.2%**	**0.363**	**0.045**	
Executive Matters	4.293	4.178	(0.115)	-2.7%	(0.115)	0.000	
Policy Contingency	3.803	3.608	(0.195)	-5.1%	0.000	(0.195)	
Total	**26.987**	**27.085**	**0.098**	**0.4%**	**0.248**	**(0.150)**	
FUNDING	**(26.987)**	**(26.987)**	**0.000**	**0.0%**	**0.000**	**0.000**	
(Surplus)/Deficit	**0.000**	**0.098**	**0.098**		**0.248**	**(0.150)**	

Note: A positive variance is an overspend or a reduction in forecast 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.

4.1.2 Table 2 below analyses the variances to distinguish between base budget variances and variances resulting from the non-delivery of previously approved savings. The non-delivery of savings has a knock-on impact on the Medium-Term Financial Strategy as failure to deliver on an ongoing basis adds to future pressures.

Table 2: Analysis of Forecast Variance – November 2024

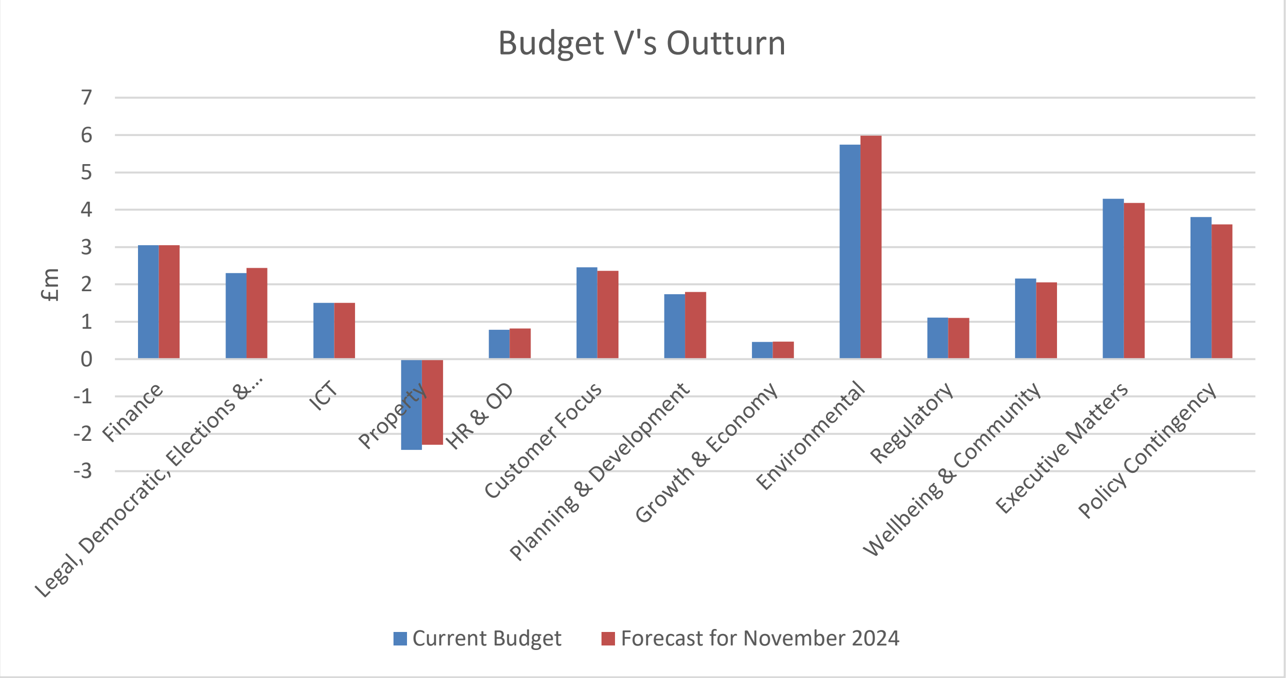
Breakdown of current month forecast	November 2024 Forecast £m	Base Budget Over/ (Under) £m	Savings Non-Delivery £m
Resources	0.208	0.158	0.050
Communities	0.200	(0.229)	0.429
Subtotal Directorates	**0.408**	**(0.071)**	**0.479**
Executive Matters	(0.115)	(0.115)	0.000
Policy Contingency	(0.195)	(0.195)	0.000
Total	**0.098**	**(0.381)**	**0.479**
FUNDING	**0.000**	**0.000**	**0.000**

(Surplus)/Deficit	0.098	(0.381)	0.479

4.1.3 The graph below shows the Budget compared with the forecast to the end of the financial year.

Graph 1: Budget compared with Forecast

The graph below shows the Budget compared with the forecast to the end of the financial year.



4.1.4 Table 3 below summarises the major forecast variances for the reporting period. Further details can be found in Appendix 2.

Table 4: Top Major Variances:

Service	Current Budget	Variance	% Variance
Environmental	5.741	0.245	4.3%
Property	(2.432)	0.136	5.6%
Legal, Democratic, Elections & Procurement	2.307	0.132	5.7%
Policy Contingency	3.803	(0.195)	-5.1%
Total	**5.616**	**0.513**	

Reserves

4.1.7 Allocations to and from reserves are made according to the Reserves Policy. Table 5 below summarises the movements which have been requested as at 30 November 2024, there are no reserve requests for this month.

Table 5: Earmarked Reserves:

Reserves	Balance 1 April 2024 £m	Original Budgeted use/ (contribution) £m	Changes agreed since budget setting £m	Changes proposed November 2024 £m	Balance 31 March 2025 £m
General Balance	(6.153)	0.000	0.000	0.000	(6.153)
Earmarked	(28.325)	(0.776)	(0.046)	0.000	(29.147)
Ringfenced Grant	(2.552)	0.898	0.502	0.000	(1.152)
Subtotal Revenue	**(37.030)**	**0.122**	**0.456**	**0.000**	**(36.452)**
Capital	(6.293)	3.250	0.000	0.000	(3.043)
Total	**(43.323)**	**3.372**	**0.456**	**0.000**	**(39.495)**

*According to the Reserves Policy Executive are only required to approve uses of Capital Reserves, not contributions.

Please see appendix 5 for reserve requests.

4.2 Capital

4.2.1 Table 6 below summarises the projected year end forecast for profiled spend in 2024/25 and Table 7 summarises the financing. There is a projected in-year underspend of (£0.411m), with £0.466m that is recommended to be reprofiled into future years. The current month variance is due to underspends on the following projects Town Centre House Purchase & Repair (£0.356m), Castle Quay (£0.233m) and overspend on the following, Bicester East Community Centre £0.062m, Sunshine Centre £0.075m and Development of New Land Bicester Depot £0.036m. Further detail can be found in appendix 1.

Projects that are recommended to have budget reprofiled from 2024/25 are detailed in Table 9.

Table 6: Capital Projection

Directorate	Revised Budget £m	Forecast Spend 24/25 £m	Re-profiled beyond 2024/25 £m	Variance to Budget £m	Prior Month Variance to Budget £m
Resources & Transformation	8.574	8.331	(0.187)	(0.056)	(0.088)
Communities	8.886	8.255	(0.279)	(0.352)	(0.794)
Total	**17.460**	**16.586**	**(0.466)**	**(0.407)**	**(0.881)**

For further detail on individual schemes please see Appendix 1.

Note: A positive variance is an overspend or a reduction in forecast income and a (negative) is an underspend or extra income received.
Green represents an underspend and red represents a overspend for the outturn position.

Table 7: How the Capital Programme is financed

Financing	24/25 Budget £m	Future Years £m	Total
Borrowing	13.016	11.234	25.731
Capital Grants	2.146	9.010	11.156
Capital Receipts	0.425	5.896	6.321
S106 Receipts	1.872	3.563	5.435
	17.459	**29.703**	**48.643**

4.2.2 Table 8 below summarises the projected spend against the full capital programme (i.e. forecast spend across all years of the capital programme). Since October's report there has been a reduction in forecast underspend in the programme of (£0.474m) predominantly due to the reduction in budget relating to the Development of Activity in Play Zones being reduced by Executive at its November meeting.

Table 8: Total Capital Project Outturn

Directorate	Budget £m	Total Forecast 2024/25 £m	Variance to Budget £m	Prior Month Variance to Budget £m
Resources & Transformation	14.754	14.698	(0.056)	(0.088)
Communities	32.409	32.057	(0.352)	(0.794)
Total	**47.163**	**46.755**	**(0.407)**	**(0.881)**

4.2.3 Table 9 below details the capital schemes which it is recommended budgets are reprofiled from 2024/25 to 2025/26 or beyond. The reprofiling of capital budgets can be for several reasons and is common on multi-year projects. The reasons for the recommendations are summarised in section 4.2.4.

Table 9: Requested capital budget reprofiling

Code	Top In-Year Variances	Budget Total £'000	Reprofile to 24/25 £'000	% of in year Budget Variance
40224	Fairway Flats Refurbishment	0.200	0.187	93.50%
40083	Disabled Facilities Grants	1.384	0.184	13.29%
40222	Burnehyll- Bicester Country Park	0.060	0.050	83.33%
40251	Longford Park Art	0.045	0.045	100.00%
		1.689	**0.466**	

4.2.4 Capital schemes recommended to be reprofiled:

- Fairway Flats Refurbishment (40224)
  Planning approval has been achieved. Designers are completing the detail design and specification for the solar panels and roof works. We will then need to tender these works as they are over £0.100m. We therefore anticipate works commencing in the new year and the works to continue through to the new financial year, partly due to the need to avoid the worst of the winter / spring weather, whilst carrying out works on a residential building roof space. We have adjusted the spend profile for these works.

- Disabled Facilities Grants (40083)
  £0.184m underspend now anticipated in 2024/25, due to delays with delivery of several larger adaptations projects previously forecast for completion before year end.

- Burnehyll- Bicester Country Park (40222)
  Reprofiling of £0.050m required into 2025/26. Grants and S106 contributions have resulted in a reduction in capital spend required in 2024/25.

- Longford Park Art (40251)
  Artist will complete their commissions once the parkland has been handed over. This is dependent on the development reaching the required standard.

5. Alternative Options and Reasons for Rejection

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

Option 1: This report summarises the council's forecast financial position up to the end of March 2025, therefore there are no alternative options to consider.

6 Conclusion and Reasons for Recommendations

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

Decision Information

Key Decision	No
Subject to Call in	Yes
If not, why not subject to call in	
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Capital November 2024
Appendix 2	Detailed Revenue Narrative on Forecast November 2024
Appendix 3	Virements November 2024
Appendix 4	Funding November 2024
Background Papers	N/A
Reference Papers	N/A
Report Author	Leanne Lock
Report Author contact details	Leanne.lock@cherwell-dc.gov.uk 01295 227098

APPENDIX 1- CHERWELL CAPITAL EXPENDITURE

Cost Centre	DESCRIPTION	BUDGET 2024/25	YTD ACTUAL	PO COMMITMENTS	Forecast	RE-PROFILED BEYOND 2024/25	RE-PROFILED BEYOND 2025/26	Current month Variances £000	Prior month Variances £000	Forecast Narrative (Public)
40139	Banbury Health Centre - Refurbishment of roof covering and removal of redunant ventilation plant from roof	84	0	80	84			0	0	Works complete
40141	Castle Quay Waterfront	0	(616)	0	0			0	0	Retention payment to be paid
40144	Castle Quay	940	351	257	707			(233)	(233)	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. The underspend results from a cash flow and technical accounting adjustment per the requirements of the CIPFA code on Local Authority Accounting. These costs will instead be recognised as Revenue costs, spread over the life of the project
40167	Horsefair, Banbury	20	2	0	20			0	0	Works complete
40219	Community Centre - Works	94	72	1	94			0	0	Design works complete and contractor appointed. Condition report on Museum to be considered and funding sought to recify a number of elements.
40224	Fairway Flats Refurbishment	200	3	10	13	187		0	0	Planning approval has been achieved. Designers are completing the detail design and specification for the solar panels and roof works. We will then need to tender these works as they are over £0.100m. We therefore anticipate works commencing in the new year and the works to continue through to the new financial year, partly due to the need to avoid the worst of the winter / spring weather, whilst carrying out works on a residential building roof space. We have adjusted the spend profile for these works.
40227	Banbury Museum - Decarbonisation Works	0	(20)	0	0			0	0	Retention payment to be paid
40232	Kidlington Leisure Centre - Decarbonisation Works	0	0	4	4			4	4	Small overspend for retention payment (offset elsewhere)
40239	Bicester East Community Centre	685	715	31	747			62	62	Overspend due to additional works on resolving public sewers diversion requirement of Thames Water and inaccurate information provided by them in the design stages. These works delayed works on site thus incurring further costs from the main contract works.
40241	Thorpe Place Roof Works	29	1	6	29			0	0	Carrying out drone survey of roof to identify condition ready for scoping and design.
40242	H&S Works to Banbury Shopping Arcade	122	14	3	122			0	0	Works currently in design
40254	Thorpe Lane Depot - Renewal of Electrical Incoming Main	169	0	0	169			0	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 District Network Operator.

