

Agenda

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Finance Panel (Panel of the Scrutiny Committee)

Date: **Thursday 28 January 2016**

Time: **5.30 pm**

Place: **Plowman Room - Town Hall**

For any further information please contact:

Andrew Brown, Scrutiny Officer

Telephone: 01865 252230

Email: abrown2@oxford.gov.uk

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Finance Panel (Panel of the Scrutiny Committee)

Membership

Chair	Councillor Craig Simmons
	Councillor James Fry
	Councillor Jean Fooks
	Councillor Tom Hayes

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AGENDA

Pages

1 APOLOGIES

2 DECLARATIONS OF INTEREST

3 ENERGY & WATER SUPPLY CONTRACT PROCUREMENT

7 - 30

Invited:

Jo Colwell – Service Manager Environmental Sustainability
Paul Spencer – Energy and Carbon Manager

For the Finance Panel to pre-scrutinise the Energy and Water supply contract procurement decision. This item was referred to the Finance Panel by the 12 January Scrutiny Committee. This is an opportunity for the Panel to make recommendations to the City Executive Board.

4 TREASURY MANAGEMENT STRATEGY, ANNUAL REPORT AND PERFORMANCE 2016/17

31 - 54

Invited:

Nigel Kennedy – Head of Financial Services
Anna Winship – Management Accountancy Manager

For the Finance Panel to pre-scrutinise the Treasury Management Strategy, Annual Report and Performance 2016/17. This is an opportunity for the Panel to make recommendations to the City Executive Board.

5 CAPITAL STRATEGY 2016-17

55 - 116

Invited:

Nigel Kennedy – Head of Financial Services

For the Finance Panel to pre-scrutinise the Capital Strategy 2016/17. This is an opportunity for the Panel to make recommendations to the City Executive Board.

6 BUDGET UPDATE

Invited:

Nigel Kennedy – Head of Financial Service
Anna Winship – Management Accountancy Manager

The Head of Financial Services will provide a verbal update on the development of the Council's budget proposals.

7 DRAFT BUDGET REVIEW 2016/17 REPORT

117 - 132

Invited:

Nigel Kennedy – Head of Financial Services

Anna Winship – Management Accountancy Manager

For the Panel to review a first draft of its Budget Review report and agree any changes before the report is presented to the City Executive Board (CEB).

Please note that this is an early draft that has not been thoroughly proof-read at the time of publication.

The Panel's final Budget Review report will need to be cleared for CEB publication by no later than midday on Thursday 4 February 2016.

Note: This draft report is based on the budget proposals that were approved for consultation by the City Executive Board on 17 December 2015.

8 WORK PROGRAMME

133 - 134

For the Panel to note its work programme.

9 FUTURE MEETING DATES

7 April 2016, 5.30pm

Provisional dates have been set for 2016/17 to fit with the budget setting and reporting cycle (all 5.30pm starts):

8 September 2016

8 December 2016

16 January 2017

1 February 2017

29 March 2017

DECLARING INTERESTS

General duty

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?

Disclosable pecuniary interests relate to your* employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licences for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Declaring an interest

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest.

If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". What this means is that the matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

*Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those of the member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

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To: City Executive Board

Date: 11 February 2016

Report of: Jo Colwell, Service Manager, Environmental Sustainability

Title of Report: Energy & Water Supply Procurement 2016 – 2020

Summary and Recommendations

Purpose of report: To seek approval for the approach to the procurement of energy and water for the period 1 October 2016 to 30 September 2020.

Key decision: Yes

Executive lead member: Councillor John Tanner

Policy Framework: An efficient and effective Council

Recommendations: That the City Executive Board resolves to:

1. approve the use of the Kent County Council energy procurement framework via its trading arm LASER (the specialist public sector energy buying organisation) for a further four years (2016-2020) to procure the Council's energy contracts from October 2016 and water contracts from April 2017;
2. approve the continuation of the energy purchasing approach of:
 - a flexible contract for larger electricity and gas supplies
 - a fixed term fixed price contract for smaller quarterly billed supplies;
3. delegate authority to the Director of Community Services in consultation with the Head of Financial Services to select the most appropriate 'flexible energy contract basket' option.
4. approve that, as part of the annual budget setting process, the Lead Member will determine the proportion of renewable energy purchased under the contract each year in consultation with the Head of Financial Services (S151 Officer) and Director of Community Services.

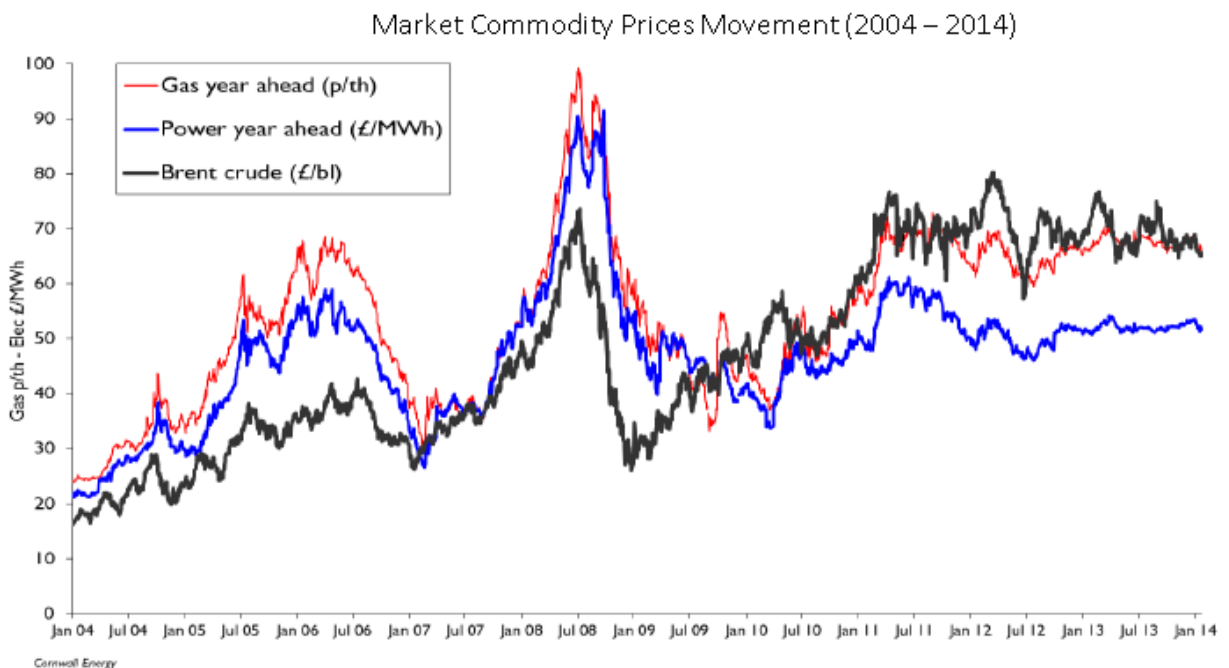
Appendices:

Appendix 1: Laser market performance

Appendix 2: Risk Register

Background

1. The Council's current energy purchasing arrangements using the Public Buying Organisation (PBO) LASER as a specialist energy purchasing agent were agreed at CEB in June 2011. This covered the period 1 October 2012 to 30 September 2016. This report reviews past LASER performance over the last four years and makes recommendations for the energy (and water from April 2017) purchasing approach for the new framework period 1 October 2016 to 30 September 2020.
2. LASER has been used by the Council as its main energy purchasing agent for a number of years and LASER has continued to perform well both in terms of returned prices and overall service offering.
3. Energy is currently purchased through a Flexible Procurement approach for the Council's larger electricity and gas consuming sites. This follows the best practice approach as outlined by the Cabinet Office in the Pan-Government Energy Project which recommends that all public sector organisations should adopt aggregated, flexible and risk-managed energy procurement to manage the risk of a volatile energy market.
4. To outline the nature of this market, the chart below shows historic energy market price volatility over 10 years from 2004 to 2014.



5. Purchasing energy through a PBO like LASER on a flexible energy contract meets the Cabinet Office recommendation for Council's operating in this volatile market. This approach manages risk in securing the most competitive and risk-managed energy price in an increasingly volatile and complex energy market.
6. Our existing arrangements with LASER terminate at the end of September 2016. To give the best chance of securing lower energy

rates it is advised that a new contract for the period October 2016 to September 2020 should be in place no later than 31 March 2016. This will allow for a minimum of six months of advanced purchasing of energy under the flexible purchasing arrangement.

7. The Council currently spends circa £1.62 million a year on gas, electricity and water across all of its buildings and operational sites. (800 metered supplies). The expenditure is split as follows:
 - Gas - £0.46million
 - Electricity - £0.96million
 - Water - £0.20million

8. Efficiency improvements at the Council, which have resulted in reduced gas, electricity and water consumption, have also made the council circa £500k/year better off (2014/15) compared to energy and water consumption levels before a carbon management plan was in place.

9. The contracts for the supply of electricity and gas are broken down into lots by typical annual consumption and meter type. Current arrangements with their renewal dates and typical annual consumption figures are detailed below:

Energy supply	Number of sites	Annual expenditure (consumption)	Contract type	Contract renewal date
Gas (large supplies)	29	c. £460,000 (14.9 million kWh)	Flexible Purchasing Contract	Oct 2016
Gas (smaller quarterly billed supplies)	35	c. £36,000 (200,000 kWh)	Fixed-term, Fixed price contract	Oct 2016
Electricity (large supplies – “half-hourly” metered)	9	c. £500,000 (5.6 million kWh)	Flexible Purchasing Contract	Oct 2016
Electricity (monthly billed non-half hourly supplies)	8	c. £130,000 (800,000kWh)	Flexible Purchasing Contract	Oct 2016
Electricity (smaller quarterly billed supplies)	c. 603 sites	c. £325,000 (2.8 million kWh)	Fixed-term, Fixed price contract	Oct 2016

10. In terms of the Council's 123 sites being supplied with water (ca £200,000 annual spend), currently Thames Water is the only supplier. However, this will be opened up to competition from other water providers from April 2017. This paper recommends using the services of a specialist PBO like LASER to renew water supply contract maximising on opportunities for lower water rates.

LASER performance

11. The current agreement with LASER¹ bulk buying consortium is in place until 30 September 2016.
12. The total cost for using LASER across all the Council's electricity and gas supplies is currently £28,300 per annum ie 2% of the council's annual spend on these supplies (£1.4m).
13. This cost covers the management of the flexible purchase arrangement as well as bill validation on the council's larger energy supplies. This is described as the 'Fully Managed Procurement' option.
14. LASER's fees are in line with or lower than other similar PBOs available. Indicative market testing for other PBO's resulted in fee estimates of £34,000 per annum and £36,000-£54,000 per annum. LASER compares well with a current fee level of £28,200 per annum to deliver the service on the Council's portfolio.
15. In terms of prices returned from its energy purchasing provision, LASER has performed well in the market over the years, even within a relatively stable (downward trending) market where savings margins are lower. The latest LASER figures available for October 2011 to September 2014 contract period are shown in Appendix 1 of this report.
16. Independently, a London Energy Partnership report² evaluated the achieved purchase price with LASER against the average market price and rated LASER's performance as "Very good" and "Effective" on the two flexible baskets for which the Council is signed up.

Options appraisal

17. In seeking to review and renew the Council's energy (and now water from April 2017) contracts the following options are presented:
- **Do nothing**
 - **Run a procurement process in-house**
 - **Use a public (professional) buying organisation (PBO) or third party intermediary (TPI) buying organisation.**
18. A detailed assessment of the above options has been carried out (See Energy Procurement Strategy, Background paper), the headlines of which are below.

¹ LASER is a Kent County Council trading arm.

² Value for Money Assessment by the London Energy Partnership, 2013

19. In summary, doing nothing is not an option as this would mean that the council would slip into very expensive deemed rates/out of contract pricing arrangements with its energy suppliers without an energy contract in place.
20. Running a procurement process in-house would both be time-consuming and expensive requiring specialist energy purchasing expertise and having to run as an Official Journal of the European Union (OJEU) tendered process. The Council also does not have the large scale of purchasing volume to warrant setting up its own energy contracts via a flexible purchasing arrangement. It would also not have the buying power that a PBO or similar purchasing consortia would offer.
21. Procuring energy through a PBO is regarded as a best practice approach to mitigate energy price risk in an increasingly volatile and complex energy market and is the recommended option for OCC to pursue. PBOs are also not-for-profit organisations geared for working with public sector organisations and the constraints they have to operate in. They also present a low-risk OJEU compliant procurement route to market.

Preferred option and benefits

22. It is recommended to continue using the services of a PBO to procure the Council's energy. Given its good track record and level of service provided to OCC over the past three framework periods (12 years), it is recommended to continue using LASER (a not-for-profit PBO) to purchase energy (and water from April 2017) on behalf of the Council. The Energy Procurement strategy background paper provides further detail on this rationale and also assessment of other similar PBOs which provide similar services for comparable fees.
23. However it is proposed to move from a previously Fully Managed procurement arrangement on its larger supplies - where larger energy consuming site bills are validated by Laser (at a cost of ca £28k per year or 2% of annual energy spend) to a procurement only option where the Council carries out its own bill validation using its own in-house developed expertise. This will reduce LASER costs to around £17k per year – saving ca £11k in procurement charges.
24. This is possible as the Council's energy team has now established the expertise to validate energy and water bills in house using the Sigma Energy software. This, along with other energy/water management services, are being explored as a revenue generating stream for the council where the team's services are offered to other public sector organisations or local SMEs.
25. LASER is now able to provide an increased number of purchasing options (so called Energy baskets) which further balance cost against

risk. Previously two options were available – the Purchase in Advance (PIA) option - which the council currently uses - and the Purchase within Period (PWP) option. Four additional baskets are now offered depending on the appetite for risk and the nature of the energy supplies. See the Energy Procurement Strategy Background paper for more detail on the options available.