40255	Installation of Photovoltaic at CDC Property	79	7	0	79			0	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery Q4 the financial year 2024/25.
40263	Kidlington Leisure New Electrical Main	20	0	0	20			0	0	Works are currently designed pending tender of the Electrical supply infrastructure. Works to be coordinated with the District Network Operator (DNO) to install the new sub station, who are engaged. Waiting for dates from the DNO. Planned delivery expected to be Q4 2024/25. There are 3 leases and sub leases to be amended before this can proceed.
40264	Sunshine Centre	182	226	32	257			75	75	Pressure occurred as result of previously unknown but essential works identified during the course of the works.
40279	Spiceball Sports Centre - Solar PV Car Ports	173	0	0	173			0	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery Q3/Q4 of the financial year 2024/25
40280	Kidlington Sports Centre - Solar PV Car Ports	137	0	0	137			0	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 Q4 2024/25
40281	North Oxfordshire Academy - Solar Panels	18	0	0	18			0	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site.
40282	Community Centre Solar Panels	108	0	0	108			0	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery in Q3/Q4 of 24/25. Part of EPC work, community centres will need to agree.
40283	Thorpe Lane - Solar Panels	34	0	0	34			0	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site.
40284	Thorpe Lane - Heater Replacement (Gas to Electric)	24	0	0	24			0	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery is Q4 2024/25.
40278	Development of New Land Bicester Depot	85	89	302	121			36	4	The designers are appointed and Consultation on proposed layouts for the new depot are taking place with user groups. A Planning application is being prepared, however an ecological survey and protected species survey will be required to be submitted with this application and we have been unable to obtain these services, due to high demand for Ecologists, until October. This has resulted in a delay of 4 months to our original programme and consequent re-profiling of the capital budget as the anticipated completion is impacted by the delay to Planning approval.
40317	Cope Road, Banbury	29	1	31	29			0	0	Design work completed pending tendering. Contractor now appointed and starts in 4 weeks on site.
40316	CDC Office Relocation to Castle Quay	5,146	134	86	5,146			0	0	On target to be delivered in 24/25
40327	Thorpe Place Roofing Works	80	0	0	80			0	0	Carrying out drone survey of roof to identify condition ready for scoping and design.
Property		**8,458**	**980**	**842**	**8,215**	**187**	**0**	**(56)**	**(88)**	
40256	Processing Card Payments & Direct Debits	20	0	0	20			0	0	This Project will not be completed this year
Finance	**Finance**	**20**	**0**	**0**	**20**	**0**	**0**	**0**	**0**	
40334	Robotic Process Automation Pilot	96	0	0	96			0	0	On target to be delivered in 24/25
ICT		**96**	**0**	**0**	**96**	**0**	**0**	**0**	**0**	
Resources & Transformation		**8,574**	**980**	**842**	**8,331**	**187**	**0**	**(56)**	**(88)**	

40062	East West Railways	30	0	30	30			0	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 East West Railways project. This is in partnership with England's Economic Heartland. The Digital Enhancement Project is a small element of CDC's commitment, involving the transfer of funds in four stages to reflect Network Rail's delivery of the digital infrastructure. Final invoice expected to be received by the end of Q3 once work is completed
40286	Transforming Market Square Bicester	180	(3)	0	180			0	0	Market Square study to be completed in 2024/25, An engagement event for the business sector was held in July and prompted clarification of the project's objectives. Further engagement events to gather input from both the business sector and local community groups are scheduled for November. Final drawings will be available by February 2025 for approval. Procurement of contractor and works to begin in 25/26, works aim to be completed 26/27.
40287	UK Shared Prosperity Fund (UK SPF) Year Three Investment Plan Programme	162	17	0	162			0	0	UKSPF capital grant will be fully spent in 2024/25 on the following; £90k Improvements to town centres & high streets £70k Community & neighbourhood infrastructure £2K improvements to local green spaces £50K contribution to floodlights at Whitelands Sport ground which is shown in cost centre Whiteland Farm Sports ground.
40288	UKSPF Rural Fund	408	305	65	408			(0)	(0)	UKSPF Rural Fund (REPF capital grant) will be fully spent in 2024/25: £20k - creation and improvements to local rural green spaces £67k – active travel enhancements to the local rural area £321k – capital grants for micro and small enterprises in rural areas.
	Growth & Economy	**780**	**319**	**96**	**780**	**0**	**0**	**0**	**0**	
40028	Vehicle Replacement Programme	1,073	671	400	1,073			0	0	Anticipating full spend in 2024/25.
40187	On Street Recycling Bins	18	0	0	18			0	0	Anticipating full spend in 2024/25.
40216	Street Scene Furniture and Fencing project	15	0	0	15			0	0	Anticipating full spend in 2024/25.
40222	Burnehyll- Bicester Country Park	60	10	16	10	50		0	0	Reprofiling of £0.050m required in to 2025/26. Grants and S106 contributions have resulted in a reduction in capital spend required in 2024/25.
40257	Additional Commercial Waste Containers	0	0	0	0			0	0	Budget to be moved to CC 40331
40258	Kidlington Public Convenience Refurbishment	0	0	0	0			0	0	Budget reprofiled in to 2025/26.
40259	Market Equipment Replacement	15	5	0	15			0	0	Anticipating full spend in quarter 2 of 2024/25.
40291	New Commercial Waste IT System	25	18	0	25			0	0	Anticipating full spend in 2024/25.
40331	Additional Commercial Waste Containers	29	0	0	33			4	0	Anticipating full spend in 2024/25.
	Environmental Services	**1,235**	**703**	**416**	**1,189**	**50**	**0**	**4**	**0**	
40083	Disabled Facilities Grants	1,384	713	28	1,200	184		0	0	£0.184m underspend now anticipated in 2024/25, due to delays with delivery of several larger adaptations projects previously forecast for completion before year end.
40084	Discretionary Grants Domestic Properties	150	72	0	150			0	0	Full spend anticipated
40160	Housing Services - capital	168	8	0	168			0	0	Forecasting in line with budget

40251	Longford Park Art	45	0	0	0	45		0	0	Artist will complete their commissions once the parkland has been handed over. This is dependent on the development reaching the required standard.
40262	Town Centre House Purchase and Repair	2,880	1,751	41	2,524			(356)	(356)	Some delays resulting in later completion but still due to complete in 2024/25
40294	S106 - Ambrosden Community Facility Project	20	0	0	20			0	0	Parish Council has a variety of projects they are looking to increase capacity at the village hall.
40295	S106 - Ambrosden Indoor Sport Project	65	0	0	65	0		0	0	Awaiting new project details.
40297	S106 - Ardley & Fewcott Play Area Project	15	0	0	15			0	0	Bench and play tunnel project approved, all paperwork completed and signed off, project delivery underway.
40298	S106 - Ardley & Fewcott Village Hall Project	3	0	0	3			0	0	Project details for replacement windows received. S106 spend approved.
40301	S106 - Graven Hill Outdoor Sport Project	52	0	0	52			0	0	Expected to commence works on the Graven Hill Project during 2024/25. Intention to secure services of project consultants to support on initial phases of the programme through to delivery. Project Consultants now procured, with initial scoping discussions to take place
40303	S106 - Hanwell Fields Community Centre Projects	180	0	14	180			0	0	S106 funding is allocated to Hanwell Fields Community Centre to enhance the existing facility with the intention of increasing opportunities for residents to take part in activities. This project is centred around the options for putting in a mezzanine floor in the current main hall area to give a split level facility. Currently working with Property Team around whether this is feasible and affordable with some cost estimates. Inital design proposals provided (to be discussed as part of design team meetings) Outline costs provided, however review and update of designs will result in amended costs. Preferred option being explored
40305	S106 - Horley Cricket Club Pavilion Project	0	0	0	0			0	0	The project is for improvements and enhancements to the Horley Cricket Club Pavilion. There have been contractors on site to price up the works, however nothing will happen until post September because of cricket season.
40308	S106 - Milton Road Community Facility and Sports Pitch Project	100	0	0	100			0	0	CDC hold the £471k of s106 for the Parish Council who are seeking additional grant funding from other sources to increase what they are aiming to deliver on
40310	S106 - Spiceball Leisure Centre Improvements	14	0	0	14			0	0	Options are being considered
40312	S106 - Whitelands Farm Sports Ground (Pedestrian crossing and various works)	132	98	0	132			0	0	Awaiting confirmation of how the pedestrian crossing is to be delivered. Project to be delivered upon in 2024/25
40313	S106 - Woodgreen Leisure Centre Improvements	47	8	8	47			0	0	Improvements planned to the Swimming Pool Changing Rooms. Expected to complete on works during February/March 2025. Quotations exepcted by 11th December
40314	S106 - Deddington Parish Council Projects	8	0	0	8			0	0	To be spent on the Windmill Community Centre car park lighting project - project spend approved and delivery underway.
40315	S106 - Longford Park Sport Pitches	10	0	0	10			0	0	Maintenance cost for the pitches and pavilion
40318	S106 - Steeple Aston Parish Council Village Hall Sports and Recreation Centre	0	(1)	0	0			0	0	Parish Council led projects towards improvements at the village hall, sports & recreation centre and playing fields.

40319	Local Authority Housing Fund R2	335	179	0	335			0	0	Grant agreements have been concluded with two registered providers of social housing, Sanctuary Housing and South Oxfordshire Housing Association (SOHA) to bring homes forward for clients within resettlement scheme. Second and final payment of £100k to Sanctuary Housing due in the next week. £56k remaining for floor coverings which Sanctuary will also deliver, some funds may remain at then of the project.
40324	Development of Activity Play Zones	162	0	0	162			0	(438)	Application process for Football Foundation Funding has been completed and working with Football Foundation and Town Council on project delivery. Grant application has been accepted by the Football Foundation. Subject to Planning Permission works likely to commence early to mid 2025. Projects identified in Princess Diana Park and Chandos Close
40325	Graven Hill Community and Infrastructure Projects	80	0	0	80			0	0	Expected to commence works on the Graven Hill Project during 2024/25. Intention to secure services of project consultants to support on initial phases of the programme through to delivery. Project Consultants now procured, with initial scoping discussions
40328	S106 – Windmill Community and Sports Centre Tennis Courts	51	0	42	51			0	0	Mini tennis court project underway and full spend anticipated in 2024/25
40329	Spiceball Leisure Centre Structural Beams	100	0	0	100			0	0	Options to be considered for moving proposed works to April 2025 to coincide with planned leisure operator works or delay to December 2025
40330	Replacement of the Sports Hall Roof at Bicester Leisure Centre	45	0	20	45			0	0	After receiving the condition survey report into the roof that gave options to extend the lifespan by 5 to 10 years it was agreed to take this option which fell within the budget allocation, rather than a new complete roof which would require a request for additional funding. Tender returns required for 30th October. Works now anticipated November/December 2024. Contract awarded for the works - completion expected Jan 25
40332	S106 - grant funded Affordable Accommodation	560	0	0	560			0	0	To provide grant funding to South Oxfordshire Housing Association (SOHA) (a registered provider of social housing), providing 40% contribution towards the cost of securing 4 homes in the Cherwell District to be converted to social housing. Initially, these homes will provide temporary accommodation for homeless households in Cherwell to whom CDC have a legal duty to temporarily accommodate. Longer term they will revert to affordable rented housing let through CDC's housing register should they no longer be required to be used as temporary accommodation. The size/type of the homes agreed in principle for SOHA to purchase are 3 x 2-bedroom houses and 1 x 3-bedroom house. Grant agreement to be put in place with SOHA Autumn 2024. Payment of grant to be made to SOHA Winter/Spring 2024/25
	Wellbeing & Housing	**6,606**	**2,828**	**153**	**6,021**	**229**	**0**	**(356)**	**(794)**	
40245	Enable Agile Working	15	0	0	15			0	0	This funding is still intended to be used to purchase the IT hardware required to enable the teams in Regulatory Services to use the case management system whilst 'on-site' carrying out inspection work, etc. The release of the app that will support mobile working continues to be delayed but is progressing. we expect the app to be released before the end of 2024.
40333	CCTV Thames Valley Project	250	0	0	250			0	0	Upgrade the public open space CCTV network and cameras to meet the necessary threshold to be included in the OPCC Thames Valley CCTV project
	Regulatory Services	**265**	**0**	**0**	**265**	**0**	**0**	**0**	**0**	
Communities		**8,886**	**3,850**	**666**	**8,255**	**279**	**0**	**(352)**	**(794)**	

Capital	**17,460**	**4,831**	**1,508**	**16,586**	**466**	**0**	**(407)**	**(881)**	

CHERWELL TOTAL CAPITAL PROJECT EXPENDITURE

CODE	DESCRIPTION	Total 24/25 Project Budget	Forecast	RE-PROFILED BEYOND 2024/25	24/25 Variance	Future Years Budget	Project Total Budget	Project Total forecast	Project Total Variance	Narrative
40139	Banbury Health Centre - Refurbishment of Ventilation, Heating & Cooling Systems	84	84	0	0	0	84	84	0	Works complete
40144	Castle Quay	940	707	0	(233)	1,793	2,733	2,500	(233)	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. The underspend results from a cash flow and technical accounting adjustment per the requirements of the CIPFA code on Local Authority Accounting. These costs will instead be recognised as Revenue costs, spread over the life of the project
40167	Horsefair, Banbury	20	20	0	0	0	20	20	0	Works complete
40219	Community Centre - Works	94	94	0	0	0	94	94	0	Design works complete and contractor appointed. Condition report on Museum to be considered and funding sought to recify a number of elements.
40224	Fairway Flats Refurbishment	200	13	187	0	138	338	338	0	Planning approval has been achieved. Designers are completing the detail design and specification for the solar panels and roof works. We will then need to tender these works as they are over £0.100m. We therefore anticipate works commencing in the new year and the works to continue through to the new financial year, partly due to the need to avoid the worst of the winter / spring weather, whilst carrying out works on a residential building roof space. We have adjusted the spend profile for these works.
40227	Banbury Museum - Decarbonisation Works	0	0	0	0	0	0	0	0	Retention payment to be paid
40232	Kidlington Leisure Centre - Decarbonisation Works	0	4	0	4	0	0	4	4	Small overspend for retention payment (offset elsewhere)
40239	Bicester East Community Centre	685	747	0	62	0	685	747	62	Overspend due to additional works on resolving public sewers diversion requirement of Thames Water and inaccurate information provided by them in the design stages. These works delayed works on site thus incurring further costs from the main contract works.
40241	Thorpe Place Roof Works	29	29	0	0	0	29	29	0	Carrying out drone survey of roof to identify condition ready for scoping and design.
40242	H&S Works to Banbury Shopping Arcade	122	122	0	0	0	122	122	0	Works currently in design
40254	Thorpe Lane Depot - Renewal of Electrical Incoming Main	169	169	0	0	0	169	169	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 District Network Operator.
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 Q4 the financial year 2024/25.
40263	Kidlington Leisure New Electrical Main	20	20	0	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 (DNO) to install the new sub station, who are engaged. Waiting for dates from the DNO. Planned delivery expected to be Q4 2024/25. There are 3 leases and sub leases to be amended before this can proceed.
40264	Sunshine Centre	182	257	0	75	0	182	257	75	Pressure occurred as result of previously unknown but essential works identified during the course of the works.
40279	Spiceball Sports Centre - Solar PV Car Ports	173	173	0	0	0	173	173	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery Q3/Q4 of the financial year 2024/25

40280	Kidlington Sports Centre - Solar PV Car Ports	137	137	0	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 Q4 2024/25
40281	North Oxfordshire Academy - Solar Panels	18	18	0	0	0	18	18	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site.
40282	Community Centre Solar Panels	108	108	0	0	0	108	108	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery in Q3/Q4 of 24/25. Part of EPC work, community centres will need to agree.
40283	Thorpe Lane - Solar Panels	34	34	0	0	0	34	34	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site.
40284	Thorpe Lane - Heater Replacement (Gas to Electric)	24	24	0	0	0	24	24	0	Preparing scope so that feasibilities can be carried out to maximise potential PV to the site. Planned delivery is Q4 2024/25.
40278	Development of New Land Bicester Depot	85	121	0	36	3,874	3,959	3,995	36	The designers are appointed and Consultation on proposed layouts for the new depot are taking place with user groups. A Planning application is being prepared, however an ecological survey and protected species survey will be required to be submitted with this application and we have been unable to obtain these services, due to high demand for Ecologists, until October. This has resulted in a delay of 4 months to our original programme and consequent re-profiling of the capital budget as the anticipated completion is impacted by the delay to Planning approval.
40316	CDC Office Relocation to Castle Quay	5,146	5,146	0	0	0	5,146	5,146	0	On target to be delivered in 24/25
40317	Cope Road, Banbury	29	29	0	0	0	29	29	0	Design work completed pending tendering. Contractor now appointed and starts in 4 weeks on site.
40327	Thorpe Place Roofing Works	80	80	0	0	0	80	80	0	Carrying out drone survey of roof to identify condition ready for scoping and design.
Property		**8,458**	**8,215**	**187**	**(56)**	**5,805**	**14,263**	**14,207**	**(56)**	
40256	Processing Card Payments & Direct Debits	20	20	0	0	0	20	20	0	This Project will not be completed this year
Finance Total		**20**	**20**	**0**	**0**	**0**	**20**	**20**	**0**	
40237	Council Website & Digital Service	0	0	0	0	122	122	122	0	Work underway to select a product to form basis of Unified CRM Platform.
40334	Robotic Process Automation Pilot	96	96	0	0	36	132	132	0	
40326	Digital Futures Programme (Business Cases Required)	0	0	0	0	217	217	217	0	New digital futures budget
ICT		**96**	**96**	**0**	**0**	**375**	**471**	**471**	**0**	
Resources & Transformation		**8,574**	**8,331**	**187**	**(56)**	**6,180**	**14,754**	**14,698**	**(56)**	
40062	East West Railways	30	30	0	0	4,248	4,278	4,278	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 East West Railways project. This is in partnership with England's Economic Heartland. The Digital Enhancement Project is a small element of CDC's commitment, involving the transfer of funds in four stages to reflect Network Rail's delivery of the digital infrastructure. Final invoice expected to be received by the end of Q3 once work is completed
40286	Transforming Market Square Bicester	180	180	0	0	4,055	4,235	4,235	0	Market Square study to be completed in 2024/25, An engagement event for the business sector was held in July and prompted clarification of the project's objectives. Further engagement events to gather input from both the business sector and local community groups are scheduled for November. Final drawings will be available by February 2025 for approval. Procurement of contractor and works to begin in 25/26, works aim to be completed 26/27.
40287	UK Shared Prosperity Fund (UK SPF) Year Two Investment Plan Programme	162	162	0	0	0	162	162	0	UKSPF capital grant will be fully spent in 2024/25 on the following; £90k Improvements to town centres & high streets £70k Community & neighbourhood infrastructure £2K improvements to local green spaces £50K contribution to floodlights at Whitelands Sport ground which is shown in cost centre Whiteland Farm Sports ground.
40288	UKSPF Rural Fund	408	408	0	(0)	0	408	408	(0)	UKSPF Rural Fund (REPF capital grant) will be fully spent in 2024/25: £20k - creation and improvements to local rural green spaces £67k – active travel enhancements to the local rural area £321k – capital grants for micro and small enterprises in rural areas.

Growth & Economy		**780**	**780**	**0**	**0**	**8,303**	**9,083**	**9,083**	**0**	
40028	Vehicle Replacement Programme	1,073	1,073	0	0	5,331	6,404	6,404	0	Anticipating full spend in 2024/25.
40187	On Street Recycling Bins	18	18	0	0	0	18	18	0	Anticipating full spend in 2024/25.
40216	Street Scene Furniture and Fencing project	15	15	0	0	0	15	15	0	Anticipating full spend in 2024/25.
40218	Depot Fuel System Renewal	0	0	0	0	35	35	35	0	Budget reprofiled in to 2025/26.
40222	Burnehyll- Bicester Country Park	60	10	50	0	64	124	124	0	Reprofiling of £0.050m required in to 2025/26. Grants and S106 contributions have resulted in a reduction in capital spend required in 2024/25.
40258	Kidlington Public Convenience Refurbishment	0	0	0	0	90	90	90	0	Budget reprofiled in to 2025/26.
40259	Market Equipment Replacement	15	15	0	0	0	15	15	0	Anticipating full spend in quarter 2 of 2024/25.
40291	New Commercial Waste IT System	25	25	0	0	0	25	25	0	Anticipating full spend in 2024/25.
40320	Net Zero	0	0	0	0	625	625	625	0	
40321	Landscape Software Upgrade	0	0	0	0	25	25	25	0	Anticipating full spend in 2024/25.
40322	Street Cleansing IT System	0	0	0	0	25	25	25	0	Anticipating full spend in 2024/25.
40331	Additional Commercial Waste Containers	29	33	0	4	25	54	58	4	Anticipating full spend in 2024/25.
Environmental		**1,235**	**1,189**	**50**	**4**	**6,220**	**7,455**	**7,459**	**4**	
40019	Bicester Leisure Centre Extension	0	0	0	0	79	79	79	0	The current budget is for preparatory works to identify the business case for operation ahead of S106 monies coming in from developments. Budget requires reprofiling as scheme is outlined for build in 2027-28
40083	Disabled Facilities Grants	1,384	1,200	184	0	4,956	6,340	6,340	0	£0.184m underspend now anticipated in 2024/25, due to delays with delivery of several larger adaptations projects previously forecast for completion before year end.
40084	Discretionary Grants Domestic Properties	150	150	0	0	450	600	600	0	Full spend anticipated
40160	Housing Services - capital	168	168	0	0	0	168	168	0	Forecasting in line with budget
40251	Longford Park Art	45	0	45	0	0	45	45	0	Artist will complete their commissions once the parkland has been handed over. This is dependent on the development reaching the required standard.
40262	Town Centre House Purchase and Repair	2,880	2,524	0	(356)	0	2,880	2,524	(356)	Some delays resulting in later completion but still due to complete in 2024/25
40294	S106 - Ambrosden Community Facility Project	20	20	0	0	0	20	20	0	Parish Council has a variety of projects they are looking to increase capacity at the village hall.
40295	S106 - Ambrosden Indoor Sport Project	65	65	0	0	0	65	65	0	Awaiting new project details.
40296	S106 - Ambrosden Outdoor Sports	0	0	0	0	130	130	130	0	Site to be confirmed before project can move forward therefore reprofiled beyond 2024/25
40297	S106 - Ardley & Fewcott Play Area Project	15	15	0	0	0	15	15	0	Bench and play tunnel project approved, all paperwork completed and signed off, project delivery underway.
40298	S106 - Ardley & Fewcott Village Hall Project	3	3	0	0	0	3	3	0	Project details for replacement windows received. S106 spend approved.
40300	S106 - Bicester Leisure Centre Extension	0	0	0	0	1,154	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. Re-profiled beyond 2024-25 to when S106 funding is received and fully available.
40301	S106 - Graven Hill Outdoor Sport Project	52	52	0	0	0	52	52	0	Expected to commence works on the Graven Hill Project during 2024/25. Intention to secure services of project consultants to support on initial phases of the programme through to delivery. Project Consultants now procured, with initial scoping discussions to take place
40302	S106 - Grimsbury Community Centre Projects	0	0	0	0	0	0	0	0	This S106 forms part of the Playzone Projects
40303	S106 - Hanwell Fields Community Centre Projects	180	180	0	0	0	180	180	0	S106 funding is allocated to Hanwell Fields Community Centre to enhance the existing facility with the intention of increasing opportunities for residents to take part in activities. This project is centred around the options for putting in a mezzanine floor in the current main hall area to give a split level facility. Currently working with Property Team around whether this is feasible and affordable with some cost estimates. Inital design proposals provided (to be discussed as part of design team meetings) Outline costs provided, however review and update of designs will result in amended costs. Preferred option being explored
40304	S106 - Hook Norton Sport And Social Club Project	0	0	0	0	80	80	80	0	The scale and scope of the project is yet to be confirmed and therefore reprofiled to 2025/26

40305	S106 - Horley Cricket Club Pavilion Project	0	0	0	0	110	110	110	0	The project is for improvements and enhancements to the Horley Cricket Club Pavilion. There have been contractors on site to price up the works, however nothing will happen until post September because of cricket season.
40307	S106 - Kidlington & Gosford Leisure Centre	0	0	0	0	20	20	20	0	No detailed projects as yet therefore S106 funding to be reprofiled beyond 2024-25
40308	S106 - Milton Road Community Facility and Sports Pitch Project	100	100	0	0	371	471	471	0	CDC hold the £471k of s106 for the Parish Council who are seeking additional grant funding from other sources to increase what they are aiming to deliver on
40310	S106 - Spiceball Leisure Centre Improvements	14	14	0	0	0	14	14	0	Options are being considered
40311	S106 - The Hill Improvements Project	0	0	0	0	50	50	50	0	Awaiting details of projects funded by S106 funding already received, therefore budget request to reprofile beyond 2024-25
40312	S106 - Whitelands Farm Sports Ground (Pedestrian crossing and various works)	132	132	0	0	0	132	132	0	Awaiting confirmation of how the pedestrian crossing is to be delivered. Project to be delivered upon in 2024/25
40313	S106 - Woodgreen Leisure Centre Improvements	47	47	0	0	0	47	47	0	Improvements planned to the Swimming Pool Changing Rooms. Expected to complete on works during February/March 2025. Quotations exepcted by 11th December
40314	S106 - Deddington Parish Council Projects	8	8	0	0	0	8	8	0	To be spent on the Windmill Community Centre car park lighting project - project spend approved and delivery underway.
40315	S106 - Longford Park Sport Pitches	10	10	0	0	0	10	10	0	Maintenance cost for the pitches and pavilion
40319	Local Authority Housing Fund R2	335	335	0	0	0	335	335	0	Grant agreements have been concluded with two registered providers of social housing, Sanctuary Housing and South Oxfordshire Housing Association (SOHA) to bring homes forward for clients within resettlement scheme. Second and final payment of £100k to Sanctuary Housing due in the next week. £56k remaining for floor coverings which Sanctuary will also deliver, some funds may remain at then of the project.
40323	NOA 3G Pitch Development	0	0	0	0	1,600	1,600	1,600	0	Due to proposed alternative location of 3G Pitch, the progression to delivery will be dependent on a number of factors. Whilst unlikely there will be any spend in 2024/25 there may be some set up costs should delivery stage be achieved before year end
40324	Development of Activity Play Zones	162	162	0	0	0	162	162	0	Application process for Football Foundation Funding has been completed and working with Football Foundation and Town Council on project delivery. Grant application has been accepted by the Football Foundation. Subject to Planning Permission works likely to commence early to mid 2025. Projects identified in Princess Diana Park and Chandos Close
40325	Graven Hill Community and Infrastructure Projects	80	80	0	0	0	80	80	0	Expected to commence works on the Graven Hill Project during 2024/25. Intention to secure services of project consultants to support on initial phases of the programme through to delivery. Project Consultants now procured, with initial scoping discussions
40328	S106 – Windmill Community and Sports Centre Tennis Courts	51	51	0	0	0	51	51	0	Mini tennis court project underway and full spend anticipated in 2024/25
40329	Spiceball Leisure Centre Structural Beams	100	100	0	0	0	100	100	0	Options to be considered for moving proposed works to April 2025 to coincide with planned leisure operator works or delay to December 2025
40330	Replacement of the Sports Hall Roof at Bicester Leisure Centre	45	45	0	0	0	45	45	0	After receiving the condition survey report into the roof that gave options to extend the lifespan by 5 to 10 years it was agreed to take this option which fell within the budget allocation, rather than a new complete roof which would require a request for additional funding. Tender returns required for 30th October. Works now anticipated November/December 2024. Contract awarded for the works - completion expected Jan 25
40332	S106 - grant funded Affordable Accommodation	560	560	0	0	0	560	560	0	To provide grant funding to South Oxfordshire Housing Association (SOHA) (a registered provider of social housing), providing 40% contribution towards the cost of securing 4 homes in the Cherwell District to be converted to social housing. Initially, these homes will provide temporary accommodation for homeless households in Cherwell to whom CDC have a legal duty to temporarily accommodate. Longer term they will revert to affordable rented housing let through CDC's housing register should they no longer be required to be used as temporary accommodation. The size/type of the homes agreed in principle for SOHA to purchase are 3 x 2-bedroom houses and 1 x 3-bedroom house. Grant agreement to be put in place with SOHA Autumn 2024. Payment of grant to be made to SOHA Winter/Spring 2024/25
Wellbeing & Housing		**6,606**	**6,021**	**229**	**(356)**	**9,000**	**15,606**	**15,250**	**(356)**	
40245	Enable Agile Working	15	15	0	0	0	15	15	0	This funding is still intended to be used to purchase the IT hardware required to enable the teams in Regulatory Services to use the case management system whilst ‘on-site’ carrying out inspection work, etc. The release of the app that will support mobile working continues to be delayed but is progressing. we expect the app to be released before the end of 2024.

40333	CCTV Thames Valley Project	250	250	0	0	0	250	250	0	Upgrade the public open space CCTV network and cameras to meet the necessary threshold to be included in the OPCC Thames Valley CCTV project
Regulatory Services		**265**	**265**	**0**	**0**	**0**	**265**	**265**	**0**	
Communities		**8,886**	**8,255**	**279**	**(352)**	**23,523**	**32,409**	**32,057**	**(352)**	

Capital Total	**17,460**	**16,586**	**466**	**(407)**	**29,703**	**47,163**	**46,755**	**(407)**	

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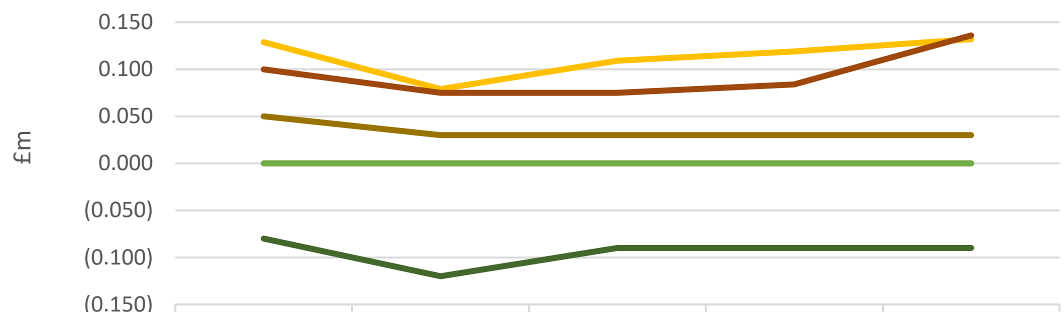
Appendix 2 - Report Details – Additional Revenue narrative

Resources & Transformation

Revenue:

Resources are forecasting £0.208m overspend against a budget of £7.682m (2.7%).
The service is keeping spend tightly under control, with constant action being taken to mitigate against increased costs. It should be noted that the increase in variance is due to repairs that were required at Banbury Museum.