26. Discussion will be carried out through the regular quarterly meetings between Energy & Natural resources and the Council's Financial services team and a decision made jointly on the most appropriate energy basket to select during each annual framework period. Six month's notice ahead of the subsequent framework cycle (Oct to Sept) is required if OCC wants to move any supplies to an alternative energy basket. Therefore decisions would need to be made by no later than 31 March in each year of the four year framework contract.
27. For quarterly billed, smaller consuming sites fixed term fixed price contracts remain the most appropriate purchasing option given the smaller volumes of consumption and lower price risk involved.

Legal issues

28. Kent County Council (KCC) is the 'Contracting Authority' for the flexible energy supply contracts operated by LASER. The energy supply contracts are procured through OJEU compliant tender processes. KCC is a 'Central Purchasing Body' ('CPB'), as specified in the Public Contract Regulations 2006. As such, other public sector bodies are able to use the energy supply contracts without having to run separate OJEU tender processes for either the appointment of energy suppliers or LASER's contract management services. An 'Open Procedure' procurement process, in accordance with European Combined Procurement Directive 2004/18/EC, has been utilised for the tender and award of flexible energy supply contracts for the period October 2016 – September 2020.

Financial Issues

29. The Council's Finance Team will be required to engage in discussion on the suitability of the various basket options and overall portfolio performance through regular quarterly meeting between the Finance Team and Energy & Natural Resources (ENR) team. This will be led and initiated by the ENR team who have overall responsibility for managing the council's energy contracts and also managing electronic billing of all energy and water bills through the Sigma energy and water billing software it employs.

Environmental Impact

30. Renewable energy is available in the entire LASER portfolio for the flexibly purchased supplies for the duration of the new frameworks through to September 2020. However, there is no guarantee of 100% availability and this would incur an additional cost with current indication (tbc by contract start date) to be around 0.2p per unit of energy supplied

- (kWh). This would equate to around £45,000 additional energy spend per year on the supplies on flexible contracts. Officers will seek to maximise the proportion of fully traceable (see below) renewable energy supplies in the contract if the utility budget allows. As part of the annual budget setting process the Lead Member will determine the proportion of renewable energy purchased under the contract each year in consultation with the Head of Financial Services (S151 Officer) and Director of Community Services.
31. Traceability of electricity supply subject to the Climate Change Levy will be available through provision of Levy Exemption Certificates (LEC) for the supplies. This will enable renewable energy sources to be identified including a full audit trail of LECs and Renewable Energy Guarantees of Origin (REGO) certificates. This will be beneficial for providing greater transparency for OCCs Carbon and Sustainability reporting as well as backing the Council's aspirations around energy and carbon emission reduction.
 32. The greenest sources of energy will be sourced where viable for the quarterly supplies on the fixed term fixed price contracts - and if no more than 2% above the cost of conventional supplies - with full traceability of supply requested.
 33. Demand side management options will also be available to explore as a contract option via LASER with the potential ability to receive a cost reduction or cash payment in return for being able to curtail energy usage at short notice in the Council's buildings or other energy consuming sites. This will be of increasing benefit over the years as non-commodity price elements of energy bills continue to increase (and overshadow wholesale energy prices) and again provide increasing flexibility over conventional energy contracts. It will also provide for greater integration of the Councils' energy/carbon management and energy procurement strategies – an increasing trend in the current energy market.

Risk register

34. A risk register is appended with this report. Using a PBO to procure the Energy contracts is a recommended best practice approach in the increasingly volatile and complex energy sector. Purchasing energy on flexible contracts through a PBO is also an aggregated, flexible and risk-managed way of securing energy contracts as recommended by the Pan-Government Energy Project.
35. The highest risk to the council is to not have energy contracts in place and slip in to deemed/out of contract rates for its energy supplies which are significantly more expensive than contracted rates (of the order of 50% or higher compared to arranged contract rates). The purpose of securing contracts through a PBO is to avoid this happening and also to give the best chance of securing most competitive energy (and water) contract prices.

Equalities Impact

36. There are no equalities impact issues with this decision.

Name and contact details of authors:-

Name Paul Spencer / Nicky Atkin

Job title: Energy& Carbon Manager/ Contracts and Procurement Specialist
Environmental Sustainability/Financial Services.

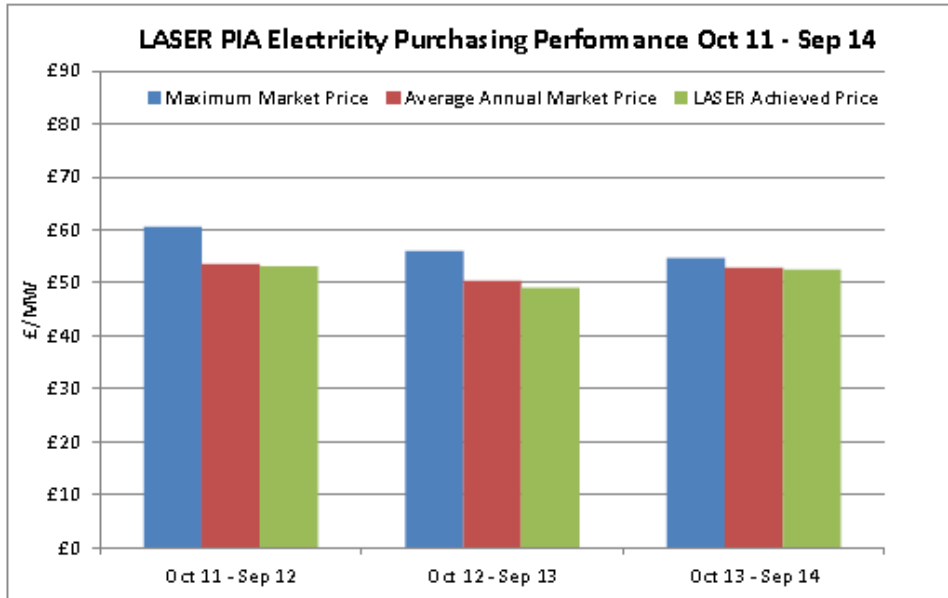
Tel: 01865 252238 e-mail: pspencer@oxford.gov.uk/ 01865 252778 e-
mail:natkin@oxford.gov.uk

List of background papers:

Energy Procurement Strategy, Oxford City Council

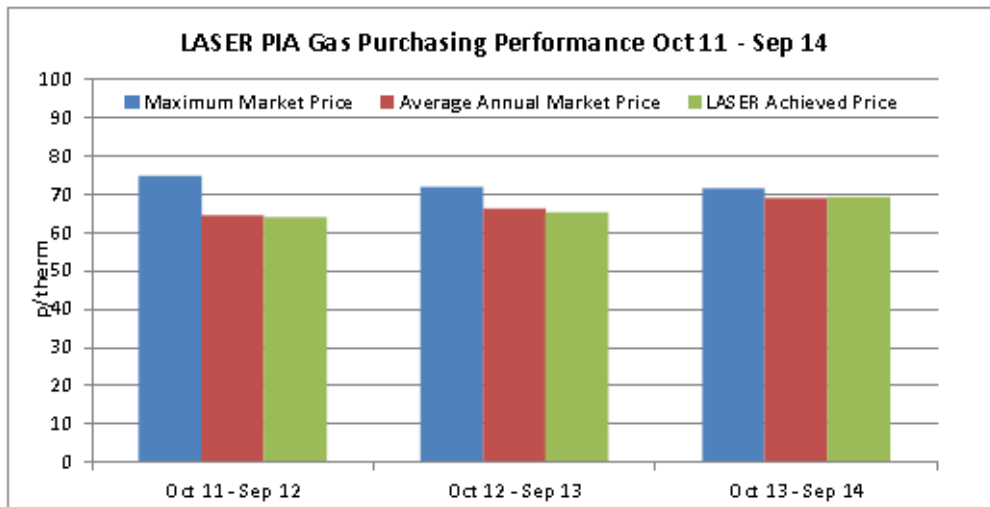
Appendix 1: LASER market performance Oct 2011 to Sept 2014

LASER's average electricity purchase price was 1.3% below the average market price in the Purchase in Advance (PIA) energy basket. Performance over the last three years is illustrated in the chart below



Period	Maximum Market Price £/MWh	Average Annual Market Price £/MWh	LASER Achieved Price £/MWh		
Oct 11 - Sep 12	£60.57	£53.57	£53.17	-£0.40	-0.7%
Oct 12 - Sep 13	£56.00	£50.42	£49.08	-£1.34	-2.7%
Oct 13 - Sep 14	£54.68	£52.86	£52.49	-£0.37	-0.7%
3-yr		£52.28	£51.58	-£0.70	-1.3%

LASER's average gas purchase price was 0.6% below the average market price in the Purchase in Advance (PIA) energy basket. Performance over the last three years is illustrated in the chart below.



Period	Maximum Market Price p/therm	Average Annual Market Price p/therm	LASER Achieved Price p/therm		
Oct 11 - Sep 12	74.72	64.42	64.03	- 0.39	-0.6%
Oct 12 - Sep 13	71.86	66.20	65.18	- 1.02	-1.5%
Oct 13 - Sep 14	71.49	68.97	69.26	0.29	0.4%
3-yr		66.53	66.16	- 0.37	-0.6%

Title	Risk description	Opp/ threat	Cause	Consequence	Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
							I	P	I	P	I	P		Control description	Due date	Status	Progress %	Action Owner
Loss of HRA monies	Deadline is missed for LASER framework sign up.	T	Failure to get agreement to procurement route before mid-March 2016	The Council has no control over the rate paid for energy due to not being in contract	21/12/2015	P.Spencer	1	1	1	1	2	1		Sufficient planning has been conducted to ensure contingency in the award process.	21/12/2015		75%	P.Spencer
Delay to having a new contractual arrangement	Various procurement baskets become unavailable throughout the contract term	T	LASER have stated that they will not offer certain baskets if there is insufficient interest by their customer base.	The Council will have to review its choice of baskets, should the preferred option not be available.	21/12/2015	N.Atkin	1	5	1	5	1	5		Regular review of the market via LASER so that we are clear on the best basket for the current market conditions.	21/12/2015		75%	N.Atkin in consultation with P.Spencer
New contract price is higher than allotted budget	Contract rates are higher than the allotted budget	T	Contract prices for existing contract have largely remained static for 5yrs and it is anticipated that there will be an increase to rates for the new contract.	The Council would have to increase the budget to meet requirement.	21/12/15	Jo Colwell	2	8	2	8	2	8	LASER are very good at keeping their customers informed about the market. Their buyers are constantly engaged with the market and aware of outside forces that can affect pricing.	The expectation that the electricity market will rise during the course of this contract has already been made clear. Fixed cost / fixed term on the quarterly billed sites will allow for initial price certainty. Close working with the Finance Business Partner at all times to prepare for any significant rises throughout the contract term.	21/12/15		75%	Jo Colwell in consultation with the Finance Business Partner

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Procurement Strategy

Contract Title: Provision of Energy

Project Initiative Reference:

Procurement Team
Version 2.0 March 2015

Part A – pre procurement

1. PROJECT DETAILS & GOVERNANCE

1.1 Background.

Since gas and electricity markets opened to competition in the 1990's, the energy market has become a highly specialised field of procurement. The complexity of the procurement options can create a risk if not managed by someone with the appropriate level of skills and expertise. It is also time consuming due to the potential number of suppliers and types of contract available.

In recent years the energy contract options have developed considerably with a range of contract types available and with increasing complexity requiring specialists to manage. For example, Flexible purchasing relies on specialist buyers monitoring the market on a daily basis to ascertain the best opportunities to purchase energy, including advance purchasing. Specialist support is now required to ensure value for money and appropriate risk management levels are applied.

Several buying organisations, both private and public sector, can secure such contracts on the Council's behalf. Public sector buying organisations (PBOs) are favoured because they focus solely on public sector needs rather than trying to match the potentially competing objectives and requirements of private and public sector organisations. In addition, these groups have long experience of acting on behalf of the public sector and are therefore well versed in their requirements and processes. Lastly, they will certainly comply with Public Procurement Regulations 2015.

The Council has used the public buying organisation LASER for the last 3 contract Terms.

1.2 Scope.

The Council is looking to purchase electricity and gas for its larger non-domestic buildings and sites that it operates within its estate. This includes half-hourly metered electricity supplies, large non-daily metered gas supplies (>73.200kWh per year) as well as quarterly billed electricity and gas supplies. There will also be a requirement to procure water supplies when the non-domestic market is liberalised in April 2017. Under the new arrangements customers will be free to purchase water from any water supplier (not just those within its supply region) which will present an additional procurement decision from that point to secure the most advantageous offering

1.3 Deliverables / Key requirements.

This procurement will ensure that the Council has gas and electricity supplies for the next 4 years. It is also an opportunity to consider the likely impact and procurement options arising out of the Water Act 2014, which moves ever closer to the opening of the water supply market in April 2017.

Options Appraisal

- Do nothing – not an option as the Council needs a supply of energy to function and deliver its services. If not managed properly and energy contracts are not secured, out of contract “deemed” rates would be incurred meaning significant

increases in energy costs at a time when budgets are getting increasingly constrained.

- Run a procurement process in-house – this would be a costly exercise that would not necessarily guarantee value for money for the Council. Although the Council has a good skills base regarding energy management, it does not possess the specialist trading knowledge that is essential for operating within the energy market. The Council would also not be able to procure energy flexibly itself direct from the wholesale market due to its volumes being too low. The volumes that the Council will need to purchase would also not be as attractive as a stand-alone client for energy suppliers compared to aggregating purchase through a third party such as a PBO and using the collective purchasing power to secure the most competitive rates.
- Use a public (professional) buying organisation (PBO) or third party intermediary (TPI) buying organisation PBOs/ TPIs act on behalf of a client to purchase its energy and related services for a commission. This is a fast and growing area with both not-for-profit public sector focussed (PBOs) and profit driven private sector players on the market. Whilst there are a number of reputable and well-established private sector organisations available for hire with some of these organisations do not procure energy under the Public Contract Regulations 2015. PBOs present a closer match to local authority purchasing requirements and it is our opinion - whilst this market is developing (and TPI codes of practice being developed by Ofgem) to remain with a PBO for the next energy purchasing framework period (October 2016 to September 2020). The developing market and procurement options will continue to be tracked and monitored with a view to future decisions on our approach to Energy (and water) purchasing. PBOs offer a fully managed, flexible and risk managed approach to energy purchasing and commonly have dedicated teams, experienced in energy trading that provide a compliant route to market for public sector organisations. There are various PBOs available to local authorities to procure energy, with some of the main PBOs as follows:
 - Crown Commercial Services (CCS)
 - Eastern Shires Purchasing Organisation (ESPO)
 - London and South East Region (LASER)
 - West Mercia Energy (WME)
 - Yorkshire Procurement Organisation (YPO)
- It is very difficult to back-test performance of the various PBOs to gauge what energy costs may have been (compared to OCC's use of existing provider - LASER) given the fact that energy purchasing is happening in a dynamic way on a daily basis that informs the final price secured for a set purchasing period. The offerings available from the various PBOs are generally similar with some offering more flexibility and range of options than others. For this appraisal process and given the similar levels of service on offer from the various PBOs , it was decided to focus on two major PBOs based on existing experience of use of their services. LASER, employed successfully by OCC for the last 3 framework periods (also used by Oxfordshire County Council and other authorities in Oxfordshire – such as Cherwell District Council and West Oxon District Council) and WME – employed by Cotswold Borough Council , Forest of Dean Council and Gloucester City and County Councils:

West Mercia Energy (WME) is a PBO owned by 4 local authorities. They currently manage energy contracts for 11 local authorities and deliver energy to approximately 1,700 schools. WME has a team of 13. This framework offers fully flexible purchasing, with the ability to trade ahead of and within financial year. WME offers a capped price in line with the financial year, which gives 12 months budget certainty. In March of each year WME communicate the capped energy price for the forthcoming financial year, which is the maximum that a customer will pay. If wholesale prices increase there is no reconciliation resulting in further charges to be paid. The capped price is then reviewed in August and December to determine if any discounts off the cap can be given. The performance of WME has been positive and the predicted fund for the 4 local authorities (Gloucester County Council, Tewkesbury Borough Council, Forest of Dean District Council and Cotswold District Council) held at 31st March 2016 is £69,425 This PBO is also developing energy management services as part of their packaged service. WME offer a fully managed procurement service only meaning that energy bills are validated and processed by WME prior to passing on to the customer for payment. Fully managed services come at a higher commission to the PBO compared to procurement only services.

LASER established in 1989, has been managing public sector energy procurement for 25 years and it launched its first Flexible Procurement framework in 2008. LASER is currently purchasing energy for over 150 customers with an aggregated spend of £450million per annum. This PBO has a team of over 70 energy specialists working across the various teams. The various options on offer can be taken as “procurement only”. LASER now offers a range of framework options including:

Fixed price, fixed term – where prices are agreed on a single day prior to the start of the contract. Prices can be fixed for, typically, up to 3 years. This can result in large variations in costs between contracts depending on the prevailing market prices.

Flexible purchase in advance (the option that the Council is currently using) - all purchases are concluded prior to the supply period (1st October to 30th September). Energy is purchased from the wholesale market several months in advance of the contract start date for each year (1st Oct) over a prolonged period (rather than on one day only) to spread and balance the risk so that the price for the supply period is known by the start of the supply period

Flexible purchase within period - this is similar to PIA with energy being purchased ahead of contract start date but a proportion of purchases are also completed within the supply period. Generally, this is a more risky strategy but can result in better prices overall. In such an arrangement, a target price is established for invoicing purposes and this is reconciled against actual prices either after each billing period or at the end of the supply period (usually one year). In each case, various control mechanisms are put in place, e.g. high and low price trigger points which are set to influence purchasing decisions; however any individual decision to purchase is not automatic but requires the agreement of two or more professional buyers employed by the PBO.

LASER has also introduced some new procurement baskets:

Flexible purchase day ahead – a fixed volume is purchased prior to delivery, with the remaining volume left to “float” on day ahead index. This operates on a

6 month supply period. A reference price is set at the beginning of the supply period with a reconciliation carried out. This option will be attractive to those customers who are able to manage their load.

Flexible set and reset– purchases are made in advance and within the supply period. They are determined on price triggers and based on either a 6 or 12 month supply period. If the triggers hit, then the resale of completed energy purchase is permitted. There is a subsequent buy back mechanism in place if this happens. The reference price is set at the beginning of the supply period with a reconciliation carried out. Recent analysis of this option indicates that it has been performing, on average, 10% better than the current market.

Flexible mechanistic purchasing (FMP) – all volume is purchased prior to delivery in equally sized blocks once a month. Purchasing takes place over a 24 month period and is for a supply period of 12 months. The price will generally be reflective of the average market price. Having discussed this, it is thought that this option is not really attractive as customers will generally want to better this pricing.

And finally;

Flexible forward lockout – this is where the total volume is purchased 6 months prior to delivery. Pass through charges (where things like transmission and distribution network charge increases are passed through to the customer) can be agreed and it is based on a 12 month supply period. Sum of all trades is used to calculate the energy price (this is how the power indices are calculated) The advantage of this option is that the customer gets to know their prices early, but will inevitably miss out on some months buying.

It is worth noting that the new options offered by LASER will only be offered if there is sufficient take up by customers.

Recommendation

Following early conversations with framework suppliers regarding any leverage that could be achieved by the Councils joining in a collaborative procurement process it was established that there was no further benefit to each organisation than if they approached the PBOs individually. Given prior experiences with LASER and WME and similar services on offer from other PBOs it was decided to focus on LASER and WME for further assessment. Representatives from Oxford City Council, West Oxfordshire District Council and Cheltenham Borough Council were involved in a supplier question and answer session in order to establish which framework would be the best suited for each authority. West Oxfordshire District Council and Cheltenham Borough Council want to eventually achieve a one contract energy supply situation for GO Shared Services (WME already supply Forest of Dean and Cotswold District Councils) and their volumes are much lower than Oxford City Council, therefore they will be recommending to their Cabinets the WME model. Although impressed with the WME set up, and in consultation with Paul Spencer, I am recommending continuation of use for the LASER framework given LASERs good track record of delivery for OCC (returning consistent prices below the average market prices), range of purchasing options (including free smart metering installation and Renewable energy options) and the fact that energy can be purchased as a procurement only option (more appropriate to OCCs developed internal expertise in this area reducing the costs further as

validation is being carried out in house – eg circa £94k worth of savings has been identified from OCCs in-house validation efforts from April 2015 to date this year. The procurement only option allows the Council to use its own Bureau services for bill validation and other energy management services and not pay for a service that it will never use.

The decision over which specific purchasing basket option to use has to be taken in consultation with the Head of Finance. The recommendation is to continue to place the larger sites under the “purchase in advance” option (with potentially some of the heaviest users under the flex & reset or Purchase within Period baskets). For quarterly billed, smaller consuming sites fixed term fixed price contracts remain the most appropriate purchasing option given the smaller volumes of consumption and lower price risk involved.

1.4 Governance and Stakeholders.

Responsible Corporate Programme Board	
Sponsor	Jo Colwell
Head of Service (if different to Sponsor)	Nigel Kennedy
Project Manager	Paul Spencer
Service Contract Manager	Paul Spencer
Finance Business Partner	Lyn Barker
Law & Governance	Lindsay Cane
Procurement Lead	Nicky Atkin, in consultation with Paul Spencer
Other (insert additional lines where necessary e.g. HR, ICT, incl. members of the Evaluation Panel etc)	Councillor John Tanner will be consulted on this procurement in the early stages.

1.5 Will the decision to award be a key decision?

Yes

If Yes, please ensure that steps are taken to include this on the Forward Plan

2. FINANCIAL AFFORDABILITY & SAVINGS FORECAST

2.1 What is the current spend.

If this is a continuation of a requirement, what is the historic spend per annum			
Utility	Contract	Number of Accounts	Financial Spend 2014/15 [ex VAT]
Electricity	LASER Halfhourly		
	HH	9	£502,031.98
Electricity	LASER NonHH	8	£128,286.58
	Quarterly billed (Fixed term contract)	603	£325,123.07
Gas	LASER large gas supplies >73,200kWh per year)	29	£421,044.81

	Quarterly billed (Fixed term contract)		
Gas		35	£36,416.49
TOTAL		684	£1,412,902.93

2.2 Detail the cost and funding over the full term of the contract.

	Capital £	Revenue £	HRA £	Grant £	Total £
Estimated cost over full term					
Estimated cost per annum					
Total funding					

2.3 Provide details for any grant funding or third party contribution.

None

2.4 Funding has been confirmed by the Finance Business Partner? Yes

Note – the procurement should not commence without funding being confirmed!

2.5 Forecast and type of savings.

	One-off £	Recurring £
Cashable		
Non-cashable		

2.6 State any saving that can be claimed by Procurement.

2.7 Describe any risks that would prevent benefit realisation.

Global incident that materially affected the supply of gas / water / electricity

3. CONTRACT STRATEGY

3.1 Describe the opportunities for collaboration with partners.

At the planning stage of this procurement, the team had detailed discussions with West Oxfordshire District Council and then latterly with GO Shared Services to investigate whether collaboration would lead to any significant market leverage or other benefits in the market (see 3.2) This has, however, given the procurement team the opportunity to sell its procurement services to both Cotswold District Council and Cheltenham Borough Council. A further opportunity may arise from this collaboration with Cheltenham Borough Council for Oxford City Council to sell its Energy Bureau Services, enabling Cheltenham to achieve cashable savings from more proactive energy management solutions. The Energy team continue to explore this opportunity with Cheltenham Borough Council.

3.2 Describe the market conditions and the leverage the Council has in the market.

Complete analysis tools such as Kraljic, supplier preferencing, Porters 5 Forces, etc

3.3 Describe the rationale for the proposed contract term.

4 years aligns to the common length of framework period put in place by Public Sector Buying Organisations. The last Energy Contract was for a 4 year term.

3.4 What flexibility is planned to allow for early exit from the contract.

The contract would be locked in for a four year framework period with billing coming from Npower and Total Gas. This would also ensure that energy purchases can be made by LASER on our behalf over the full period October 2016 to September 2020 ensuring more chance of a lower energy price. This gives further budget certainty and supply stability. There is also a large administrative burden involved in changing suppliers on a regular basis given the volumes of invoices/supplies the Council manages (ca 1000 electricity, gas and water meters) and there would be no benefit in doing so. LASER are providing the aggregated, flexible and risk managed energy procurement as recommended as best practice by the Pan Government Energy Project.

3.5 If Services, describe how the Social Value Act or Corporate Social Responsibilities can be included.

Not applicable

3.6 If Services, does the contract come under the scope of Community Right to Challenge?

Yes / No.

Not applicable

3.7 Describe any areas of sustainable procurement that have been considered and how they will be incorporated.

Complete Sustainability Impact Assessment, where appropriate. The greenest sources of energy will be sourced where viable for the quarterly supplies on fixed term contract -and if no more than 2% above the cost of conventional supplies - with full traceability of supply requested. Renewable Energy is available in the LASER portfolio for the flexibly purchased supplies for the duration of the new frameworks through to September 2020. For the first year of supply October 2016 to September 2017, this will be offered at a 5% discount to the prevailing rate of Climate Change Levy (CCL)

3.8 Please state who will be managing this contract

Paul Spencer, Energy & Carbon Manager. Paul has successfully managed the last 2 terms of this contract and is a corporate accredited Procurement Practitioner.