Forecast - Resources & Transformation



	Variance June 2024 - £m	Variance August 2024 - £m	Variance September 2024	Variance October 2024	Variance November 2024
Finance	0.000	0.000	0.000	0.000	0.000
Legal, Democratic, Elections & Procurement	0.129	0.079	0.109	0.119	0.132
ICT	0.000	0.000	0.000	0.000	0.000
Property	0.100	0.075	0.075	0.084	0.136
HR & OD	0.050	0.030	0.030	0.030	0.030
Customer Focus	(0.080)	(0.120)	(0.090)	(0.090)	(0.090)

Finance	
Variation £0.000m	Finance is forecasting in line with budget.
Variation to October's Forecast £0.000m	

Legal, Democratic, Elections & Procurement	
Variation £0.132m Overspend	There is a continued need to provide legal advice to officers and members in relation to litigation, information governance, planning and general case load. Most of the work in these areas is funded through engaging locum lawyers and other professional staff. The service is also covering maternity leave and case load accumulated due to key staff being on leave. The Monitoring Officer is responsible for securing appropriate staff and suitable legal advice, investigating and reporting on anything the Council does that has the potential to be an illegal action or investigating and reporting on any action that might count as maladministration.
Variation to October's Forecast £0.013m	The service is undertaking recruitment to permanent positions as well as training new member of staff as swiftly as possible. We fully recognise the needs to operate within budget however, a point of note in regard to the legal budget is that there is a high element of unpredictability to costs which arise in dealing with legal instructions in regard to unforeseen matters arising, for which no 'ongoing' forecast and provision can be made. Whilst our risk management can seek to reduce this, it is unrealistic to assume this unplanned element can be completely eliminated.
ICT	
Variation £0.000m overspend	IT are forecasting to be within budget with small overspends in supplies and services being offset by an underspend in salaries to be adjusted now that budgets are realigned for Digital and Innovation.
Variation to October's Forecast	

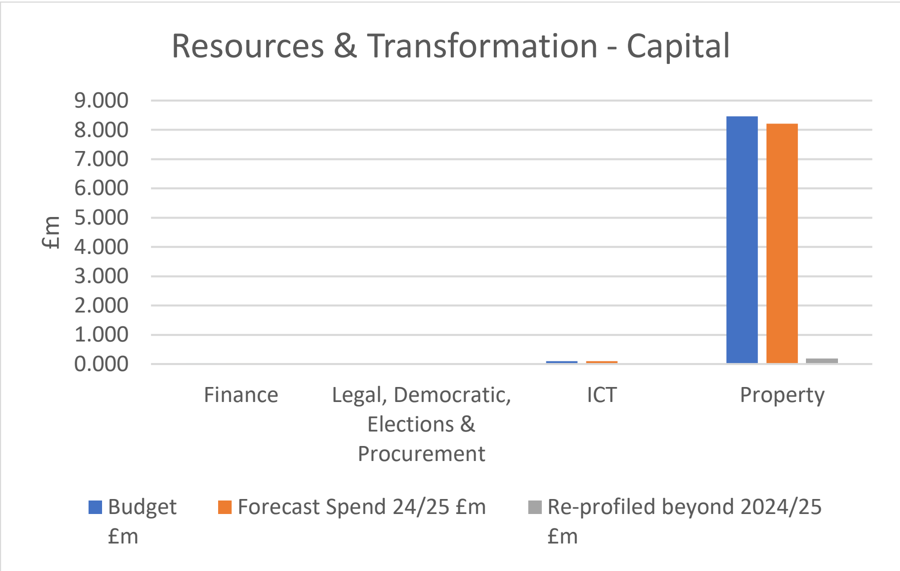
£0.000m	

Property	
Variation £0.136m	The £0.136m overspend is due to the following: - £0.100m overspend at CQ remains unchanged and is due to void costs of holding vacant units and unscheduled necessary expenditure for car park lighting and other maintenance costs. Work to review contracts and market void units is continuing with the impact of reducing the overspend as the year progresses. There have been some positive movements achieved through the reduction of utility expenditure forecasts. (£0.008m) underspend in Property because of an underspend due to vacancies that were not filled until October, admin charges generating an income, improved income from rent reviews and lease renewals and reduced repair and maintenance costs. This underspend has been largely offset by an overspend in repair and maintenance across the service £0.044m overspend in car parks (due to various small overspends across the service, including electricity and insurance expenses)
Variation to October's Forecast £0.052m	£0.005m reduction in overspend within Car Park forecast and around £0.057m increase in repair and maintenance costs, particularly within Banbury Museum.
Customer Focus	
Variation (£0.090m) underspend	Customer Focus is forecasting an underspend of (£0.090m) at year end. The bulk of this underspend is from holding on to vacancies.
Variation to October's Forecast (£0.000m)	

HR & OD	

Variations £0.030m Overspend	Implementation of the managed payroll system has proven more economical and offered more resilience than the in-house service, however there is an anticipated overspend of £0.050m as a result of the implementation which the service is looking to mitigate with efficiencies within the HR budget. The current forecast is £0.030m overspend.
Variation to October's Forecast (£0.000m)	

Capital:



Service	Budget £m	Forecast Spend 24/25 £m	Re-profiled beyond 2024/25 £m	Variance to Budget £m	Prior Month Variance to Budget £m
Finance	0.020	0.020	0.000	0.000	0.000
Legal, Democratic, Elections & Procurement	0.000	0.000	0.000	0.000	0.000
ICT	0.096	0.096	0.000	0.000	0.000
Property	8.458	8.215	0.187	(0.056)	(0.088)
Total	**8.574**	**8.331**	**0.187**	**(0.056)**	**(0.088)**

For detailed explanation and variances please see appendix 1.

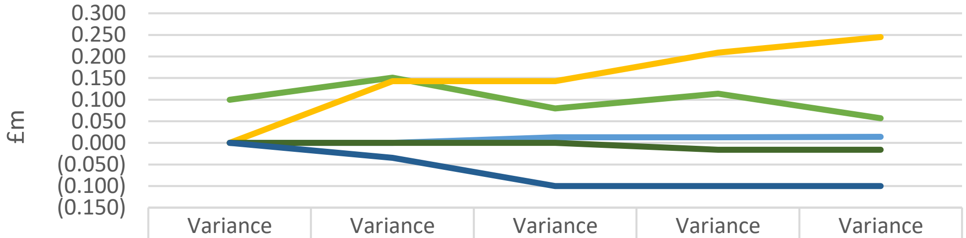
Communities

Revenue:

Communities are forecasting a £0.200m overspend against a budget of £11.209m, (1.8%).

With a number of pressures emerging in the forecast to year end, the directorate leadership team has carried out a review of pressures and mitigations to contain across the Communities directorate in so far as possible. This has substantially reduced the forecast pressures to year end and will be closely monitored month by month to track progress and for any further changes.

Variance - Communities



	Variance June 2024 - £m	Variance August 2024 - £m	Variance September 2024	Variance October 2024	Variance November 2024
Planning & Development	0.100	0.151	0.080	0.114	0.057
Growth & Economy	0.000	0.000	0.013	0.013	0.014
Environmental	0.000	0.143	0.143	0.209	0.245
Regulatory	0.000	0.000	0.000	-0.016	(0.016)
Wellbeing & Community	0.000	(0.035)	(0.100)	-0.100	(0.100)

Planning & Development

Variation £0.057m overspend

Planning and Development is forecasting an overspend of £0.057m.

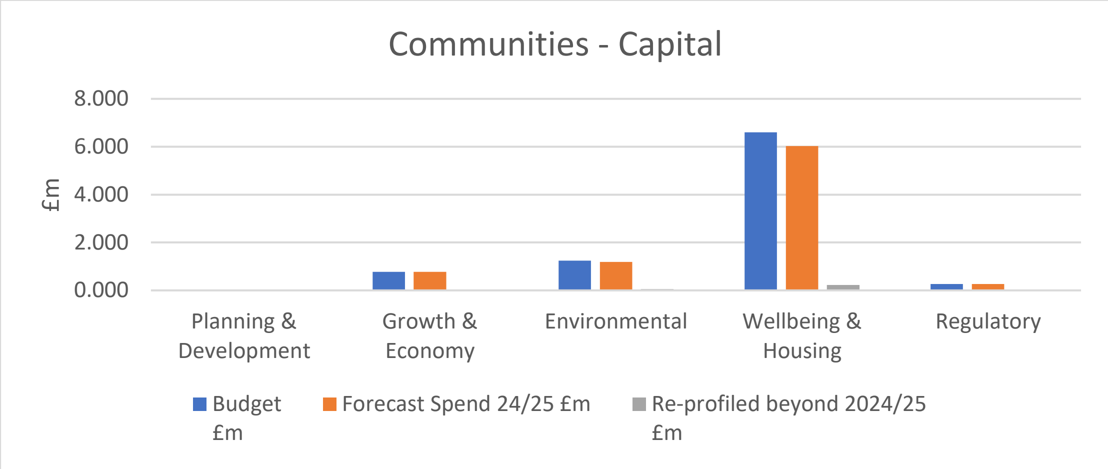
Development management has a forecast variance from budget of £0.034m. This includes a lower forecast for planning application fees for the year but higher expected income from Planning Performance Agreements (PPAs)

Planning Policy, Conservation & Design is now forecasting an underspend of (£0.026m) as expected external costs have fallen.

	Building Control is forecasting an overspend of £0.046m due mainly to lower income expectations and necessary agency costs.
Variation to October's Forecast (£0.057m)	The main changes since last month are the reduction in external costs for Planning Policy, a further drop in income expectations for Building Control, some additional appeal costs and additional Development Management agency costs. However, the forecast for PPA income has risen. Overall, the change is (£0.057m). There is active monitoring of costs relative to income to continue to put downward pressure on the forecast overspend.
Growth & Economy	
Variation £0.014m	Growth and Economy are predicting a £0.014m overspend. Delivery continues in relation to the Shared Prosperity Funding commitments, alongside the Bicester Garden Town programme and work in Banbury. Additional temporary resource has been secured for the development of a programme for Kidlington and to interim provide project management capacity.
Variation to October's Forecast £0.001m	
Environmental	
Variation £0.245m overspend	The forecasted pressure of £0.245m within Environmental Services is primarily due to staffing pressures and agency costs within Waste and Recycling, this is being closely monitored and managed. This pressure also now captures the request to call upon a transfer from the market risk reserve to cover the Gate Fees overspend of £0.200m and the requirement to use the £0.085m fuel reserve from policy contingency. The service is looking at all options to mitigate the overspend
Variation to October's Forecast £0.036m	The on-month movement of £0.036m from October's reporting is primarily due to an increase in anticipated garden waste income and a reduction in Arboriculture work predicted to take place before March 2025. The service is looking at all options to mitigate the overspend including additional non-recruitment to vacant posts within the service along with a review of fuel costs compared to budget.

	This pressure also now captures an overspend to cover gate fees of £0.200m. We will consider what level of market risk policy contingency is available to help mitigate this pressure.
Regulatory	
Variation (£0.016m) Underspend	Regulatory Services and Community Safety are forecasting a (£0.016m) underspend – this is due to savings in staffing costs as some posts remain unfilled following the department restructure.
Variation to October's Forecast £0.000	
Wellbeing & Housing	
Variation (£0.100m) underspend	The services continue to actively manage pressures arising from operating front line services and flexing programme delivery, however pressures on finances are increasing on a range of activities but to date we have managed to contain them.
Variation to October's Forecast (£0.000m)	Pressures have been defrayed through operational efficiency and effective use of grants. Continued effort to redress these balances are being taken by rescheduling some activity and reducing developmental expenditure in core budgets.

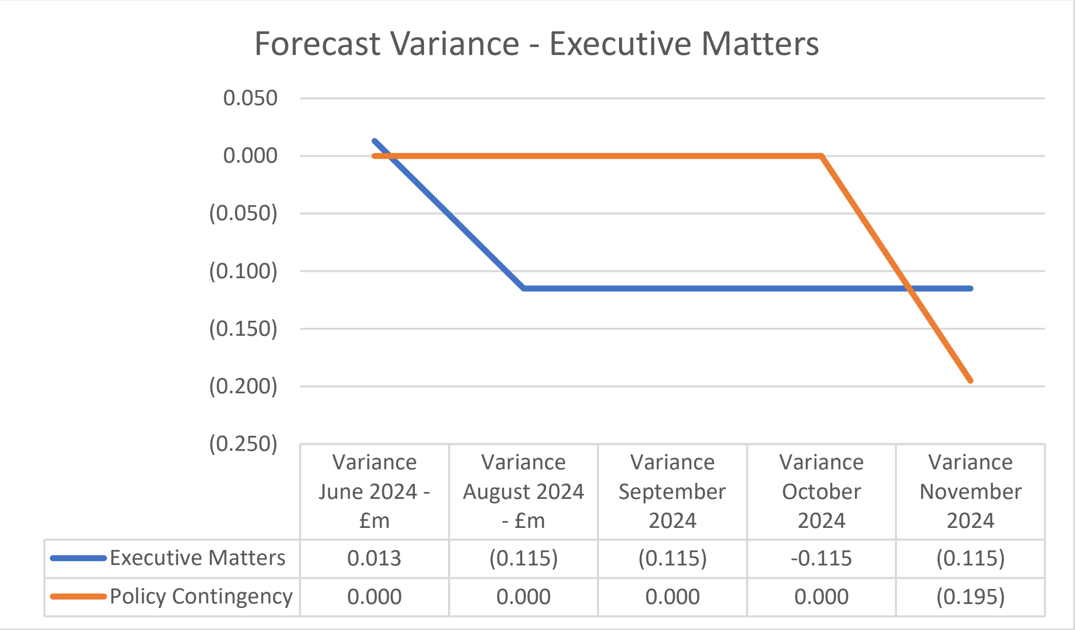
Capital:



Service	Budget £m	Forecast Spend 24/25 £m	Re-profiled beyond 2024/25 £m	Variance to Budget £m	Prior Month Variance to Budget £m
Planning & Development	0.000	0.000	0.000	0.000	0.000
Growth & Economy	0.780	0.780	0.000	0.000	0.000
Environmental	1.235	1.189	0.050	0.004	0.000
Wellbeing & Housing	6.606	6.021	0.229	(0.356)	(0.794)
Regulatory	0.265	0.265	0.000	0.000	0.000
Total	**8.886**	**8.255**	**0.279**	**(0.352)**	**(0.794)**

For detailed explanation and variances please see appendix 1.

Executive Matters



	Variance June 2024 - £m	Variance August 2024 - £m	Variance September 2024	Variance October 2024	Variance November 2024
Executive Matters	0.013	(0.115)	(0.115)	-0.115	(0.115)
Policy Contingency	0.000	0.000	0.000	0.000	(0.195)

Revenue:

Executive Matters is reporting a (£0.115m) underspend against the budget of £4.293m (-2.7%).

Executive Matters	
Variation (£0.115m) underspend	Executive Matters are forecasting an over recovery of net interest of (£0.115m).
Variation to October's Forecast (£0.000m)	

Policy Contingency

Policy Contingency is forecasting an underspend of (£0.195m) against a budget of £3.803m, (-5.1%)

Policy Contingency	
Variation (£0.195m) Underspend Variation to October's Forecast (£0.195m)	Policy Contingency are currently forecasting an underspend of (£0.195). This relates to the ability to release contingency now that the pay award has been agreed for 2024/25.