4. RISK ANALYSIS

4.1 Attach a copy of a detailed risk assessment which includes also includes risks pertaining to the procurement stage.

Attached Yes / No

5. TENDER EXECUTION

5.1 What is the appropriate procurement procedure?

Procedure	Tick	Rationale (should be based on research or evidence)
Non EU – Open		
EU Open*		
EU Restricted*		
Competitive Dialogue		
Competitive Procedure with Negotiation		
Innovation Partnership		
Framework	√	LASER

* If an accelerated timeline is proposed please state justification for doing so.

5.2 Does the procurement lend itself to being conducted via an eAuction?

No

Not applicable

5.3 Do any conflicts of interest exist

No

If Yes, please describe the conflict and how this will be managed in the project

5.4 Detail key milestone dates.

Milestone	Date
Gateway 2 - Approval to proceed	
Publication of OJEU Contract Notice (where used)	
Issue of Pre-Qualification Questionnaire (where used)	
Issue of Invitation to Tender	
Gateway 3 – Approval to proceed	
Key Member decision (where required)	
Notification of Preferred Bidder (Standstill period)	
Contract Award	
Contract Go-live	

6. COMMERCIAL PERFORMANCE

6.1 Detail the form of contract to be used.

This will be a tri-partite contract between Oxford City Council, LASER and the energy suppliers. Legal will be consulted prior to signing.

6.2 What key clauses that support the Council's corporate plan or policies are to be included into the contract?

This is not applicable to this contract

6.3 Describe what price controls will be contained in the contract.

If indexation is proposed, please state rationale and confirm that the Finance Business Partner agrees with the proposed indice.

6.4 Detail what KPI's will be applicable to the contract and summarise what management information will be required from the appointed Contractor.

Quarterly client meeting with LASER key account manager to assess portfolio performance
 Twice yearly customers meeting held at LASER HQ – one to be attended per year by member of the Council's energy team (finance/procurement personnel also encouraged/open to attend)
 Quarterly reporting of LASER basket performance and price projections to help inform ongoing procurement decisions (eg if strategically wanted to shift to another flexible basket during the contract)
 Prompt issuing of final unit energy price for the flexible contract cycle period 1 Oct to 30 Sept – as soon as practicable and no later than 1st November each year

6.5 Describe any mechanisms that will be put in place to ensure that the contract will deliver continual value for money.

There is full flexibility to move supplies in to the range of baskets that LASER offer during the period of the contract meaning that if performance of certain basket options are performing well, OCC could proactively arrange to move (6 months notice prior to each 1 October anniversary required – eg by 31 Mar 16 for 1 Oct 16 start). This is part of the roles and responsibilities of the Council's energy team. Quarterly meetings/reports on energy and water spend can be held with key finance personnel/business partners to provide overview of portfolio spend and assist with energy spend forecasting/budgeting (this will be facilitated further by the move to group electronic energy billing (this is independent of the energy supplier/broker service in place). This will also inform any decision on whether supplies would be swapped to alternative baskets.

6.6 Selection and evaluation methodology attached as Appendix A?

Attached No

Part A – Procurement Team approval to commence procurement process as per strategy outlined above

Insert any comments

Approved by	
Date	

Part B – post procurement

7. POST TENDER EXECUTION

7.1 Name(s) of successful Bidder.

7.2 Tender Evaluation Report attached as Appendix B?

Attached Yes / No

7.3 Has the Bidder agreed to all contractual terms?

Yes / No

If No, provide full details of the Bidders position

7.4 Is there any potential challenge to awarding the contract?

Yes / No

If Yes, please full details and mitigation action

7.5 Contract costs are in accordance with funding as detailed in 2.1?

Yes / No

If No, please copy and update the table from 2.1 here

7.6 Benefit realisation is in accordance with the forecast as detailed in 2.4?

Yes / No

If No, please copy and update the table from 2.4 here

7.7 Benefit realisation is in accordance with the forecast as detailed in 2.4?

Yes / No

If No, please copy and update the table from 2.4 here

Part B – Procurement Team is satisfied that the procurement process was conducted in accordance with the strategy outlined above and that the recommendation to award the contract is supported.

Insert any comments

Approved by

Date

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To: City Executive Board
Date: 11 February 2016
Report of: Head of Financial Services
Title of Report: Treasury Management Strategy 2016/17

Summary and Recommendations

Purpose of report: To present the Council's Treasury Management Strategy for 2016/17 together with the Prudential Indicators for 2016/17 to 2018/19.

Key decision: Yes

Executive lead member: Councillor Ed Turner

Policy Framework: Sustaining Financial Stability

Recommendation(s): That the City Executive Board resolves to recommend that Council resolves to:

1. Approve the Treasury Management Strategy 2016/17, and adopt the Prudential Indicators for 2016/17 – 2018/19 as set out in paragraphs 7 to 41, and Appendix 2;
2. Approve the Investment Strategy for 2016/17 and investment criteria as set out in paragraphs 21 to 38 and Appendix 1; and
3. Approve the Minimum Revenue Provision (MRP) Statement at paragraphs 11 to 20 which sets out the Council's policy on debt repayment.

Appendices:

- Appendix 1 – Credit and Counterparty Risk Management
- Appendix 2 – Prudential Indicators
- Appendix 3 – Risk Register

Executive Summary

1. The Council's Treasury Management Strategy has been written in accordance with the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The main changes to the Strategy are
 - a. the introduction of Real Lettings as an investment instrument (which was approved by Council on 23 September 2015),
 - b. provisions for assessing the Minimum Revenue Provision on loans to a Housing Company or other organisations in which the Council has an interest; and
 - c. the proposal to reclassify loans to government bodies along with an increased duration of such investments.
2. The report presents the Council's prudential indicators for 2016/17 – 2018/19. Notable indicators include capital expenditure and borrowing limits as these are areas of significant activity.
3. Members are required to agree the Council's Minimum Revenue Provision (MRP) policy (set out at paragraphs 11 to 20), which is the annual charge to revenue for the repayment of debt.
4. The average value of investments during the financial year to date is £71.7m, ranging from £58.4m to £88.2m at any one time; an increase on the previous year, when average balances were £69.4m and ranged from £63.7m to £76.1m; this rise is primarily due to slippage in the Council's Capital Programme.

During 2015/16 the Council will repay the residual balance of its General Fund debt (£0.895m). All external debt as at 31 March 2016 (£198.5m) will relate solely to the Housing Revenue Account self-financing debt taken out in 2012 which is held at fixed rates with varying fixed periods to maturity.

5. The Council's General Fund Capital Programme over the next four years continues to be funded from a combination of government grants, capital receipts, revenue resources and Community Infrastructure Levy but with an increase in the amount funded from prudential borrowing of £15.3 million over the next four years. This relates to an investment in the National Homelessness Property Fund the purchase of homes for homeless families and the purchase of investment interests in properties. This borrowing is likely to be undertaken from internal resources in order to restrict the cost of carrying external debt.
6. Whilst the majority of the Housing Capital Programme continues to be funded directly from Council House rents the Council's budget also allows for increased borrowing (around £20 million) to fund a package of housing investments over the next four year period

Treasury Management Strategy Borrowing and Debt Strategy 2016/17

7. Under the Prudential Code, individual authorities are responsible for deciding the level of their borrowing. The system is designed to allow authorities with an affordable borrowing requirement, to borrow in order to pay for capital investment.
8. The arrangements also facilitate 'invest to save' schemes where they are affordable, prudent and sustainable.
9. The parameters for determining the level of prudential borrowing are:
 - A balanced revenue budget that includes the revenue consequences of any capital financing i.e. interest, debt repayment and running costs of any new project;
 - That the impact of the authorised borrowing limit on Council Tax or Council rents is reasonable.
10. The draft Capital Programme which appears elsewhere on the Agenda; includes:
 - £20 million of HRA borrowing, to fund the HRA Capital Programme over the next four years.
 - £5 million for investment in the National Homelessness Property Fund;
 - £8.4 million for investment in the regeneration of Oxpens to be undertaken in 2015/16; and
 - £10.3 million for investment in property that will generate additional revenue income

Minimum Revenue Provision (MRP) Statement 2016/17

11. Prudential borrowing increases the Council's Capital Financing Requirement (CFR) or underlying need to borrow. Whether the Council actually borrows to finance capital expenditure is a treasury management decision unconnected to the capital financing decision. In practice, the Council is likely to use a combination of internal and external borrowing in the medium term to fund the Capital Programme. The amount of external borrowing, if any, will depend on the borrowing requirement compared to the level of cash balances. The Council is required to make a prudent charge to its revenue account for borrowing. This charge is known as Minimum Revenue Provision (MRP) and reflects the repayment of principal borrowed. In some circumstances there is no need to charge a MRP; these circumstances are identified in paragraph 12 below.
12. Regulations require Full Council to approve the Council's MRP policy on an annual basis. The following statement is recommended for 2016/17:

- a) For capital expenditure incurred before 1 April 2008 or which in the future will be supported capital expenditure¹, existing practice, outlined in the former Department for Communities and Local Government (DCLG) regulations will apply.
 - b) For capital expenditure that relates to the assets transferred from the Housing Revenue Account (HRA) to the General Fund (GF) MRP will be based on the estimated useful life of the assets, taking into account the number of years the assets have been in existence, and previous funding allocated to them.
 - c) For all unsupported borrowing² incurred after 1 April 2008 the MRP policy will be the Asset Life Method (with the exception of d below), i.e. the MRP will be based on the estimated life of the asset and borrowing will be charged to the revenue account in equal instalments over the life of the asset.
 - d) In respect of the Council's investments in a Directly Managed Property Fund or loans to other organisations such as a company in which the Council has an interest, under s25(b)/s25(d) of The Local Authorities Capital Finance and Accounting (England) Regulations 2003 the Council will make no MRP provision as it is anticipated the investment will be repaid in full. The investment and CFR position will be reviewed on at least an annual basis and if there is a likelihood of capital loss, a prudent MRP provision will then be made.
13. The HRA is not required to make a MRP but is required to make a depreciation charge. Regulations allow the Major Repairs Allowance (MRA) to be used as a proxy for depreciation for the first five years of the HRA self-financing scheme. Depreciation on HRA properties is estimated at £6 million per annum and the MRA received is in line with this. After the five year period (which ends in 2016/17), no offsetting will be available and depreciation will be a real charge impacting the bottom line.
14. The S151 officer has delegated authority to determine the need for any future borrowing taking into account prevailing interest rates and associated risks. A combination of long-term and short-term fixed and variable rate borrowing may be considered. This may include borrowing in advance of future years' requirements.
15. Borrowing may be undertaken to fund the approved Capital Programme or to fund future debt maturities. The S151 officer will adopt a cautious approach and take into account the following factors:
- The on-going revenue liabilities created, and the implications for the future plans and budgets;

¹ Supported Capital Expenditure means the total amount of capital expenditure which a local authority has been notified by Government will be given as part of the grant payment

² Unsupported borrowing is any borrowing not covered by Government grants.

- The economic and market factors that might influence the manner and timing of any decision to borrow;
 - The pros and cons of alternative forms of funding including internal borrowing;
 - The impact of borrowing in advance on cash balances and the consequent increase in counterparty risk.
16. Council officers, in conjunction with our treasury advisors, Capita Asset Services - Treasury Solutions, monitor both prevailing interest rates and market forecasts, thereby allowing the Council to respond to any changes that may impact on the timing and manner of borrowing decisions, to ensure these are optimised.
17. The Council had £199.4m of external debt as at 1 April 2015, all of which was held at fixed rates with varying maturity terms up to 2057. This debt is primarily related to housing although £0.895 million related to the General Fund, all of which has been repaid during 2015/16.
18. Therefore, as at 31 March 2016, all external debt relates solely to the Housing Revenue Account and totals £198.5m
19. The Council's Capital Financing Requirement is an indication of the Council's underlying need to borrow to fund its capital investments; this borrowing can be undertaken internally using available resources or externally.
20. The Council's draft capital programme assumes the ongoing need to borrow.

Investment Strategy 2016/17

Interest rates

21. Average cash balances are currently £71.7m, having fluctuated between £58.7m to £88.2m during the year to date.
22. Interest rates remain at an all-time low, with the Base Rate having been held at 0.50% since March 2009. The Council's treasury advisors expect rates to begin to rise slowly during 2016 peaking at around 1.5% by the end of 2017 (calendar year).
23. Most existing investment deal terms are less than 364 days. The Strategy allows for investments beyond 364 days with high quality counterparties; however prevailing interest rates have not been attractive enough to outweigh the additional risk that a longer term investment brings. The exceptions to this are investments in property funds, investments with Local, Fire and Police Authorities and the investment in the National Homelessness Property Fund in which the Council has agreed to invest £5m for a period of 7 to 9 years at an estimated return of 3.5% after the acquisition period.

24. Investments are made in accordance with the Council's Treasury Management Strategy such that returns are balanced against security of investment, liquidity of cash to ensure funding of day to day cash flows and yield. Consequently, procedures are in place to determine the maximum periods that funds may be invested for, as well as the nature of those investments.
25. The Council works to achieve the optimum rate of return on its investments commensurate with proper levels of security and liquidity.
26. Investment instruments identified for use are listed in Appendix 1 under the specified and non-specified investment categories. Counterparty limits are set in accordance with the Council's Treasury Management Practices (TMPs).
27. The Council utilises the creditworthiness services provided by Capita Asset Services – Treasury Solutions. The model combines the credit ratings, credit watches and credit outlooks provided by the credit rating agencies - Fitch, Moody's and Standard and Poor's in a weighted scoring system which is then combined with an overlay of Credit Default Swap³ (CDS) spreads and sovereign ratings for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration of investments.
28. The Council is alerted to changes to ratings by Capita Asset Services - Treasury solutions' creditworthiness service and takes the following action in respect of this update:
- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, it is withdrawn immediately from further use
 - If a counterparty's credit rating is placed on negative watch or negative outlook, officers carry out a review to determine whether the institution is still worthy of inclusion on the counterparty list. If there is any doubt, the counterparty is temporarily suspended pending the credit rating agency's full review.
- The contract for Treasury Advisors is due for renewal in September 2016.
29. As part of the creditworthiness methodology a minimum sovereign rating of AA- from Fitch (or equivalent from other agencies if Fitch does not provide) has been determined.

³ A financial swap agreement that the seller of the CDS will compensate the buyer in the event of default

30. In addition to the recommendations from Capita Asset Services, the S151 Officer and Treasury Management team have agreed to limit the amounts invested with any one country (excluding the UK) or sector as follows:
- No more than 20% of the previous year's average monthly investment balance with any one counterparty or group (currently £15.8m)
 - Maximum of 10% of total investments to be with institutions in other countries that meet the required criteria.
31. To ensure that the Strategy is not breached and to also be aware of any new opportunities, the Council's counterparty list is reviewed on a daily basis taking into account market information and changes to the methodology used. The list is maintained by the Treasury Management Team, and reported to the S151 Officer on a regular basis.
32. The Investment Strategy provides delegated authority for the S151 Officer to determine the most appropriate form of investment dependant on prevailing interest rates and counterparty risk at the time.

Specified and Non-Specified investments

33. In approving the Investment Strategy, Members are approving the types of investments the Council can undertake. Investments are classified as either specified or non-specified and are show in more detail in Appendix 1.
34. Currently, the Strategy defines a specified investment as one that is in sterling, no more than one year in duration or, if in excess of one year can be repaid earlier on request and with counterparties that meet the Council's credit rating criteria. However, once the duration of an investment falls below 365 days, investments previously classified as non-specified (due to a longer duration period) also fall into the specified category.
35. Non-specified investments are any other type of investment including property funds. Whilst generally these investments will earn a higher rate of return they are inherently more risky in nature and a maximum level of 25% of the previous year's average monthly investment balance is placed on such investments.
36. Investments may be arranged in advance and there has been a significant rise in "forward deals" in recent times. Trades arranged up to four weeks in advance of the start date will still be classified as specified investments, provided the duration of the investment from the start date to the maturity are no longer than 364 days. Trade dates should be factored into the duration of the investment if arranged in advance by more than this period because there is an increased risk due to funds being contractually committed.

37. For 2016/17, it is also recommended that loans to government bodies such as Local Authorities, Fire and Police authorities are exempt from the non-specified category regardless of the duration of the investment; as these counterparties are essentially risk free because they are Government-backed. Therefore, the only risk associated with lending longer term is interest rate risk and the potential for rates to rise whilst a fixed deposit is in place. It is also proposed that lending to government bodies is permitted for a maximum period of 3 years as longer-term interest rates are proportionately more favourable than those achievable over shorter periods.

Loans to companies in which the Council has an interest

38. A loan for capital purposes to a company in which the Council has an interest would be categorised as capital expenditure by the Council. The Council could fund that capital expenditure from any capital resource. For the purposes of this Strategy no loans have been assumed in the Prudential Indicators. Amendments to the Strategy may be needed in respect of any future proposed loans. The MRP provisions in respect of any loans to a Company are covered in paragraph 12 d).

Ethical Investment Policy

39. Council adopted an ethical investment policy in 2015/16, which is set out below. No changes are proposed to this policy for 2016/17.

40. The Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's mission and values. This would include, inter alia, avoiding direct investment in institutions with material links to:

- a. Human rights abuse (e.g. child labour, political oppression)
- b. Environmentally harmful activities (e.g. pollutants, destruction of habitat, fossil fuels)
- c. Socially harmful activities (e.g. tobacco, gambling)

Prudential Indicators

41. The Council is required to set out a number of indicators, relating to the affordability and prudence of its Treasury Strategy. These indicators are detailed in Appendix 2 for the period 2016/17 – 2018/19, and will be monitored and reported on an annual basis.

Legal implications

42. This report fulfils four key requirements:

- The reporting of the Prudential Indicators setting out the Council's expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities).
- Agreeing the Council's Minimum Revenue Provision (MRP) Policy, which sets out how the Council will pay for capital assets

through revenue each year (as required by guidance under the Local Government and Public Involvement in Health Act 2007).

- Agreeing the Treasury Management Strategy, which links day to day Treasury Management to the Capital Programme and the Treasury Management Prudential Indicators. The key indicator is the Authorised Limit, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing limit required by S3 of the Local Government Act 2003.
- Agreeing the Investment Strategy, this sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

43. The Local Government Act 2003 and supporting regulations require the Council to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set prudential and treasury indicators to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

44. The Constitution requires the Strategy to be reported to the City Executive Board and Full Council outlining the expected treasury activity for the forthcoming four years on an annual basis.

Financial Issues

45. All financial issues have been addressed in the body of the report.

Environmental Impact

46. Following the inclusion of the Ethical Investment Policy, this ensures that through our investments we will not knowingly, directly invest in businesses that undertake harmful environmental activities.

Equalities Impact

47. There is no equalities impact relating to this report.

Name and contact details of author:-

Name: Bill Lewis

Job title: Financial Accounting Manager

Service Area / Department: Financial Services

Tel: 01865 252607 e-mail: blewis@oxford.gov.uk

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Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management

The Department of Communities and Local Government (CLG) issued Investment Guidance in 2010, and this forms the structure of the Council's policy below.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires Councils to have regard to the CIPFA publication *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Section 151 Officer has produced Treasury Management Practices (TMPs). This part, TMP 1, covering investment counterparty policy requires approval each year.

Annual Investment Strategy - The key requirements of both the Code and the investment guidance are that Councils set an annual Investment Strategy, as part of their Treasury Strategy for the following year, covering the identification and approval of the following:

- The guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use.
- Non-specified investments the Council will use, clarifying the greater risk implications, and the overall amount of various categories that can be held at any time.

Maturity periods are defined as the remaining length of an investment period. Arranging a deal in advance by up to four weeks is not considered to add to the duration of the investment.

In addition to the investments identified below as specified and non-specified investments, the Council may provide loans to a company in which the Council has an interest. These loans are outside the limits specified in the tables below and may be matched by equivalent external borrowing. The loans will then be given at a rate that at least covers the Council's costs and that is compliant with State Aid requirements.

Specified Investments – These investments are sterling investments that do not exceed a maturity period of more than one year, or those which could be for a longer period but where the Council has the right to be repaid within twelve months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or Gilts with less than one year to maturity).

2. Supranational bonds of less than one year's duration.
3. A Local Authority, Parish Council, Community Council, Fire or Police Authority
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4, this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society) meeting the minimum 'high' quality criteria where applicable.

Additionally, and in accordance with the Code, the Council has set duration and value limits as follows:

Specified Investments - Limits on value and period

	Minimum credit criteria/colour banding	Max % of total investments / £ limit per institution	Max maturity period
Debt Management Office – UK Government	Not applicable	100%	364 days
UK Government Gilts	UK Sovereign rating	20%	364 days
UK Government Treasury Bills	UK Sovereign rating	20%	364 days
Bonds issued by multilateral development banks	UK Sovereign rating	20%	6 months
Money Market Fund	AAA	£20m	Liquid
Local Authorities, Fire and Police Authorities		20%	364 days
Term deposits with banks and rated building societies	Blue Orange Red Green	£15m or 20% of total investments whichever is the greater	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days
certificate of Deposit or corporate bonds with banks and building societies	Blue Orange Red Green	£10m or 20% of total investments whichever is the greater	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days
Enhanced Cash funds		20%	6 months
Corporate bond funds		20%	6 months
Gilt Funds	UK sovereign rating	20%	6 months

The colour ratings above for the Term deposits with banks and rated building societies and Certificates of Deposit or corporate bonds with banks and building societies link the durations in the right hand column to colour coding used in Capita's Credit List i.e. Blue and Orange coloured institutions can be allow investments of up to a year according to the Capita Credit List

Non-Specified Investments – Non-specified investments are any other type of investment not defined as Specified. The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Overall Non-specified investments (excluding loans to a company in which the Council has an interest) will not exceed more than 25% of the previous year’s total investment portfolio. If the Council’s average investment balance increases further over the medium term, decisions will need to be made on the viability of undertaking additional Non-specified Investments. The level of investment in a particular counterparty will be measured based on the amount of the initial investment. Non specified Investments would include any sterling investments with:

Non-Specified Investments - Limits on value and period

	Minimum Credit Criteria	Max % of total investments/£ limit per institution	Max maturity period
Local Authorities, Fire and Police Authorities		15% of total investments	Up to 2 years
Fixed term deposits with variable rate and variable maturities	Orange	15% of total investments	Up to 1 year
Fixed term deposits with variable rate and variable maturities	Yellow Purple	£10m or 20% of total investments	Up to 5 years Up to 2 years
Commercial paper issuance covered by a specific UK Government (explicit) guarantee		10% of total investments	Up to 1 year
Fixed term deposits with unrated Building Societies	Asset Base over £9bn	£3m – 20% of total investments	100 days
Commercial paper other		15% of total investments	Up to 1 year
Corporate bonds		15% of total investments	Up to 1 year
Other debt issuance by UK banks covered by UK Government (explicit) guarantee		15% of total investments	Up to 1 year
Floating rate notes		15% of total investments	Up to 1 year
Indirect Property funds		25% of total investments	Medium to long term
Fund Managed Property Investments		25% of total investments	Medium to long term

The colour ratings above for the Term deposits with banks and rated building societies and Certificates of Deposit or corporate bonds with banks and building societies link the durations in the right hand column to colour coding used in Capita’s

Credit List i.e. Yellow coloured institutions can be allow investments of up .to 60 months (5 years) according to the Capita Credit List

The Monitoring of Investment Counterparties - The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services – Treasury Solutions on a weekly basis, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 151 Officer, and if required new counterparties which meet the criteria will be added to the list. The Council also monitors counterparties against the limits specified below:

Duration Limits (based on Fitch ratings)		
Long Term Rating	Short Term Rating	
	F1+	F1
AAA	2 years	364 days
AA+	2 years	364 days
AA	2 years	9 months
AA-	2 years	9 months
A+	364 days	9 months
A	9 months	6 months
A-	6 months	3 months

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APPENDIX 2

Prudential Indicators

A. Capital Expenditure Plans

1. The Council's capital expenditure plans are the key driver of treasury management activity. Estimates of capital expenditure for the period 2016/17 to 2018/19 based on the Council's draft Capital Programme are summarised below and this forms the first of the prudential indicators. The revenue consequences of associated borrowing and any on-going maintenance costs are accommodated within the Council's revenue budgets.
2. Capital expenditure can be paid for immediately, by applying capital resources such as capital receipts, capital grants, external funding or revenue contributions, but if these resources are insufficient any residual expenditure will be covered by Prudential Borrowing and will add to the Council's borrowing need, or Capital Financing Requirement (CFR).
3. Estimates of resources such as capital receipts may be subject to uncertainty i.e. anticipated asset sales may be postponed or reduced due to changes in the property market or planning issues.
4. Elsewhere on the agenda the draft Capital Programme is recommended for approval. The table below summarises the proposed expenditure and how it will be financed. Any shortfall of financing results in a borrowing need.

Table 1:- Capital Expenditure and Financing

	2014/15 Actuals £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's
Expenditure					
General Fund	26,750.1	25,428.3	18,035.8	10,097.8	7,441.0
HRA	21,961.8	17,235.4	22,168.0	24,452.0	17,858.0
Total expenditure	48,711.9	42,663.7	40,203.8	34,549.8	25,299.0
Financed by:					
Developer Contributions	834.6	1,213.9	3,832.5	2,567.0	200.0
Capital Grants	1,759.7	4,697.9	501.0	501.0	501.0
Capital Receipts	17,762.9	224.6	9,365.0	2,229.0	2,350.0
Revenue	19,650.6	19,432.3	1,944.3	14,720.8	4,798.0
Major Repairs Reserve	8,704.2	6,858.0	20,105.0	4,760.0	6,157.0
Sub Total	48,711.9	32,426.7	35,747.8	24,777.8	14,006.0
Prudential Borrowing		10,237.0	4,456.0	9,772.0	11,293.0
Total funding	48,711.9	42,663.7	40,203.8	34,549.8	25,299.0

B. Capital Financing Requirement (CFR).

5. The CFR is the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow.
6. The CFR also includes other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

Table 2:- Capital Financing Requirement

	2014/15 Actuals £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's
General Fund	1,257	11,232	15,415	18,320	22,878
HRA	199,384	199,384	199,384	205,896	212,150
	200,641	210,616	214,799	224,216	235,028

Movement in CFR	-19,910	9,975	4,183	9,417	10,812
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C. Ratio of Financing Costs to the Net Revenue Stream

7. This indicator represents the estimate of the ratio of financing costs to the net revenue stream for HRA and General Fund.