Appendix 3 - Virement Summary

Virement Movement

This table shows the movement in Net Budget from October 2024 to November 2024.

Virements - Movement in Net Budget	£m
Directorate Net Budget - October 2024	18.872
Directorate Net Budget - November 2024	18.891
Movement	**0.019**

Breakdown of Movements	£m
Virement from Policy Contingency for Veritau one off membership	0.019
Total	**0.019**

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Appendix 4 - Funding for 2024/25

Specific Funding received since budget was set:

Dept.	Grant Name	Funding
		£
DLUHC	UK Shared Prosperity Fund	(£0.658)
DLUHC	Homelessness Prevention Grant	(£0.763)
DLUHC	Electoral Integrity Programme New Burdens Funding	(£0.050)
DLUHC	Rough Sleeping Initiative	(£0.271)
DLUHC	Domestic Abuse Grant	(£0.037)
DLUHC	Redmond Review Implementation	(£0.024)
DLUHC	Tenant Satisfaction Measures New Burdens	(£0.005)
DLUHC	Local Authority Housing Fund Round 3	(£0.005)
Home Office	Syrian Resettlement Scheme	(£0.128)
Home Office	Afghan Relocations and Assistance Policy	(£1.685)
Home Office	Young Women and Girls Funding	(£0.010)
DSIT	Innovate UK	(£0.005)
		(£3.636)

Grants included as part of Budget setting:

Grant Name	£m
Homeless Prevention Grant	(0.517)
Afghan Resettlement Scheme	(0.244)
Syrian Refugee Initiative	(0.183)
Ukrainian Refugees Resettling in the UK	(0.417)
Asylum Seeker Dispersal Grant	(0.029)
Chief Executive Total	**(1.391)**
UK Shared Prosperity Fund	(0.829)
Communities Total	**(0.829)**
NNDR Cost of Collection Allowance	(0.231)
Rent Allowances	(25.004)
Resources Total	**(25.235)**
	(27.455)
Funding Guarantee Grant	(2.839)
Services Grant	(0.154)
Corporate Total	**(2.993)**

	(30.448)
Business Rates Retained Scheme	(9.647)
New Homes Bonus	(1.375)
Revenue Support Grant	(0.328)
Funding Total	**(11.350)**
Government Grants Grand Total	**(41.798)**

This report is public	
Capital and Investment Strategy 2025-26	
Committee	Budget Planning Committee
Date of Committee	21 January 2025
Portfolio Holder presenting the report	Portfolio Holder for Finance and Resource, Councillor McLean
Date Portfolio Holder agreed report	19 December 2024
Report of	Assistant Director of Finance (S151 Officer)

Purpose of report

To submit the draft Capital and Investment Strategy for 2025-26 for recommendation by the committee to the Executive

1. Recommendations

The Budget Planning Committee resolves:

1.1 To recommend the draft Capital and Investment Strategy for 2025-26 (Appendix 1) to Executive.

2. Executive Summary

2.1 The Capital and Investment Strategy must be approved by Full Council annually and must satisfy the requirements of government legislation and CIPFA guidance.

2.2 The draft strategy is brought to the Budget Planning Committee for review and comment, and to be recommended to Executive.

Implications & Impact Assessments

Implications	Commentary
Finance	There are no financial implications arising directly from this report. However, the strategy lays out the council's approach to capital and investments which are vital to ensuring the council remains in a strong financial position. Joanne Kaye, Head of Finance, 6 January 2025
Legal	The requirement for the strategy documents stems from: Section 15(1) Local Government Act 2003;

	Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. As a result the Council is required to have regard to: Statutory Guidance on Local Government Investments Statutory Guidance on Minimum Revenue Provision (MRP) CIPFA's Prudential Code Shiraz Sheikh, Monitoring Officer/ AD Law & Governance, 9 January 2025			
Risk Management	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. Celia Prado-Teeling, Performance Team Leader, 9 January 2025			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				N/A
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				N/A
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?				N/A
Climate & Environmental Impact				N/A
ICT & Digital Impact				N/A
Data Impact				N/A
Procurement & subsidy				N/A
Council Priorities	N/A			
Human Resources	N/A			
Property	N/A			

Consultation & Engagement	None

Supporting Information

3. Background

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. subsidiaries, charities, businesses) [Service loans]
- Purchase of shares (in subsidiaries, businesses etc)
- Property

4. Details

4.1 The draft Capital and Investment Strategy is attached at Appendix 1.

4.2 The key changes for the Capital and Investment Strategy 2025-26 in comparison to the strategy for 2024-25 are:

- the annual Minimum Revenue Provision statement has been expanded in line with the new statutory guidance, however the underlying policy and methodology is unchanged. The full statement is included as Annex A of Appendix 1.
- The operational boundary, which is the prudential indicator estimating the maximum level of external debt for the year in the most likely scenario, has been reviewed and reduced from £290m to £200m. More details of this change are included in section A6.2 of appendix 1.

5. Alternative Options and Reasons for Rejection

5.1 There are no alternative options to setting a Capital and Investment Strategy as this is required for all local authorities.

6 Conclusion and Reasons for Recommendations

6.1 The Council must 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.

Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Capital and Investment Strategy 2025-26
Background Papers	None
Reference Papers	None
Report Author	Alex Rycroft, Strategic Finance Business Partner
Report Author contact details	Alex.rycroft@cherwell-dc.gov.uk, 01295 221 541
Corporate Director Approval (unless Corporate Director or Statutory Officer report)	Michael Furness, Assistant Director of Finance (S151 Officer) 19 December 2024

CAPITAL AND INVESTMENT STRATEGY

2025/2026

Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

CONTENTS

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 identified 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 2025-26 Business plan, namely:

- Economic prosperity
- Community leadership
- Environmental stewardship
- Quality housing and place making

The council also incurs capital costs to facilitate the delivery of its support services and smooth running of council functions.

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 prudent, 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.

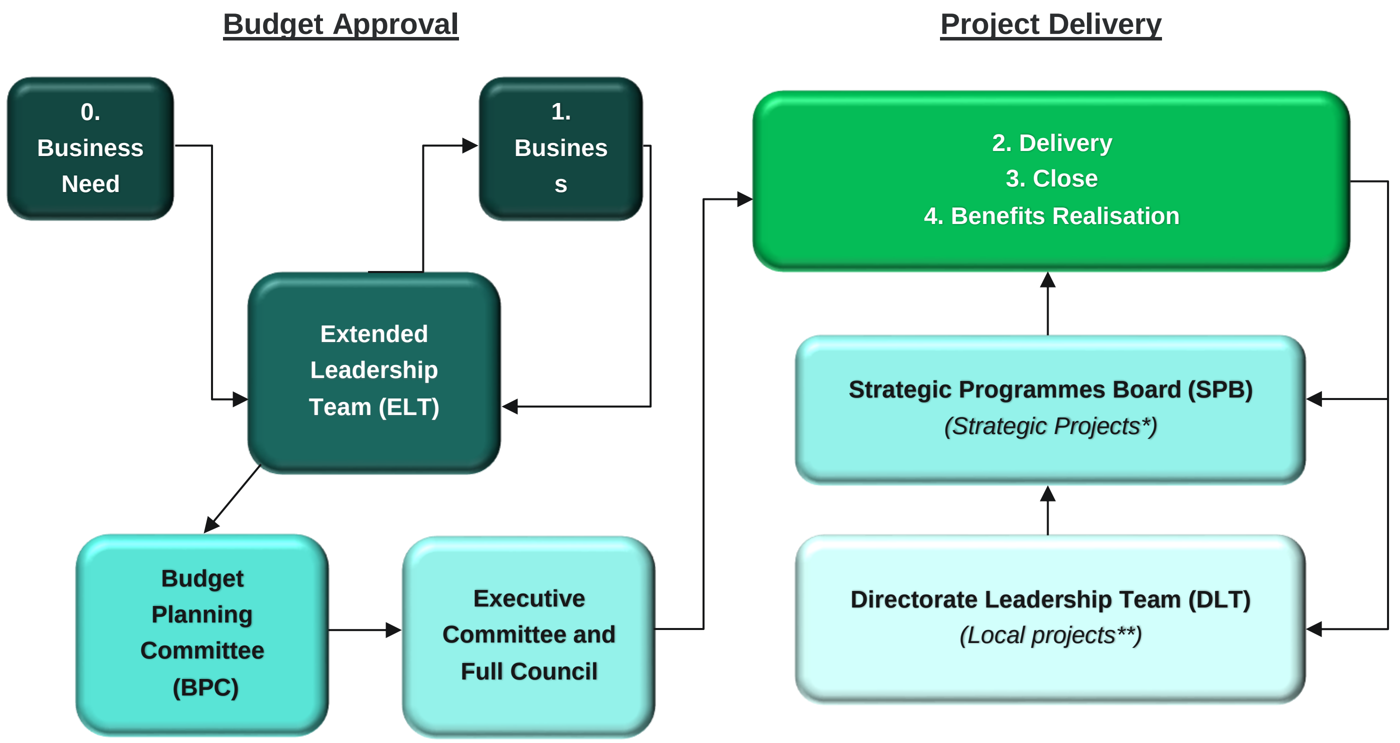
A2. Capital Planning and Project Governance

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

For the 2025/26 financial year, the council is adopting an enhanced project framework that seeks to provide improved governance and accountability for capital projects. It is expected that the framework will help to better define and manage the outputs, outcomes and benefits from projects within the capital programme. The framework will complement the capital budget setting process and will help the council to exert effective decision making to manage the financial and technical elements of projects.

In prior years, the Strategic Place Shaping, Transformation and Strategic Programme Boards provided oversight and scrutiny for the capital budget process. Whilst projects are encouraged to be brought to these boards initially, for 2025/26, responsibility for reviewing and progressing capital proposals has transferred to the Extended Leadership Team (ELT), with recommendations considered by the Corporate Leadership Team (CLT) alongside the Budget Planning Committee. 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 but are subject to the same level of scrutiny and appraisal by ELT and CLT.

Diagram A2.1: Capital Project Governance Framework

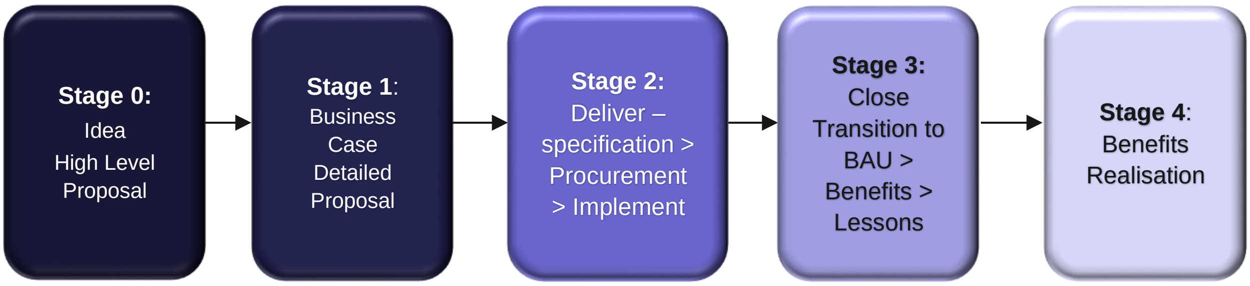


*****Strategic Projects** are those that are identified to be <u>key to achieving a strategic objective</u> or be underpinned by <u>significant financial investment</u> or result in a change on a <u>significant number of customers and/or staff</u>. A project board will be responsible for appropriate project governance to oversee, ensure and support successful delivery.*

********Local Projects** are important to achieving the Council’s strategic objectives, but <u>carry less risk</u> and therefore, responsibility for project governance and oversight will be within the directorate and relevant service area.*

The capital five stage process has five stages which are depicted in the diagram below:

Diagram A2.2: Capital Process



Stage 0 - Business Need – High Level Proposal

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 priorities it aligns with and a high-level budget outline, estimating both capital and revenue impact and any identified sources of capital funding. Bids are first considered by the Directorate Leadership Team level (DLT) and then discussed at the Executive Leadership Team (ELT) meeting, which takes a decision on progression of the scheme to stage 1.

Stage 1 - Business Case: Detailed Proposal

Progression through stage 1 requires the development of a more detailed business case which should include 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 officers 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. ELT will consider business cases and provide feedback to officers, with recommendations made on progression of the project to stage 2. subject to consultation and formal approval by the Executive and Full Council. If the business case requires further work, the project may be paused and reworked for discussion at a future ELT, or postponed. As part of stage 1, 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).

Projects proposed to be included in the Council's capital programme are consulted on externally via public consultation 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 Full Council, budgets are uploaded to the financial system and project officers can commence work on the approved schemes.

Stage 2 – Delivery

Approved projects in the capital programme 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. Project managers are required to report progress and escalate issues through the Strategic Programmes Board for Strategic level projects, and the Directorate Leadership Team for Local Projects. All capital projects and programmes are reviewed monthly as part of routine budget management, which provides an opportunity to review project costs against budget and escalate potential areas of concern with senior management. The outputs from routine budget management processes feed into the Finance Capital reporting to the Executive, this reporting includes narrative which provides non-financial updates on capital projects.

Stage 3 – Close

When the project has delivered the expected outputs, the project can be closed. At stage 3, the project manager will produce a project closure report that includes a summary of delivery and outputs, a benefits realisation plan, lessons learnt and agreed outstanding actions. The project closure report will be presented to the relevant governance board/group to gain approval to close the project.

Stage 4 - Benefits Realisation

Stage 4 covers benefits realisation. In some cases, projects deliver benefits that can only be measured post closure of the project, the details of which are included in the benefits realisation plan produced at stage 3.

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 governance and approval 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 normally charged as a revenue expense. Occasionally the council may be required to capitalise expenditure below this threshold in order to comply with grant conditions.

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 *may* be capitalised e.g., if three options are appraised, 1/3 of the cost may be capitalised
Internal Staff Costs	Revenue unless a direct contribution is made to the progressing of the creation, acquisition, or enhancement of an asset. Officers are required to complete a monthly timesheet signed by a manager or Assistant Director.
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 £30m across the programme. Projects already in the existing capital programme, prior to the inclusion of 2025/26 proposals, include:

- Transforming Bicester Market Square - £4m
- S106 Community Infrastructure Projects across the District - £3.5m
- Construction of a New Waste Services Depot - £3.9m
- Vehicle Replacement Programme - £5.3m
- Development of Castle Quay - £1.8m

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	2023/24 Actual	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/29 Budget	2028/29 Budget
Community Leadership	2.3	2.5	2.4	0.1	1.2	0.0
Running the Business	0.5	5.9	4.4	0.0	0.0	0.0
Environmental Stewardship	3.8	1.7	3.6	1.9	0.4	0.1
Quality Housing and Place Making	14.8	5.7	1.5	1.4	1.4	1.2
Economic Prosperity	0.4	1.7	0.9	3.9	0.5	0.5
Total Capital Expenditure*	**21.8**	**17.5**	**12.9**	**7.3**	**3.5**	**1.9**

**Not including pipeline projects for which funding has not yet been received*

As part of the 2025/26 budget setting process, Full Council is requested to approve additions to the capital programme to further progress against corporate objectives. For 2025/26 one project is proposed to be added to the programme:

£0.030m of Spatial Software Upgrades

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 stage 2. These items are included in the capital programme but are not able to proceed until all funding has been identified for them.