Table 3:- Ratio of financing costs to net revenue stream

	2013/14 Revised Actuals £000's	2014/15 Estimate £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2016/17 Estimate £000's
General Fund	-7.2%	-8.7%	-9.0%	-9.4%	-9.1%
Housing Revenue Account	17.7%	16.9%	17.3%	18.4%	18.6%

D. Incremental Impact of Capital Investment Decisions on Council Tax and Rents

Council Tax

8. The estimate of the incremental impact of capital investment decisions on the Council Tax is shown below; it illustrates the impact of capital investment decisions on the Band D Council Tax.
9. The figures in Table 4 below have been calculated by looking at those schemes that are uncommitted in the current Capital Programme and looking at the impact they will have on Council Tax after taking into account capital receipts, grants and revenue contributions

10. The Council will not enter into any uncommitted capital scheme until the source of funding is confirmed, e.g. Capital receipts, grants, S106 or prudential borrowing. This will ensure we can avoid any unplanned revenue consequences as a result of capital expenditure.

Table 4:- Potential Impact of Capital Expenditure on Council Tax

	2014/15 Actuals £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
Overall net impact on Council Tax Band D per week	0.43	0.40	0.28	0.16	0.11

Housing Rents

11. The estimated incremental impact of capital investment decisions on weekly housing rents is shown in Table 5 below. The figures have been calculated by looking at those schemes that are currently in the Capital Programme and deducting alternate funding resources.
12. The key driver for setting housing rents is legislation.
13. The expected expenditure on the HRA Capital Programme could have the following impact on Council rents if rents were not otherwise restricted:

Table 5:- Potential Impact of Capital Expenditure on Housing Rents

	2014/15 Actuals £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
Overall net impact on Weekly Housing Rents	1.92	1.50	1.93	2.13	1.56

E. Authorised Limit for External Debt

14. This represents a limit beyond which external debt is prohibited. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table 6:- Authorised Limit for external debt

	2014/15 Actuals £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's
General Fund	4,000	14,232	18,415	21,320	25,878
HRA	241,188	241,188	241,188	241,188	241,188
Other Long Term Liabilities	0	0	0	0	0
Total	245,188	255,420	259,603	262,508	267,066

15. Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. The Council intends to utilise most of this headroom to fund the HRA Capital Programme, although it is considered prudent to withhold £10m of the borrowing headroom as a contingency for potential changes in capital costs and interest charges. These limits are:

Table 7: HRA Capital Financing Requirement Limit

HRA Debt Limit	2014/15 Actuals £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's
Total	242,199	242,199	242,199	242,199	242,199

F. Operational Boundary for External Debt

16. This is based on the expected maximum external debt during the course of the year, it is not a limit, and actual external debt can vary around this boundary for short times during the year.

Table 8:- Operational boundary for external debt

	2014/15 Actuals £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's
General Fund	3,000	12,232	12,415	15,320	19,878
HRA	234,000	241,188	241,188	241,188	241,188
Other Long Term Liabilities	0	0	0	0	0
Total	237,000	253,420	253,603	256,508	261,066

G. Net Borrowing Compared to the Council's Capital Financing Requirement

17. Table 9 below shows the Council's net borrowing position compared to its Capital Financing Requirement. As can be seen, the figures show that the Council is currently borrowing below its financing requirement which indicates a need to borrow in the short to medium term. The Council needs to ensure that its total borrowing net of any investments, 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 next two financial years. This allows some flexibility for limited early borrowing for future years.

Table 9:- Net borrowing compared to CFR

	2014/15 Actuals £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's
Gross Borrowing	199,423	198,528	198,528	198,528	198,528
Other Long Term Liabilities	0	0	0	0	0
Total Gross Debt 31 March	199,423	198,528	198,528	198,528	198,528
CFR	200,641	210,616	214,799	224,216	235,028
Net Borrowing v CFR	1,218	12,088	16,271	25,688	36,500

H. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Sector

18. The Council can confirm that it has complied with this code throughout 2015/16 and will continue to do so.

I. Upper Limit on Fixed and Variable Interest Rate Borrowing and Investments

19. The purpose of this and the following two prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. This indicator identifies the maximum limit for fixed interest rates based upon the debt position net of investments.

Table 10:- Upper limit on borrowing and investments

	2014/15 Actuals %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
Upper limit on fixed rate borrowing	100	100	100	100	100
Upper limit on fixed rate investments	100	100	100	100	100
Upper limit on variable rate borrowing	100	100	100	100	100
Upper limit on variable rate investments	100	100	100	100	100

J. Upper and Lower Limit for the Maturity Structure of Borrowing

20. These are used to reduce the Council's exposure to large fixed rate sums falling due for repayment at the same time.

Table 11:- Upper and lower limit on borrowing maturity

	2015/16 Estimate Upper %	2015/16 Estimate Lower %	2016/17 Estimate Upper %	2016/17 Estimate Lower %	2017/18 Estimate Upper %	2017/18 Estimate Lower %
< 12 months	30	0	30	0	30	0
12 months - 2 years	30	0	30	0	30	0
2 - 5 years	80	0	80	0	80	0
5 - 10years	100	0	100	0	100	0
10 years +	100	0	100	0	100	0

Table 12:- Upper limit for investments longer than 364 days

	2014/15 Actuals %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
Upper limit for investments for periods longer than 364 days	25	25	25	25	25

21. The table above shows the upper limit for principle sums invested for periods longer than 364 days; this indicator is used to reduce the need for early sale of an investment, and is based on the availability of funds after each year end. This has been set at 25% due to the continuing uncertainty of the market and to reduce the risk posed by longer term investments.

Risk Register

Treasury Management

Risk ID	Risk					Gross Risk		Current Risk		Residual Risk		Risk Mitigation	
	Risk Title	Opportunity/Threat	Risk Description	Risk Cause	Consequence	Date raised	I	P	I	P	I		P
1	Loss of capital investment due to a counterparty collapsing	T	The Council loses its principal investment or an investment becomes impaired.	Counterparty collapses or hits a financial crisis rendering it unable to repay investments.	The Council may lose money or repayment of funds could be significantly delayed which could have an adverse impact on operational funding levels	5-Aug-15	4	2	3	1	3	1	Reducing risk by limiting the use of high risk counterparties. Imposing a maximum investment value on approved counterparties in order to spread and reduce risk. Controls and procedures are in place to ensure investment and durations limits with approved counterparties are not exceeded. Counterparties are also monitored and reviewed on a weekly basis at least, or more regularly if considered necessary to do so.
2	Property fund investments lose value	T	The value of the Council's units held in property fund investments decreases.	Changes in market conditions and demand for properties	Capital depreciation will decrease the overall value of the investment.	5-Aug-15	4	3	3	3	3	2	The Council receives monthly valuations from the property fund managers detailing the indicative redemption value of the individual units. These are reported to the Head of Finance on a monthly basis. The Council has the option to sell its units if there is a concern that the fund value is likely to decrease for a prolonged period.
3	Decline in interest rates	T	Interest rates continue to remain at an all time low with very little movement.	No change to base rate and associated market investment rates. Lower risk counterparties tend not to offer as competitive a rate as the higher risk ones.	The Council may not achieve its target level of interest.	5-Aug-15	2	5	1	4	1	4	In the current economic climate where rates tend to be static, arranging investments over a longer period of time where possible will allow the Council to capitalise on a higher rate of return without there being an opportunity cost. The Council continually monitors base rate and rates being achieved against budget to ensure it has secured the best value possible in a difficult economic climate.
4	Fraudulent activity	T	Potential fraud by staff	Fraudulent activity	Loss of money for the Council Disciplinary action for the staff involved	5-Aug-15	3	3	3	1	2	1	Segregation of staff duties, reviewing and monitoring of internal controls to ensure the correct protocol is being followed. Ensuring all insurance policies and the fidelity guarantee are fully up to date.
5	Money laundering	T	Money laundering by external parties	External parties pay a transaction by cash and subsequently request a refund	Fine and/or imprisonment	5-Aug-15	4	2	4	1	4	1	Ensuring the money laundering policy is reviewed and up to date. Checking refunds back to source. Raising awareness of this issue amongst staff and reviewing the financial regulations.
6	Network failure/Barclays.net being inaccessible	T	The Council is unable to carry out its daily treasury functions due to a network failure	Barclays.net is unavailable or the Council's network has failed	Daily Treasury functions will not be carried out	5-Aug-15	2	3	1	2	1	2	Invoke the business continuity plan to minimise the effects of a network issue.
7	Revenue Budgets	T	Revenue budgets are unable to meet borrowing costs of capital schemes	Revenue budgets come under pressure from restricted government funding or non delivery of programmed savings	The Council may not be able to execute some desired projects.	5-Aug-15	3	3	2	2	2	2	Revenue budgets monitored on monthly basis and future year forecasts undertaken. Reserve some capital receipts to cover borrowing costs in the short term. Monthly financial reports and forecasts.
8	Lack of suitable counterparties	T	The Council does not have enough "space" with approved counterparties to place investments/deposit surplus cash balances.	Rising cash balances and a restricted counterparty list	Use of counterparties not paying best value rates.	5-Aug-15	3	4	3	3	3	2	The Council continually monitors its approved counterparty listing in conjunction with cash balances. Any potential new investment opportunities are discussed at Treasury Management performance meetings. The Council uses call accounts and money market funds to deposit surplus cash balances in the event of no space with other counterparties and also to ensure there is always cash instantly available in order to meet payment obligations when they fall due. However, there are also limits on the amounts deposited to such funds. The Council has a facility to deposit cash with the Debt Management Office should all other investment options be exhausted.

53

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To: City Executive Board
Date: 20 February 2016
Report of: Head of Financial Services
Title of Report: Capital Strategy

Summary and Recommendations

Purpose of report: To present a Capital Strategy for approval.

Key decision: No

Executive lead member: Councillor Ed Turner, Board Member for Finance, Asset Management and Public Health

Policy Framework: Improving value for money and service performance (Corporate Plan 2015-2019)

Recommendation(s): That the City Executive Board resolves to:

1. approve the Capital Strategy attached at Appendix A

Appendices

Appendix A – Capital Strategy 2016/17 – 2019/20

Appendix B – Project Brief

Appendix C – Project Initiation Document (PID)

Appendix D – Monthly Monitoring Form

Appendix E – Project Closure Statement

Appendix F – Capital Gateway Process

Background

1. Paragraph 18.11 of the Council's Constitution requires that a Capital Strategy is prepared which includes:
 - a. the principles the Council will follow in its capital planning and management
 - b. the methodology for inclusion of schemes within the Capital Programme

- c. the arrangements for the effective management of capital schemes
2. The Council continues to have a significant capital investment programme and has introduced a new methodology for identifying, selecting and monitoring capital projects. The Council's updated Capital Strategy, which is attached at Appendix A, sets out the approval process for schemes getting into the Programme as well as the governance arrangements in place to manage delivery.
3. The Strategy also sets out the various funding sources available for capital projects and how these might change over time. It also aims to set out the issues the Council needs to consider over the medium to long term.

Changes Incorporated within the Strategy

4. There are a number of changes incorporated into the Strategy at Appendix A. The key changes are outlined below and are cross-referenced to the Strategy.
5. The explanation of what constitutes capital investment has been amended to include loans and grants to other organisations for capital purposes and the payment to the Government for the sale of High Value Council Housing. (Appendix A paragraphs 2.1 and 2.2)
6. Membership of the Capital Asset Management and Capital Board has been amended to reflect changes in organisational structure. (Appendix A paragraph 6.6)
7. New freedoms around the use of capital receipts have been incorporated. (Appendix A paragraph 8.4)
8. Given the financial pressures on the General Fund there is limited use of prudential borrowing to finance the General Fund Capital Programme. The prudential borrowing that is planned is for specific projects which adhere to prudent financial criteria and hence do not result in increased ongoing revenue financial pressures. (Appendix A paragraph 8.11)
9. The announcement of changes to the Housing Revenue Account, including the sale of High Value Council Housing, means that borrowing will be taken out to fund capital works on the HRA. (Appendix A paragraph 8.15)

Legal Implications

10. There are no legal implications directly relevant to this report.

Financial Implications

11. There are no financial implications directly arising from this report.

Environmental Impact

12. The Capital Strategy does identify the growing and relevant environmental issues that need to be considered when selecting capital projects.

Level of Risk

13. There are no risks directly arising from this report. Risks to delivery of individual projects are identified and monitored as part of the capital scheme approval and monitoring process.

Equalities Impact

14. The procurement of capital expenditure will be undertaken in line with the Council's policies to support the payment of a living wage and making apprenticeship opportunities available to local people. Many of the facilities funded out of the Capital Programme – such as community centres and social housing – will promote the narrowing of inequality in Oxford. There is no requirement to provide an Equalities Impact Assessment for this report.