Statement on Leases and IFRS 16

As at the time of publication, the council is finalising its review of assets it has the right to use as a lessee as part of adopting International Financial Reporting Standard 16 (IFRS 16), which became mandatory in the 2024/25 financial year.

Under IFRS 16, all assets the council leases need to be brought on balance sheet unless they are of low value (the asset value is less than £10,000 over the term) or short-term in nature (less than 1 year in duration). The impact of this is that assets previously assessed as being an operating lease (revenue expenditure) under IAS17 become capital expenditure, and therefore transition from revenue into the Council’s capital plans.

Practically, for existing leases identified within the revenue account that need to be brought on balance sheet, the revenue rental payments move from the service area’s budget to the Council’s corporate capital financing revenue budget. Payments are then split between interest (which may be implicit in the lease) and MRP (see A4 and Annex A) which acts as the financing of the principal balance of the lease. The resultant revenue impact of reclassification from revenue to capital is therefore nil.

The assessment made by finance officers on leases to date is that no material impact is expected on the Council’s capital financing position. However, should any leases be identified as having a material impact on capital financing, revised prudential indicators will be published as part of the Council’s Treasury Management reporting.

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 lease arrangements under IFRS16. 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

Financing Source	2023/24 Actual	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/29 Budget	2028/29 Budget
Capital Expenditure	**21.8**	**17.5**	**12.9**	**7.3**	**3.5**	**1.9**
Capital Receipts	(15.1)	(0.4)	(5.9)	0.0	0.0	0.0
Grants	(4.8)	(2.1)	(2.0)	(4.6)	(1.2)	(1.2)
S106 Grants	(0.4)	(1.9)	(2.4)	0.0	(1.2)	0.0
Donated Assets	(1.0)	0.0	0.0	0.0	0.0	0.0
Total Financing	**(21.3)**	**(4.4)**	**(10.3)**	**(4.6)**	**(2.4)**	**(1.2)**
Increase/(Decrease) in CFR *(before MRP)*	**0.4**	**13.0**	**2.6**	**2.7**	**1.1**	**0.7**

**Figures may not match 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. The council's default position is to apply capital receipts arising from disposal of assets to the Capital Adjustment Account to reduce debt in the year of receipt. This reduces the Council's need to borrow and corresponding financing costs, which helps to reduce the capital financing burden on the taxpayer. This does not prevent the council from introducing new capital proposals but does ensure that the financial implications of each proposal are fully considered and understood. Application of capital receipts falls under the delegation of the S151 Officer as per the Council's Reserves Policy. Capital receipts may also be used to fund certain revenue costs that deliver ongoing savings or efficiencies under the flexible use of capital receipts direction as laid out by the Ministry of Housing, Communities and Local Government. The council does not currently have plans to use this flexibility, however if the S151 officer feels there would be a benefit to using this direction then a proposed strategy will be brought to Full Council to approve in line with the guidance.

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

MRP (£m)	2023/24 Actual	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/29 Forecast	2028/29 Forecast
Minimum Revenue Provision (MRP)	(4.4)	(3.9)	(4.4)	(4.8)	(5.0)	(5.2)

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

CFR (£m)	2023/24 Actual	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
CFR	234.4	243.5	241.7	239.6	235.7	231.2

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 and has borrowed cash for the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital borrowing requirements to reduce overall borrowing. At 30 November 2024 the Council had borrowings of £180m at an average interest rate of 2.54%, and £35m of investments at an average interest rate of 4.94%. 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 its treasury advisors 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)*	2023/24 actual	2024/25 forecast	2025/26 forecast	2026/27 forecast	2027/28 forecast
Gross Borrowing (incl. PFI & leases)	181.0	180.0	179.0	178.0	173.0
Capital Financing Requirement	234.4	243.5	241.7	239.6	235.7

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" based on the council's estimate of the maximum level of external debt in the most likely scenario is also set. The operational boundary reflects the level above which the council does not expect to require borrowing based on current cashflow projections and capital programme, and so acts as a warning level should there be a sustained or regular trend of external debt above the boundary. The operational boundary and authorised limit set by the council are outlined in table A6.2 below:

Table A6.2: *Operational Boundary vs Authorised Limit (£m)*	2024/25 limit	2025/26 limit	2026/27 limit	2027/28 limit
Operational boundary	290.0	200.0	199.0	198.0
Authorised limit	310.0	310.0	310.0	310.0

As part of the review of the capital and investment strategy for 2025/26 it was identified that the previous operational boundary of £290m was not reflective of the maximum external debt in the most likely scenario. The council has reviewed its approach to setting the operational boundary and has adopted an expected value approach to commitments (such as bonds, guarantees, revolving credit facilities) that are unlikely to materialise in the financial year. Instead of including the total potential liability in the worst case, as the previous approach had, the council estimates the likelihood of the commitment being called upon and the likely amount. An amount based on this assessment is included in the operational boundary to reflect that while it is very unlikely that all of these commitments be called upon in full, there is a likelihood that on average across all the commitments there may be some impact on the council's cashflows. This change to the operational boundary also does not change the council's ability to borrow. It is the most likely maximum level of borrowing based on the council's current capital programme and forecast cashflows. All future capital proposals will be considered on a case-by-case basis and the operational boundary will be reviewed each year to ensure it includes any borrowing required for new capital projects that are considered to be affordable. The authorised limit however remains unchanged.

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)***	**2023/24 Actual**	**2024/25 forecast**	**2025/26 forecast**	**2026/27 forecast**	**2027/28 forecast**
Interest Payable	4.0	4.7	4.9	4.5	4.4
Minimum Revenue Provision	4.4	3.9	4.4	4.8	5.0
Total Financing Costs	**8.4**	**8.6**	**9.2**	**9.4**	**9.4**
Net Revenue Stream	29.1	27.0	28.1	23.1	19.9
Total Funding	**29.1**	**27.0**	**28.1**	**23.1**	**19.9**
Ratio of Financing Costs	**28.9%**	**32.0%**	**32.9%**	**40.5%**	**47.2%**

This indicator shows that the ratio of financing costs to net revenue streams is high and increasing across the MTFS, which is primarily due to the forecast in reduction in revenue resources. What this ratio 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)***	**2023/24 Actual**	**2024/25 forecast**	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**
Net Income from Financial Investments	4.5	4.9	4.0	4.0	4.0
Net Income from Property Assets	4.6	5.5	6.9	7.0	7.1
Total Service Investment Income	**9.1**	**10.3**	**10.9**	**11.0**	**11.0**
Net Revenue Stream	29.1	27.0	28.1	23.1	19.9
Total Funding	**29.1**	**27.0**	**28.1**	**23.1**	**19.9**
Ratio of Service Investment Income	**31.3%**	**38.3%**	**38.9%**	**47.5%**	**55.5%**

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 significantly. 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*	2023/24 Actual	2024/25 forecast	2025/26 budget	2026/27 budget	2027/28 budget
Ratio of Financing costs	28.9%	32.0%	32.9%	40.5%	47.2%
Ratio of Service Investment income	31.3%	38.3%	38.9%	47.5%	55.5%
Affordability ratio	**-2.5%**	**-6.3%**	**-6.0%**	**-7.0%**	**-8.3%**

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

The council will continue to monitor this ratio and report to senior management and members 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 management 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.

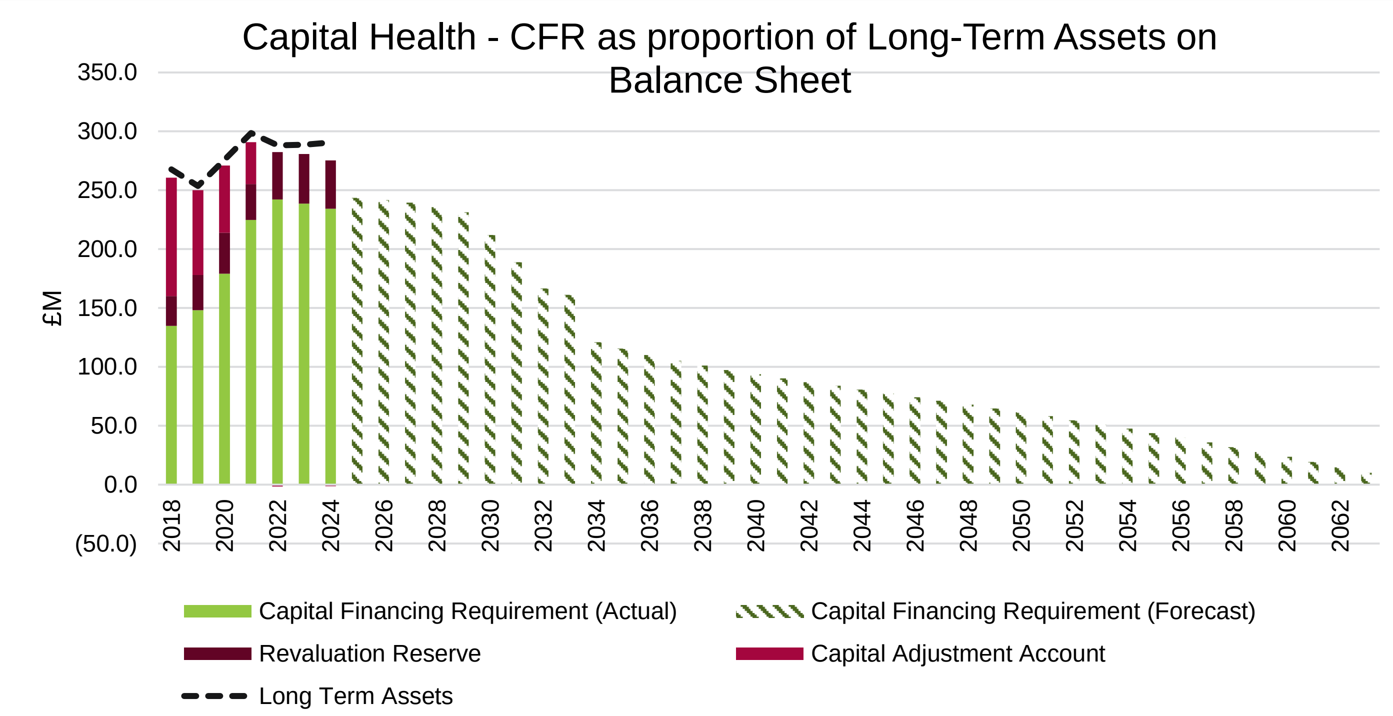
Table A7.1 – Capital Health in £ millions

Capital Health (£m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Capital Financing Requirement	134.9	148.2	179.2	224.8	242.1	238.6	234.4
Long-Term Assets *(as per statement of accounts)*	267.8	253.6	275.8	298.6	288.2	288.8	290.7
CFR to Long-Term Asset Ratio	**50%**	**58%**	**65%**	**75%**	**84%**	**83%**	**81%**

As of 31st March 2024, the Council's CFR amounted to 81% 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. It should be noted that under the CIPFA code, assets can be capitalised on balance sheet based on the long-term service potential they provide and not necessarily the economic value they generate on sale, particularly assets held at historical cost e.g. intangible assets. The CFR to Long-Term asset ratio should therefore only be treated as an indicator of capital health.

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 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, which are to be treated as capital receipts and are expected to be used to clear the outstanding CFR balances associated with these assets. 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 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 property 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 to generate a capital receipt. Receipts from capital grants, loan repayments and investments also classed as capital receipts under Local Government accounting regulations.

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 what has been a turbulent financial environment for commercial property nationwide in recent years.

The council recognises that the investments made in commercial property are higher risk than treasury investments. The principal risk exposures are listed below in table A8.1 together with an outline of how those risks are managed:

Table A8.1 – Commercial Risk Management

Illiquidity	The council acknowledges illiquidity as a risk in property and whilst it cannot be avoided the risk is mitigated by the following strategies: a) The council invests across a range of sectors and its assets are diversified in terms of lot size. b) 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. c) 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.
Tenant default	The council's portfolio includes both large national concerns, small local businesses (mainly retail or industrial type tenants) and individuals (such as housing tenants). Tenant default risk is managed in two ways: a) 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. b) Risk is managed by diversification as only a small proportion of tenants may be expected to fail in any given year. c) A policy contingency budget is held within the Council's annual revenue budget alongside a market risk earmarked reserve which could be made available to meet a shortfall in income that may arise in year due to tenant defaults.
Obsolescence	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. 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.
Capital expenditure	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.

Market risk	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: 1. Lease lengths should be 3 – 5 years + which obviates most market risks during the period of the tenancy. 2. Longer leases which contain regular rent review provisions normally require the rents to be reviewed in an upwards only direction. 3. Tenant failure – see above under Tenant Default, re: vetting and diversification policies plus earmarked reserves held. A further risk is commercial leases with capped service charges meaning the landlord is not able to recover the full amount relating to leased space. The council has a limited number of leases with these clauses and does not routinely agree them unless there is a commercial imperative. An additional risk is over-exposure to town centre retailing as the portfolio's largest assets are the Castle Quay Centre and Waterside 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.
Returns eroded by inflation	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.
Rising interest rates	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.

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 Full 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 interests in trading companies, indirectly 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
Treasury Investments	To manage surplus cash balances held in advance of expenditure	Money Market Funds, with the UK Government via the Debt Management Office (referred to as the DMADF), other Local Authorities and 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: *Purchasing of Share Capital*	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: *Advancing of Capital Loans*	Loans are advanced to organisations such as the Council's 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: *Property*	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 £27.56m during the 2025/26 financial year.

Full details of the Council's policies and its plan for 2025/26 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 residential 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	2023/24 Actuals			2025/26
(£m)	Balance	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	65.6	0.6	65.0	82.6
Parishes	0.0	0.0	0.0	0.0
Local charities	0.0	0.0	0.1	0.1
Other	1.1	0.1	0.9	1.1
TOTAL	**66.7**	**0.7**	**66**	**83.7**

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 are set as part of the Investment strategy. For 24/25, this limit was raised by £10m to allow for a potential increase in the equity investment in Crown House, however the council decided in 24/25 not to increase this equity investment and so the approved limit has returned to the £35.7m it was previously. Table B4.1 below shows the most recent values and the limit.

Table B4.1: Fair Value of Share Capital Investments

Category of company	31st March 2024 actual			2025/26
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	35.7	0	35.7	35.7
TOTAL				

The council assesses the risk of loss before entering into 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 Environmental Services 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
- 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.
- Town Centre House, 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.

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. 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)	Book Value *31/03/2023* (£m)	Movement in Book Value (Revaluation + Depreciation) (£m)	Book Value *31/03/2024* (£m)	Gains/(Losses) in Book Value Recognised in Accounts (£m)	Last External Valuation Date
Castle Quay Waterfront, Hotel and Supermarket	68.3	29.4	(3.7)	25.7	(42.6)	31/03/2024
Castle Quay Shopping Centre	64.7	13.8	0.7	14.5	(50.2)	31/03/2024
Tramway Industrial Estate	9.6	9.1	(0.2)	8.9	(0.7)	31/03/2023
Pioneer Square	8.2	4.4	0.9	5.3	(2.9)	31/03/2024
Totals	**150.8**	**56.7**	**(2.3)**	**54.4**	**(96.4)**	

The decline in book values have been driven by multiple factors, particularly the changing nature of town centres and the retail market nationwide.

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. In the long term, valuations generally increase as a factor of the economy. With careful management of assets and lets, the council anticipates that, over time, income rental yields will improve and be reflected in the valuations. Notwithstanding, the council continues to realise property investment benefits through other 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.

The Council's strategic asset review is still in progress, and whilst no firm decisions have been made, action is being taken to identify ways to maximise the economic and service benefits from the Council's property. Repurposing of space is a key factor the council is considering for its assets. For example, the repurposing of retail units to office space as part of the council office relocation to Castle Quay project, which was approved in the previous financial year, is well underway and due to complete in February 2025. In moving to Castle Quay, it is expected that the Council's current headquarters Bodicote House will be sold to generate a capital receipt. As discussed in section A4 of the Capital Strategy, standard practice is for capital receipts to be used to reduce the Council's existing debt (the CFR).

By reconsidering asset use of and repurposing space to maximise service and economic benefits delivered by property assets, the council anticipates that the corresponding valuations will increase in the future. Valuations will, however, depend on market sentiment and national economic conditions.

It should be noted that the security of investment is not only considered through annual fair value assessment. 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 or firm which 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.
- to the investment.
- 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
- 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.
- Performance of due diligence enquiries about potential incoming tenants and occupiers
- Use of mechanisms such as rent deposits and guarantees to reduce risk.

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 (other than those that are for service purposes, such as community centres), 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.

- The Council's plans do not require the sale of assets (except in the case of relocating council headquarters to Castle Quay, which requires the sale of Bodicote House to fully finance)

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 B6.1: 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	17.0
Graven Hill Village Development Company Ltd	Bonds and Guarantees in place	1.4
Graven Hill Village Development Company Ltd	Bond and Guarantees agreed in principle	10.3
TOTAL		**28.7**

B7. Capacity, Skills and Culture

Elected members and statutory officers

The senior statutory officers are qualified to degree level and have appropriate professional qualifications. Their shared business experience encompasses both the public, private and third 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 potential 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	31/03/2024 Actual	31/03/2025 Forecast	31/03/2026 Forecast
Treasury management investments*	21.9	3.8	6.6
Service investments: Loans**	57.2	57.1	56.9
Service investments: Shares	35.7	35.7	35.7
Service investments: Property***	54.4	61.0	61.3
TOTAL INVESTMENTS	**169.2**	**157.6**	**160.2**
Commitments to lend	17.0	17.0	17.0
Bonds & Guarantees in place and agreed in principle	22.4	11.7	3.1
TOTAL INVESTMENT EXPOSURE	**208.6**	**186.2**	**180.3**

**The investment forecast for 2025/26 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 2023/24 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	31/03/2024	31/03/2025	31/03/2026

	Actual	Forecast	Forecast
Service investments: Loans	57.2	57.1	56.9
Service investments: Shares	35.7	35.7	35.7
Service investments: Property	172.9	168.1	168.7
Total Funded by Borrowing*	**265.8**	**260.9**	**261.3**

**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 by the council. 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	2023/24 Actual	2024/25 Forecast	2025/26 Forecast
Treasury management investments	5.1%	5.0%	4.5%
Service investments: Loans	7.0%	6.8%	5.9%
Service investments: Property	0.6%	1.3%	1.6%

Treasury management investments are made to deposit cash balances in facilities that offer security, liquidity and a financial return (in that order of priority). Service loan investments are required to be made at a rate of interest that complies with subsidy control regulations, and whilst financial return is not the primary purpose, may generate a higher return than treasury and property investments. 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 council has invested in local housing projects which generate income at a below market rate, e.g., Affordable Housing. It is therefore not unexpected that Property investments may generate a lower return than other forms of investment the council undertakes as set out in this strategy.

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 increase in expected credit losses on the loans recognised in the financial year in accordance with IFRS 9.

- 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 associated with the original loan advancement, reducing the Council's overall 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 2025/26 will not be subject to an MRP charge until 2026/27 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***
02/04/2024 09:04:00	2024/25	4.88%	5.10%	5.41%	5.48%	5.45%
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%

Calculation of the CFR

As per the requirements of the CIPFA Prudential Code, the council calculates its Capital Financing Requirement by consolidating the following elements of the balance sheet:

- Non-current tangible assets (i.e. property, plant and equipment, heritage assets, investment properties and non-current assets held for sale);
- Intangible assets – non current;
- Long-term debtors relating to capital transactions (where applicable);
- investments that treated as capital expenditure under proper practices or applicable regulations;
- Revaluation reserve;
- Capital adjustment account;
- Donated assets account;
- Other items on the Balance Sheet that relate to capital expenditure but excluding the underlying liability.

This is known as the balance sheet CFR.

The CFR can also be calculated year-on-year by taking the opening CFR and consolidating with in-year:

- Capital expenditure (acquisitions, enhancements, loans and investments)
- Capital financing applied to the capital adjustment account (capital grants, receipts, loan repayments)
- Donated assets
- Minimum Revenue Provision

This is the method prescribed by the CIFPA code on Local Authority Accounting and is disclosed as part of the Council's annual statement of accounts. Reconciliation of the two CFR methods is undertaken annually as part of year-end accounting procedures.

Amounts in the CFR excluded from MRP

In-line with the revised guidance from government published 10th April 2024[1], the council has opted to not charge MRP in relation to the CFR for service loans to its subsidiary companies beyond the expected credit losses on the loans recognised in year. The council expects all service loans to be repaid in full and therefore the borrowing in relation to these loans will be financed by the capital receipt upon repayment. However, in line with International Financial Reporting Standard 9, the council should make an allowance for expected credit losses – that is an allowance reflecting the risk that the council does not receive all interest and principal due to them under the loan agreement – even if the risk of this is very low. It is therefore prudent to charge minimum revenue provision in line with the expected credit loss allowance to reflect the small chance that the council does not receive all of the principal at the end of the loan and so is not able to repay its borrowing. As the expected credit loss allowance for each loan is remeasured each year, any change in the risk of default is captured and therefore is also reflected in the MRP charge. As the current risk of default is low the council is satisfied that this approach is prudent, however if the risk of default becomes significant then the council would consider whether a further MRP charge would be required.

MRP Factors and Assumptions

As part of the 2023/24 Capital Strategy, Full Council approved a change of MRP approach from option 3a (Straight-line) to 3b (Annuity) for Fixed Assets, Capital Loans and Share Capital investments. The annuity approach helps to more fairly distribute capital financing costs to the taxpayer over the lifetimes of the assets invested in when factoring the time value of money. This was in recognition that the council has primarily invested in assets which are expected to have long-term benefits to the taxpayer, with benefits expected to be realised over 50 years, meaning that the effects of the time value of money are significant.

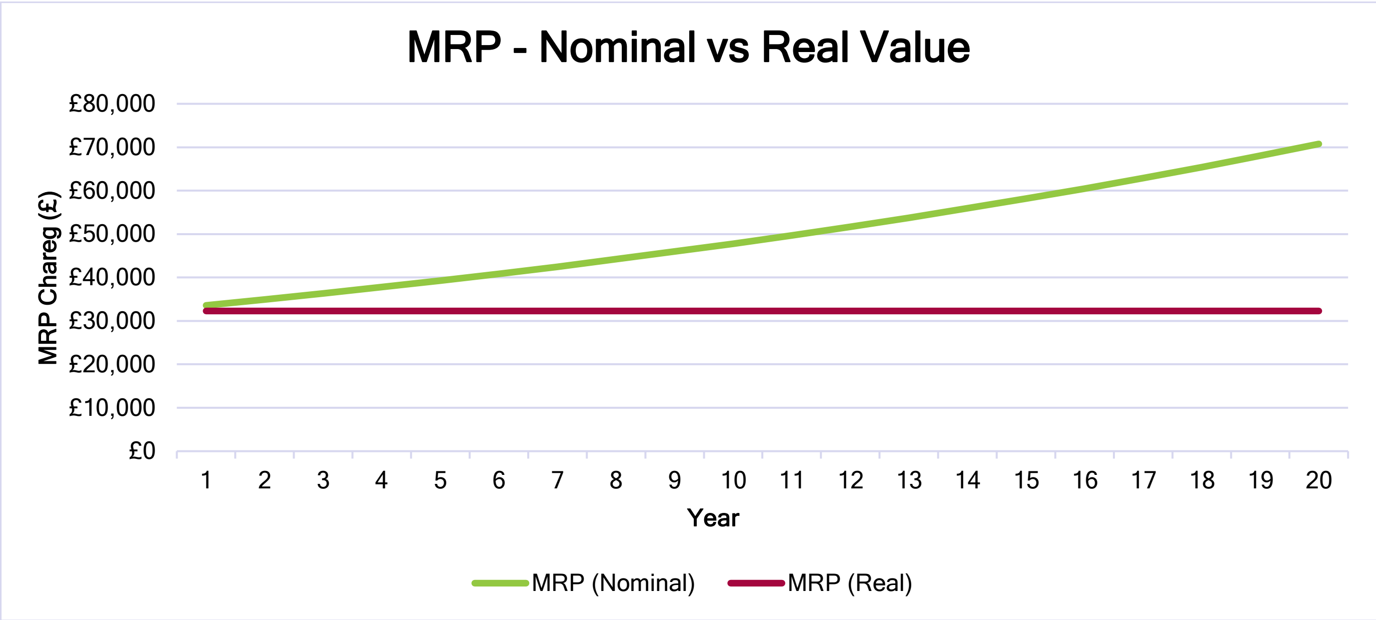
The Time Value of Money

An annuity based MRP approach enables a fairer distribution of MRP across the lives of the assets invested in due to the time value of money – i.e. that the money is worth more today than in the future. The value of money can be thought of in terms of its nominal value, what money is worth in today's terms, and its real value – its actual worth at a given point in the future based on current expectations around interest rates and inflation. When interest rates are high, the effects of the time value of money are more prominent.

MRP is one of two elements that make up the cost of capital financing, the other being interest payable. When examining an annuity approach, it useful to compare the repayment profile to that of a mortgage agreement. Whilst a mortgage has a fixed repayment profile over a given period (assuming a fixed rate of interest), the split between the amount paying off interest (revenue) and the amount paying off the capital element of the mortgage changes with time. At the start of the loan, a greater proportion of the total cost of borrowing is paid towards interest, as the principal balance outstanding on the loan is higher. The interest element decreases over time as the principal balance reduces, and as the interest reduces, more capital is paid towards the principal. MRP therefore represents the capital element of the mortgage in this scenario. The effect of this is that the MRP charge is factoring in the time value of money, and whilst the nominal value of MRP increases with time, its real value remains constant, meaning there is no increased burden on the future taxpayer.

The below table and graph demonstrate this effect for a capital investment of £1m at an interest rate of 5% with an asset life of 20 years.

Figure AN1.0 : Example Financing Costs Graphical Representation



Interest Rates

The assumption made for the MRP calculation is that the interest rate remains fixed over the life of the asset and that it matches the presiding PWLB rate at the time the expenditure was incurred.

In practice, decision on loans from the PWLB are taken as part of the treasury management, therefore actual loans may have different rates of interest, repayment profiles and maturity dates. Loans may not necessarily be repaid in instalments, but instead repaid in full on a fixed maturity date. The council in setting aside MRP, may not necessarily have any loan principal payment obligations until far into the future. MRP therefore acts as provision to repay external debt rather than as an actual repayment. In making MRP independent of actual loan principal repayments, the council is setting aside cash balances that can generate interest receivable. This has the effect of reducing the net capital financing costs to the corporate revenue budget in years when no principal repayments are due, having a similar effect to that of a capital repayment of a loan in instalments reducing interest payable.

The council recognises that the loans it takes from PWLB are in some cases going to mature earlier than when MRP can be fully provided to repay the loan and will therefore require refinancing in the future to meet existing loan obligations. This does expose the council to future interest rate and refinancing risks which are addressed and managed as part of the Council's Treasury Management Strategy and function.

Asset Lives in the MRP Calculations

The statutory guidance on MRP provides maximum useful lives for the purposes of calculating MRP. To simplify the MRP calculation, the council applies approximated useful lives based on the type of expenditure incurred. This results in a less labour-intensive calculation whilst ensuring the MRP is materially accurate and commensurate with the period over which the expenditure is expected to provide benefits. These lives will not exceed the maximum permitted by the guidance.

The useful life ranges are detailed in the table below:

Expenditure Type	Useful Life
Acquisition of Land	50 years
Acquisition of Buildings	20-50 years
Acquisition of Plant	10-20 years
Acquisition of Equipment	5-20 years
Enhancements to buildings (fitting out of space, replacement roofs etc.)	15-20 years

Home Adaptions under the Disabled Facilities Grants Scheme	5-15 years
Acquisition of Share Capital in a Subsidiary	20 years
Acquisition and Enhancement of on-premises Computer Software	1-5 years

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://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition/capital-finance-guidance-on-minimum-revenue-provision-5th-edition

[2] – PWLB Lending Facility Rates
https://www.dmo.gov.uk/responsibilities/local-authority-lending/historical-interest-rates/

This report is public	
Review of Reserves	
Committee	Budget Planning Committee
Date of Committee	21 January 2025
Portfolio Holder presenting the report	Portfolio Holder for Finance & Property, Councillor McLean
Date Portfolio Holder agreed report	19 December 2024
Report of	Assistant Director of Finance

Purpose of report

To update Budget Planning Committee (BPC) on the Review of Reserves that has taken place in preparation of the budget for 2025/26 and the Medium-Term Financial Strategy (MTFS) 2025/26 – 2029/30.

1. Recommendations

The Budget Planning Committee resolves:

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. Executive Summary

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

2.2 This report delivers the outcome of the review for 2024/25 for inclusion in the Budget and Medium-Term Financial Strategy 2025/26 – 2029/30 report which will be taken to the Executive and Council in February 2025.

2.3 The Chief Finance Officer's risk assessment of reserves has recommended a prudent level of General Fund Reserve be set at £7.852m, an increase from the previous level of £6.129m.

2.4 The council is forecasting to end the 2024/25 financial year with total reserves of £43.914m. A net contribution of £1.844m to revenue reserves, and a net use of

£0.720m of capital reserves is expected to be proposed in the 2025/26 budget. The forecast reserves position at the end of the Medium-Term Financial Strategy period 2025/26 – 2029/30 is £43.402m.