Name and contact details of author:-

Name: Bill Lewis

Job title: Financial Accounting Manager

Service Area / Department: Financial Services

Tel: 01865 252607 e-mail: blewis@oxford.gov.uk,

List of background papers: None

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CAPITAL STRATEGY 2016/17 – 2019/20

<u>Index</u>	<u>Page</u>
1. Executive Summary	3
2. What is Capital Investment?	3
3. Identifying Need	3
4. External Drivers	4
5. Evaluation and Budget Approval	4
6. Capital Scheme Approval	6
7. Performance Monitoring	8
8. The Capital Programme 2016/17 – 2019/20	10
9. Available Capital Funding	10

Appendices

Appendix B – Project Brief

Appendix C – Project Initiation Document (PID)

Appendix D – Project Monitoring Form

Appendix E – Project Closure Statement

Appendix F – Capital Gateway Process

Capital Strategy 2016/17 – 2019/20

1. Executive Summary

1.1. The Council's Constitution requires the Head of Financial Services to prepare a Capital Strategy which;

- a. Sets out the principles the Council will follow in its capital planning.
- b. Outlines the methodology for inclusion of schemes within the Capital Programme.
- c. Sets out the arrangements for management of capital schemes.

1.2. The Capital Strategy document is therefore a high level summary of the Council's approach to capital investment and lays out the rules against which capital schemes are developed, evaluated and monitored.

2. What is Capital Investment?

2.1 Capital investment seeks to provide the infrastructure and equipment necessary to deliver the Council's priorities and operational requirements in the longer term. Expenditure for capital purposes generally therefore gives rise to new assets or increases the value and / or useful life of existing assets.

2.2 Grants, investments and loans to individuals and organisations which are for capital purposes also count as capital expenditure. This includes loans to companies in which the Council has an interest.

3. Identifying Need

3.1. The Council's Corporate Plan 2016-2020 sets out the Council's vision together with the following five strategic priorities;

- **A Vibrant and Sustainable Economy**
To build a strong local economy, make the case for greater local control and devolution and improve workforce skills to meet local demand.
- **Meeting Housing Needs**
Increasing the provision of high quality affordable housing remains a key priority for the City Council and its partners. In housing terms, Oxford is the least affordable area in the country outside London. The Strategic Housing Market Assessment (SHMA) which is undertaken about every five years suggests that 24,000 to 32,000 new homes will be needed by 2031 to meet the city's housing need.
- **Strong and Active Communities**
Oxford City Council is working with citizens and community groups to build communities that are socially cohesive and safe, and citizens

who are actively engaged in pursuing their own well-being and that of their communities.

➤ **A Clean and Green Oxford**

The City Council's objective is to maintain and develop a clean and green Oxford – in the city centre, in our neighbourhoods and in all public spaces.

➤ **An Efficient and Effective Council**

This means the Council being a flexible, fit-for-purpose organisation, delivering high quality services and excellent value for money for all its citizens. In the last four years the Council has achieved annual efficiencies totalling £8.5 million. Over the next four years the Council is aiming to achieve another £7 million of savings on the non-housing budget.

3.3. Aligned to the Corporate Plan are a number of subsidiary and complementary plans and strategies. Examples include:

- Asset Management Plan which aims to deliver better and more efficient use of the Council's property; improvements in its condition, and deliver improvements to the Council's capital values, income stream and levels of return.
- Service Plans which demonstrate how individual services contribute to and support the delivery of the Corporate Plan priorities and the resources required to do this, including the capital aspects.
- Housing Strategy which considers the demand and supply of housing in Oxford, across all tenures, the economic conditions; Government policy and legislation and lays out plans to address these challenges.

4. External Drivers

4.1. In addition to the Council's own priorities there are external factors which influence capital spending decisions, e.g. central government funding, the local enterprise partnership (LEP) priorities and the implications of any legislative changes.

5. Evaluation and Budget Approval

5.1 Capital projects are prioritised and ranked using a scoring matrix aligned to a Capital Gateway Framework that ensures capital resources are targeted towards schemes that best meet and deliver the Council's corporate objectives.

5.2 Due to competing demands for limited resources, the Council will look to prioritise capital expenditure on property and equipment that it currently owns based on a number of different factors such as:

- Contribution to Corporate Priorities
- Statutory or Non-Statutory service
- Funding Availability

- Revenue Implications
- Risk of not undertaking the capital expenditure; and
- Environmental and Sustainability considerations

How Schemes Get Included in the Capital Programme

5.3 The flowchart on page 7 sets out the overall approval process. Formal budget approval flows directly from the evaluation process; capital budgets must be approved by Council. Key stages include:

A. *Preparation of a Project Brief* (See Appendix A and link <http://occweb/intranet/documents/gateway-guidance-notes>).

This sets out:

- The rationale as to why the project is required.
- The present position
- What the project will deliver/achieve.
- The improvements the project will produce.
- Linkages and dependencies with other projects.
- Whether there are demonstrable financial savings, overhead reductions, efficiencies, or service improvements arising from the project.
- Delivery options and associated risks
- Anticipated implementation and running costs

B. The Evaluation and Ranking of Projects

The Capital Programme Management Group quality assures the Project Brief and scores it against the evaluation criteria (shown in Appendix B – Project Brief) prior to reporting to the Corporate Asset Management and Capital (CAMAC) Programme Board. The current membership, roles and responsibilities of both CAMAC and the Programme Management Group can be found at paragraph 6.6 below and in Appendix F.

5.5 CAMAC subsequently recommend schemes to the City Executive Board (CEB) for consideration and approval by Council as part of the annual Medium Term Financial Strategy (MTFS) refresh. Schemes which arise outside of the MTFS process are submitted to CEB as necessary for recommendation to Council for inclusion in the Programme.

5.6 Once the Capital Programme is approved by Council, Project Managers can begin to progress their project(s) in accordance with the agreed Capital Project Approval process. Key stages include:

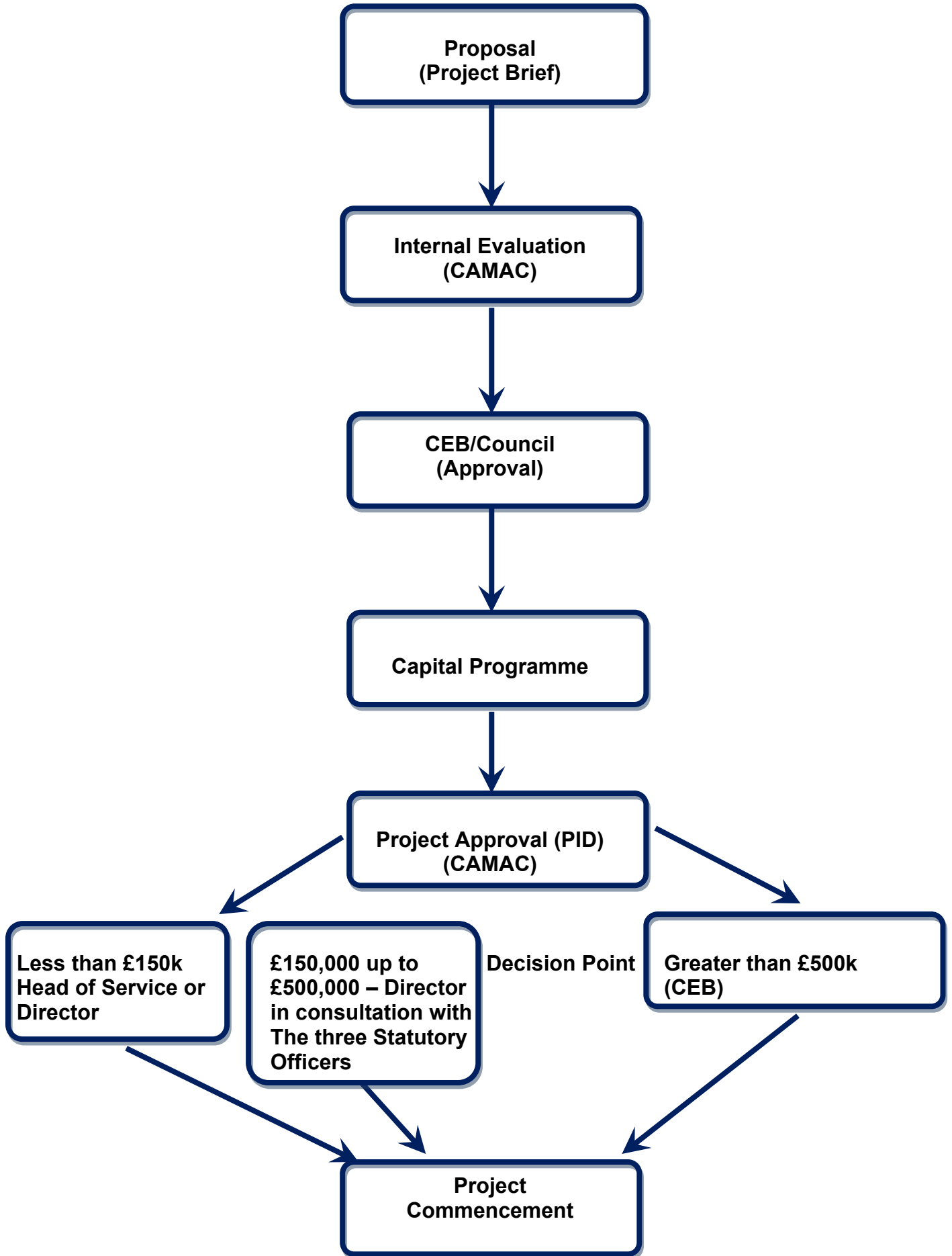
5.7 Agreement of the Project Initiation Document (see Appendix B and <http://occweb/intranet/documents/gateway-guidance-notes>) This requires the Project Manager to complete the required proforma setting out;

- The objectives and scope of the project,
- Deliverables and Constraints

- Risks, uncertainties and potential mitigations –What events might arise that would delay or prevent the project delivering on its objectives and what can we do about them.
- Project milestones and associated timeline
- Acceptance Criteria – Essential elements that must be achieved in order for the project to be accepted as complete.
- Net Capital and Revenue Implications - expenditure, savings, and funding profiled over the next 4 financial years.
- Interfaces and dependencies with other projects or tasks
- Whole Life Cost / Sustainability – What the likely environmental impacts might be.

5.8 The approval process for a scheme is outlined in the diagram below:

Capital Scheme Approval Process



6. **Performance Monitoring**

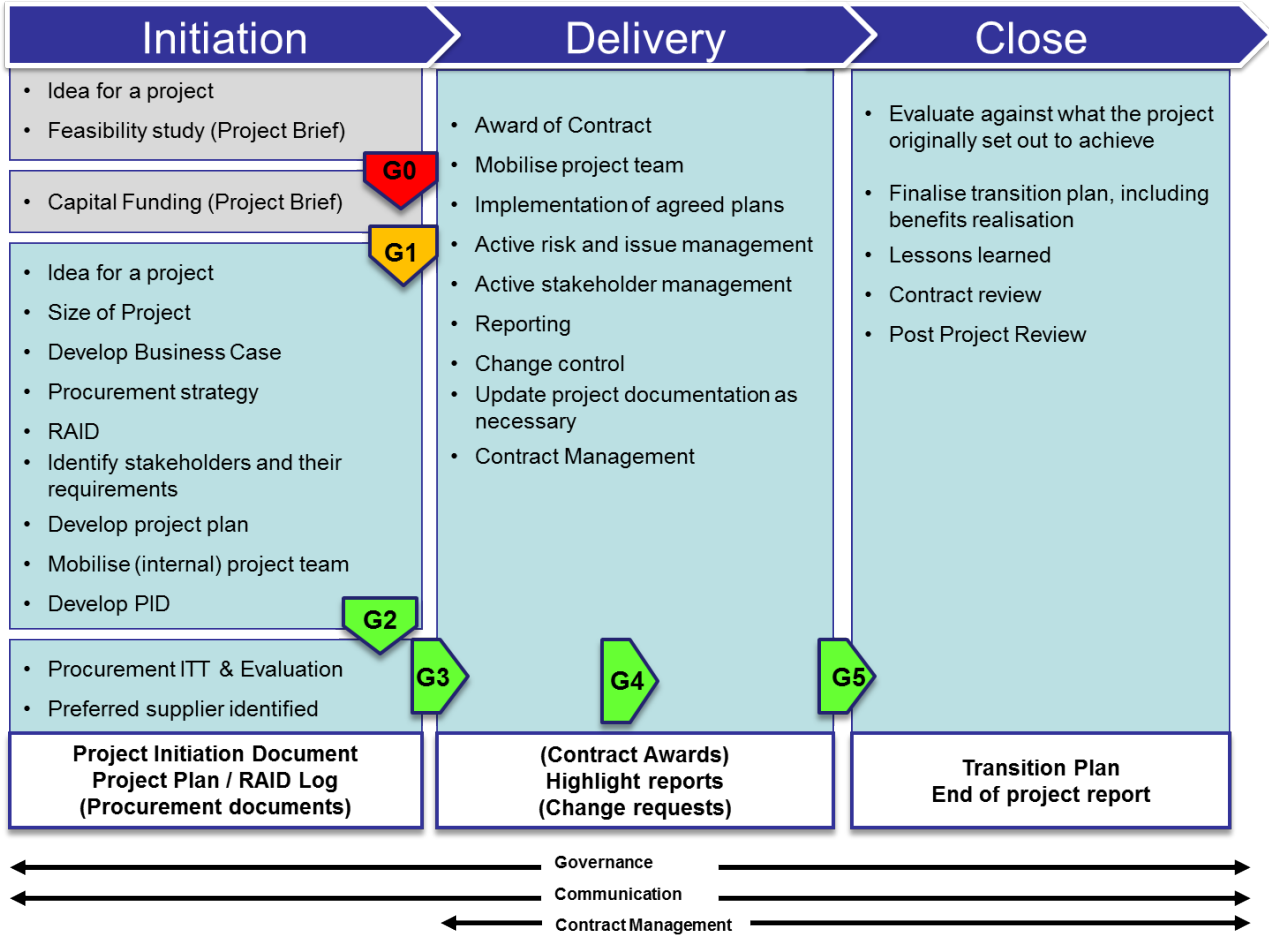
- 6.1. Approved schemes are subsequently monitored by an officer group, currently the Corporate Asset Management and Capital (CAMAC) Programme Board, to ensure delivery is on time, within budget and meets the projects objectives. The roles and responsibilities of CAMAC, together with Project Sponsors and Project Managers are detailed within Appendix E – Capital Gateway Process.
- 6.2. Capital expenditure is reviewed for its legitimacy in meeting the definition of a capital purpose and reconciled monthly. Monthly monitoring meetings are held between Project Managers and Finance staff. For larger projects this may mean the setting up of a Project Team with officers and advisors covering a variety of expertise, chaired by the Project Manager who is responsible for the delivery of the project.
- 6.3. All Project Sponsors and Project Managers receive monthly financial reports advising them of current spend against the profiled budget. Project Managers are required to provide monthly monitoring information including commentary on any variances. Project Managers are responsible for ensuring that capital schemes follow the Capital Gateway Process; specifically the Project Manager:
- Directs the project team, where appropriate.
 - Plans and monitors progress of the project
 - Manages the project risks and issues
 - Prepares revised plans and documentation through a change control process and presents them to the Project Team
 - Agrees the technical and quality requirements of the project with the scheme project Team or, in the absence of a project team, the Project Sponsor
 - Escalates issues as necessary with the Project Sponsor
 - Prepares the Project Closure Statement including lessons learned and presents it to the scheme project team or, in the absence of a team, the Project Sponsor and then to CAMAC
- Full details of the Capital Gateway Process can be found in Appendix F.
- 6.4. Performance of the Council's Capital Programme is reported to Directors and CMT via a monthly Finance Budget Report. Additionally, a Quarterly Integrated Performance Report which illustrates the impact of capital scheme delivery on Directorate / Corporate risk and performance is reported to Directors and Members.
- 6.5. Terms of reference and membership for the CAMAC group are set out below.