Implications & Impact Assessments

Implications	Commentary			
Finance	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 2025/26 budget. Joanne Kaye, Head of Finance 12 December 2024			
Legal	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. Shiraz Sheikh, Assistant Director of Law and Governance (Monitoring Officer), 10 January 2025			
Risk Management	The move to increase general balances and maintain strategic reserves will help the council to manage financial risks that could materialise in the future. This will be managed within service operational risk, and escalated to the Leadership Risk Register, as and when deemed necessary. Celia Prado-Teeling, Performance Team Leader,10 January 2025			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				N/A
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				N/A
B Will the proposed decision have an impact upon the lives of people with protected				N/A

characteristics, including employees and service users?				
Climate & Environmental Impact				N/A
ICT & Digital Impact				N/A
Data Impact				N/A
Procurement & subsidy				N/A
Council Priorities	All			
Human Resources	N/A			
Property	N/A			
Consultation & Engagement	N/A			

Supporting Information

3. Background

3.1 Executive approved a revised Reserves Policy (attached at Appendix 1 for reference) at its meeting in September 2024 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.

4. Details

4.1 The review of reserves 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.

4.2 After conducting a risk assessment (attached at Appendix 3), it is proposed that the council increase its current minimum level of general balances from £6.129m to £7.852m. The increase has been driven by indications in the latest local government finance settlement that the changes in funding forecast are more likely to become a reality. Therefore, it is prudent to increase general balances to reflect this increased likelihood. This increase will be achieved by making a transfer between earmarked and general reserves as part of the S151 review of reserves. The forecast overspend as at the end of November (period 8) is an overspend of £0.248m. However, the council will continue to work to reduce the overspend to nil throughout the rest of the year. In the event of an overspend at year end other earmarked reserves will be used to ensure that the general fund balance remains above £7.852m

4.3 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

Row Labels	Balance 1 April 2024 £m	Forecast Transfers (to)/from £m	Forecast Balance 31 March 2025 £m	25/26 forecast transfers (to)/from £m	26/27 forecast transfers (to)/from £m	27/28 forecast transfers (to)/from £m	28/29 forecast transfers (to)/from £m	29/30 forecast transfers (to)/from £m	Forecast balance as at 31/3/2030 £m
General Balances	(6.153)	(1.700)	(7.853)	-	-	-	-	-	(7.853)
Earmarked Reserves	(28.325)	(0.509)	(28.834)	(2.367)	(0.399)	(0.449)	(0.449)	(0.449)	(32.947)
Revenue Grants	(2.552)	1.272	(1.280)	0.523	0.007	0.007	0.007	0.007	(0.730)
Subtotal Revenue	**(37.029)**	**(0.937)**	**(37.966)**	**(1.844)**	**(0.392)**	**(0.442)**	**(0.442)**	**(0.442)**	**(41.529)**
Capital Reserves	(6.293)	0.345	(5.948)	0.720	3.355	-	-	-	(1.873)
Total	**(43.322)**	**(0.592)**	**(43.914)**	**(1.124)**	**2.963**	**(0.442)**	**(0.442)**	**(0.442)**	**(43.402)**

4.4 It should be noted that the uses of reserves for the 2025/26 budget and MTFS are still being finalised, so figures may be updated in the final budget proposals.

5. Alternative Options and Reasons for Rejection

5.1 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.

6 Conclusion and Reasons for Recommendations

6.1 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.

Decision Information

Key Decision	N/A

Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	N/A

Document Information

Appendices	
Appendix 1	Reserves Policy (as updated Sept 2024)
Appendix 2	Reserves Forecast 2024/25 – 2029/30
Appendix 3	General Balances Risk Assessment
Background Papers	None
Reference Papers	None
Report Author	Alex Rycroft, Strategic Finance Business Partner
Report Author contact details	Alex.Rycroft@cherwell-dc.gov.uk 01295 221
Corporate Director Approval (unless Corporate Director or Statutory Officer report)	N/A Statutory Officer Report

Appendix 1

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	09 September 2024

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
2.1	09 September 2024	Amendment of section 6.1 to delegate authority of use of capital receipts reserve to the S151 officer

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. <u>General Balances</u>

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 purpose[1]. 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

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

specific scheme and within the agreed timescale. If funds are not used they need to be returned back to the contributors.

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 statue. 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 Receipts Reserves	Section 151 Officer**

* Unless previously approved by Full Council as part of approval of the budget
** If the Section 151 officer feels there is benefit to using the flexible use of capital receipts direction to fund revenue costs then in line with the statutory guidance a flexible use of capital receipts strategy will be taken to full council for approval.

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

		Opening	Forecast 23/24		Closing	Forecast use over MTFS Period					Forecast Balance at end of Period £m
Description	Owner	Actual Closing Balance 31 March 2023 £m	Transfer FROM / (TO) Reserve 2023/24 £m	S151 Review of Reserves £m	Forecast Closing Balance as at 31 March 2024	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	
General Balances											
General Fund Balance	S151 Officer	(6.153)	-	(1.700)	(7.853)	-	-	-	-	-	(7.853)
Earmarked Reserves											
Country Park Reserve	Corporate Director - Communities	(0.025)	0.025	-	-	-	-	-	-	-	-
Elections	Corporate Director - Resources	-	-	-	-	-	-	-	-	-	-
Licensing	Corporate Director - Communities	(0.108)	0.020	-	(0.088)	0.030	-	-	-	-	(0.058)
Planning & Development	Corporate Director - Communities	(0.239)	0.070	(0.176)	(0.345)	(0.025)	(0.025)	(0.075)	(0.075)	(0.075)	(0.620)
Planning Control	Corporate Director - Communities	(0.209)	0.209	(0.183)	(0.183)	-	-	-	-	-	(0.183)
Pensions Deficit	S151 Officer	(1.900)	0.252	-	(1.648)	0.252	0.252	0.252	0.252	0.252	(0.388)
Bicester reserve	Corporate Director - Communities	(0.148)	-	0.148	-	-	-	-	-	-	-
Transformation Reserve	Corporate Director - Resources	(1.705)	0.949	-	(0.756)	0.656	-	-	-	-	(0.100)
Health & Safety - Public Food	Corporate Director - Communities	(0.046)	-	0.046	-	-	-	-	-	-	-
Cherwell Lottery - Revenue	Corporate Director - Communities	(0.006)	-	-	(0.006)	-	-	-	-	-	(0.006)
Dilapidations, Garage Project and Canalside	Corporate Director - Resources	(0.395)	(0.024)	-	(0.419)	0.064	(0.025)	(0.025)	(0.025)	(0.025)	(0.455)
Capital Reserve	S151 Officer	(2.066)	-	2.066	-	-	-	-	-	-	-
Projects	S151 Officer	(4.027)	(1.200)	(0.291)	(5.518)	0.050	-	-	-	-	(5.468)
Transformation Implementation Reserve	S151 Officer	(4.974)	-	-	(4.974)	(1.262)	-	-	-	-	(6.236)
Market Risk Reserve	S151 Officer	(8.300)	(0.396)	-	(8.696)	(0.372)	(0.811)	(0.811)	(0.811)	(0.811)	(12.312)
Growth Deal	Corporate Director - Communities	(0.226)	-	0.226	-	-	-	-	-	-	-
M&S Surrender Premium	S151 Officer	-	-	-	-	-	-	-	-	-	-
DOVECOTE MILCOMBE	Corporate Director - Communities	-	-	-	-	-	-	-	-	-	-
Bicester Youth Bus	Corporate Director - Communities	(0.013)	-	-	(0.013)	0.005	-	-	-	-	(0.008)
Sport and Physical Activities	Corporate Director - Communities	(0.055)	-	-	(0.055)	0.025	-	-	-	-	(0.030)

Appendix 2 - Forecast use of earmarked reserves

Description	Owner	Opening	Forecast 23/24		Closing	Forecast use over MTFS Period					Forecast Balance at end of Period £m
		Actual Closing Balance 31 March 2023 £m	Transfer FROM / (TO) Reserve 2023/24 £m	S151 Review of Reserves £m	Forecast Closing Balance as at 31 March 2024	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	
Courtyard Youth Arts	Corporate Director - Communities	(0.003)	-	-	(0.003)	-	-	-	-	-	(0.003)
Housing & Planning Reserve	Corporate Director - Communities	(0.322)	0.139	0.183	-	-	-	-	-	-	-
Home Improvement Agency	Corporate Director - Communities	(0.075)	0.035	-	(0.040)	-	-	-	-	-	(0.040)
Development management Casework	Corporate Director - Communities	(0.200)	0.024	0.176	-	-	-	-	-	-	-
Revenues and Benefits New burdens	S151 Officer	(0.080)	0.010	-	(0.070)	0.010	0.010	0.010	0.010	0.010	(0.020)
Climate action reserve	Corporate Director - Communities	(0.067)	-	0.005	(0.062)	-	-	-	-	-	(0.062)
Business Rates Equalisation reserve	S151 Officer	(0.586)	(1.819)	-	(2.405)	(1.800)	0.200	0.200	0.200	0.200	(3.405)
Banbury Health Centre Sinking Fund	Corporate Director - Resources	(0.073)	0.019	-	(0.054)	-	-	-	-	-	(0.054)
Work in Default	Corporate Director - Communities	(0.077)	-	-	(0.077)	-	-	-	-	-	(0.077)
Interest Rate Equalisation	S151 Officer	(2.400)	(0.522)	-	(2.922)	-	-	-	-	-	(2.922)
Legal Project Reserve	Monitoring Officer	-	-	(0.500)	(0.500)	-	-	-	-	-	(0.500)
Revenue Grants											
COMF - general allocation remainder of £913k	Corporate Director - Communities	(0.071)	0.071	-	-	-	-	-	-	-	-
Garden Community Capacity Funding	Corporate Director - Communities	(0.125)	-	-	(0.125)	-	-	-	-	-	(0.125)
SPARK	Corporate Director - Communities	(0.010)	-	-	(0.010)	-	-	-	-	-	(0.010)
Rough Sleep Initiative	Corporate Director - Communities	(0.043)	0.038	-	(0.005)	-	-	-	-	-	(0.005)
Homelessness Prevention	Corporate Director - Communities	(0.824)	0.622	-	(0.202)	0.201	-	-	-	-	(0.001)
Police & Crime Commissioner	Corporate Director - Communities	(0.064)	-	-	(0.064)	-	-	-	-	-	(0.064)
Bicester Garden Town	Corporate Director - Communities	(0.655)	0.333	-	(0.322)	0.315	-	-	-	-	(0.007)
Bicester Village Roundabout	Corporate Director - Communities	(0.189)	0.007	-	(0.182)	0.007	0.007	0.007	0.007	0.007	(0.148)
Hanwell Fields S106 funding revenue	Corporate Director - Communities	(0.096)	0.009	-	(0.087)	-	-	-	-	-	(0.087)

Appendix 2 - Forecast use of earmarked reserves

Description	Owner	Opening	Forecast 23/24		Closing	Forecast use over MTFS Period					Forecast Balance at end of Period £m
		Actual Closing Balance 31 March 2023 £m	Transfer FROM / (TO) Reserve 2023/24 £m	S151 Review of Reserves £m	Forecast Closing Balance as at 31 March 2024	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	
Community Initiative Fund (S106)	Corporate Director - Communities	(0.028)	-	-	(0.028)	-	-	-	-	-	(0.028)
Land at White Post road S106 funding revenue	Corporate Director - Communities	(0.049)	-	-	(0.049)	-	-	-	-	-	(0.049)
Milton Road, Ayres Drive S106 funding revenue	Corporate Director - Communities	(0.213)	0.005	-	(0.208)	-	-	-	-	-	(0.208)
Discretionary Housing Payments matched funding	S151 Officer	(0.187)	0.187	-	-	-	-	-	-	-	-
Capital Reserves											
Disabled Facilities Grants	Chief Executive	(0.123)	-	-	(0.123)	-	-	-	-	-	(0.123)
Capital Receipts Reserve	S151 Officer	(0.606)	-	-	(0.606)	-	-	-	-	-	(0.606)
Cherwell Local Lottery - Play Well in Cherwell	Chief Executive	(0.165)	0.165	-	-	-	-	-	-	-	-
Capital Grants & Contributions	S151 Officer	(5.014)	0.180	-	(4.834)	0.720	3.355	-	-	-	(0.759)
Hanwell Fields S106 funding capital	Corporate Director - Communities	(0.046)	-	-	(0.046)	-	-	-	-	-	(0.046)
Land at White Post road S106 funding Capital	Corporate Director - Communities	(0.340)	-	-	(0.340)	-	-	-	-	-	(0.340)
		(43.322)	**(0.592)**	**0.000**	**(43.914)**	**(1.124)**	**2.963**	**(0.442)**	**(0.442)**	**(0.442)**	**(43.402)**

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Appendix 3 - General Balances Risk Assessment

Risk	Mitigation	Likelihood	Probability Weighted potential impact £m
Business Rates Appeals being 1% Greater than current assumptions	Provision has been made for a prudent level of appeals.	15%	0.420
Business Rates Growth Forecasts optimistic	Business rates forecast based on latest intelligence of businesses included on the ratings list.	25%	0.098
Council Tax growth forecasts optimistic	Council tax forecasts are based on Land Supply Data from Planning	25%	0.000
Council Tax Support Claimants greater than budgeted	The taxbase projections have assumed the current level of CTS claimants continues.	25%	0.042
Outcome of the Government Fair Funding Review	The outcome may not be in line with current financial planning assumptions of neutral in real terms. There is potential for both improvements and deterioration. But not expected to take place until 2025/26 at the earliest.	80%	3.440
Inflation runs at higher than rate assumed in MTFS	Budget assumes inflationary impacts.	25%	0.022
Pay Inflation runs at 1% higher than rate assumed	Budget assumes inflationary impact of pay award.	25%	0.085
1% unbudgeted rise in short-term and long-term interest rates	The Council has factored in to the budget prudent assumptions about interest rates at which it will borrow in 2024/25	50%	0.200
Delivering the savings programme and identifying future savings.	The Council has scrutinised the savings proposals included within the budget, but anticipate having to identify significant savings in the medium term.	25%	1.475
Commercial Risk	Regular reviews take place of the Council's commercial interests and the latest estimates have been used when setting the budget.	25%	1.000
Loans, Guarantees and Bonds	Regular reviews take place with the companies that loans and guarantess are given to in order to ensure that they are on a stable financial footing.	1%	1.030
Exceeding the 5% Partial Exemption VAT limit	VAT Returns are carried out monthly to HMRC and the VAT position monitored appropriately.	10%	0.040
Total			**7.852**

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Budget Planning Committee	
Work Programme 2024/2025	
Date	**Agenda Items**
4 March 2025	Finance Monitoring Report - Q3 December 2024
	Work Programme Update

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