6.6. Terms of Reference and Membership of CAMAC

<p>Capital Asset Management and Capital Board (CAMAC)</p>	<p>The CAMAC Board is a corporate Officer group responsible for agreeing and recommending schemes for inclusion into the Programme and then monitoring their delivery as well as making sure effective arrangements are in place for management and delivery of schemes in accordance with Council priorities, objectives, rules and procedures. The group also offers advice regarding the financial and asset management aspects of capital programme activity.</p> <p>The membership of the group is as follows:</p> <ul style="list-style-type: none"> • Chair – Executive Director of Regeneration & Housing • Executive Director of Organisational Development and Corporate Services • Head of Financial Services • Head of Housing & Property • Head of Service Planning & Regulatory • Corporate Lead - HR/OD • Head of Community Services • Deputy Head of Direct Services • Regeneration & Major Projects Service Manager • Property Services Manager • Corporate Asset Manager • Service Manager Environmental Sustainability <p>Advisory Attendees:</p> <ul style="list-style-type: none"> • Corporate Safety Advisor • Finance Business Partner • Project Manager(s); sponsor(s)
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Capital Gateway Project Delivery Process

Oxford City Council - Project Delivery Process



7. The Capital programme 2016/17 – 2019/20

7.1. The Council’s Capital Programme is approved by CEB and then Council on an annual basis and is updated from time to time during the year.

7.2. The procurement of capital expenditure will be undertaken in line with the Council’s policies to support the payment of a living wage and making training and apprenticeship opportunities available to local people. Many of the facilities funded through the Capital Programme – such as community centres and social housing – will promote the narrowing of inequality in Oxford.

8. Available Capital Funding

8.1. There are a number of sources of funding the Council can use to finance capital expenditure. These include:

- Capital Receipts
- Prudential Borrowing

- Developers Contributions e.g. s106 receipts and Community Infrastructure Levy (CIL)
- Revenue Contributions
- Capital Grants e.g.
 - New Growth Point Grant – for the West End Partnership
 - Disabled Facilities Grant – housing adaptations within the private sector

8.2. In the past the Council has relied heavily on capital receipts to fund its General Fund Programme but with limited property available for sale this is a finite and reducing resource. Additionally, continuing budgetary pressures on the Council's General Fund mean the Council will need to weigh the relative priority of capital and revenue spending pressures before determining the level of direct revenue funding and prudential borrowing it wishes to undertake, as well as investigate alternative funding streams.

Capital Receipts

8.3. The Council can recycle capital receipts generated from the disposal of assets back to fund both General Fund and HRA capital projects. The Council's approach in budget setting for 2016/17 has been to only use capital receipts for funding the capital programme that have already been received or where there is certainty of receipt. Additionally, where receipts are received in respect of the disposal of operational property it will seek to use these receipts in the first instance to fund capital expenditure which relates to operational property.

8.4. In the spending review, an announcement was made that councils will no longer be prevented from using capital receipts to fund services, provided they are applied to the revenue costs of reform projects. Any such use will be carefully assessed and will take account of the one-off nature of the receipts and the need to finance capital expenditure.

8.5. The Council has entered into an agreement with the Department for Communities and Local Government (DCLG) to recycle within a rolling 3 year period 'additional' Right to Buy (RTB) receipts into new social housing dwellings within the City.

Prudential Borrowing

8.6. The Prudential Code seeks to show the relationship between capital accounting, capital and revenue expenditure and treasury management by clarifying the impact that capital investment decisions have on the finances of the authority both in overall terms as well as on the respective General Fund and Housing revenue accounts.

8.7. The Prudential Code asks three key questions of any investment decision:

- is it prudent;
- is the scheme affordable; and
- will it prove to be sustainable?

8.8. Under the Prudential Framework local authorities are now free to make their own judgements as to whether new borrowing is affordable and prudent, subject to a duty to follow agreed professional principles, which are contained within the Prudential Code.

8.9. The main advantages offered through borrowing under the Prudential Framework are:

- Rescheduling Capital Expenditure by switching revenue contributions to capital to cover prudential borrowing costs
- Spend to Save Schemes – where the capital investment achieves revenue savings, which could wholly or largely meet the on-going revenue costs associated with the level of borrowing required

8.10. Prudentially borrowing to fund capital projects does however bring with it the need to make a charge to revenue to reflect the cost of borrowing. This charge, known as the Minimum Revenue Provision (MRP) is based on the life of the asset in accordance with the approved methodology contained within the Council's Treasury Management Strategy.

8.11. The Council is seeking to restrict the use of prudential borrowing to protect its future revenue position from increasing levels of MRP. Specific uses of this within the current plans which are considered to be in line with protecting the future revenue position are:

- National Homelessness Property Fund
The Council is investing £5 million in the fund which is then match funded to purchase around 50 properties within Oxford. The investment is a fixed term investment which will redeem in 7 to 9 years. The capital receipt from this redemption can be used to repay the internal borrowing used to fund the investment and therefore, providing there is no depreciation in the asset values, no MRP will be payable
- Acquisition of Investment Properties
A capital budget of £10.3 million to be financed from prudential borrowing will be used to purchase investment properties. The investment properties will be chosen on the basis of their rate of return such that the income will pay for the MRP and also provide an additional revenue stream for the Council.
- Acquisition of Oxpens
The Council has set a capital budget of £8.4 million to be used as a contribution to a joint venture, operated in conjunction with Nuffield, to purchase land at Oxpens.

S106 Developer Contributions/Community Infrastructure Levy (CIL)

8.12. Developer contributions are sought to mitigate the impact of development and overcome what would otherwise be a potential reason to refuse a planning application. In the main the remaining s106 contributions the Council seeks to recover relate to meeting the social housing targets within our current planning policies.

8.13. The Community Infrastructure Levy largely replaces s106 and can be claimed to fund Community Facilities, Indoor Sports Facilities, Public Open Space, Environmental Improvements, Public Art, Highway measures (inclusive of Park and Ride, Pedestrian measures, Cycle Facilities etc.), Education, Libraries, Waste Recycling, Youth Services, Museum Resource Centre and Day Care Provision for Adults.

Revenue Contributions

8.14. The Council can budget from within its revenue accounts, the General Fund (GF) and Housing Revenue Account (HRA), to make contributions towards the funding of its Capital Programme. Within the HRA this currently forms a significant element of expenditure as it is affordable and reflects the ambitious works Programme that has been approved for the HRA. The GF Programme utilises this source of funding but at a much reduced level.

8.15. The announcements of changes to the Housing Revenue Account, including the sale of High Value Council Housing, means that the HRA programme has been reduced and borrowing will be taken out to fund capital works on the HRA to enable the payment of a capital sum to the Government based on an assessed level of potential sales.

Capital Grants

8.16. Capital grants generally are awarded for specific projects. The availability of capital grants to supplement Council resources can improve the chances of a capital budget being approved; however the scheme must still be in line with Council priorities and must still go through the same budget approval and project approval processes.

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Project Brief

Project Title: [Insert Project Title]

Date: [insert date document issued]

Sponsor: [Insert name of Project Client/Sponsor]

Project Manager: [Insert name of Project Manager]

Lead Officer [Insert name of Lead Officer – where project is being run by an external partner]

Responsible Programme: [Insert the name of the Responsible Programme]

Version No: 0.1

[Guidance on Version Control:

- The first draft will be 0.1.
- Each re-drafted version will be 0.2, 0.3 etc.
- Once submitted to the Board for approval it will be version 1.0 and any amendments after submission will be 1.1, 1.2 etc.

Once the amended document is approved by the Board it will be 2.0.]

Approvals:

1. [list the names of Boards or persons this document is being submitted to for formal approval]
- 2.

Project Brief

1 Background

[Explain the context of the project and why it is needed. If this project is intended to be part of a wider programme, indicate how it will support the programme's objectives.]

2 Project Objectives

2.1 Business Objectives

[Indicate how this project will support the programme's objectives and the Corporate Priorities]

2.2 Project Objectives

[What is the project required to achieve? Express these, wherever possible in specific, measurable, achievable, realistic, and time-based terms]

3 Project Scope and Exclusions

[What is outside the remit of the project?]

4 Constraints

[Describe the constraints, within which the project must operate, e.g. statutory requirements, business continuity considerations, restrictions on time, resources, funding and/or the eventual outcome, dependencies on other projects etc.]

5 Authority

[List the names of the persons/s accountable for the delivery of this project.]

Name	Role	Signature	Date

6 Costs

[Please provide a description of the costs associated with the project (figures will be listed in section 9 below). This should include expenditure items as well as non-financial resources such as staff time (quantified in hours/days).]

7 Project Approach

[Describe the approach for delivering the project.]

8 ICT Requirement

[Consider, with advice from City ICT, the technology requirement]

9 Procurement Route

[Consider, with advice from Procurement and referring to Procurement rules, the required supply for services or goods.]

10 Project Options

[List any options for delivering the project that have been considered or will need to be considered. Please identify a preferred option if one has been selected at this point.]

10.1 Project Benefits

[List the key improvements the project is expected to bring about. Express these wherever possible in specific, measurable, achievable, realistic, and time-based terms. Any financial benefits should also be listed in section 5.]

11 Outline Business Case

Capital

	b/fwd	2016/17	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total Capital Project Costs						0
Funding:						
Usable Capital Receipts						0
Develepers Cont's						0
CIL						0
Capital Grants						0
S106						0
Borrowing						0
Other						0
Total Funding						0

On-going Revenue Implications

	Part Year	Full Year
	£'000	£'000
<u>Expenditure</u>		
Employees		
Premises		
Transport		
Supplies and Services		
Other		
<u>Income</u>		
Income		
Total Net Revenue Implications	0	0

11.1 Project Deliverables

[List the required deliverables/products that the project must create or acquire]

Project Initiation Document (PID)

Project Title: [Insert Project Title]

Date: [insert date document issued]

Client/Sponsor: [Insert name of Project Client/Sponsor]

Project Manager: [Insert name of Project Manager]

Responsible Programme: [Insert the name of the Responsible Programme]

Version No: 0.1

[Guidance on Version Control:

- The first draft will be 0.1.
- Each re-drafted version will be 0.2, 0.3 etc.
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Once the amended document is approved by the Board it will be 2.0.]

Approvals: 1. [list the names of Boards or persons this document is being submitted to for formal approval]

2.

Project Initiation Document (PID)

1 Background

Explain the context of the project; provide a brief description and business reasons for undertaking the project. If this project is intended to be part of a wider programme, indicate how it will support the programme's objectives.

2 Project Objectives

2.1 Business Objectives

Indicate how this project will support the programme's objectives and the Corporate Priorities]

2.2 Project Objectives

What is the project required to achieve? Express these, as far as possible in specific, measurable, achievable, realistic, and time-based terms.

3 Project Scope and Exclusions

Define the remit of the project - what is in and out of scope?

4 Constraints

Describe the constraints within which the project must operate.

Constraint Title	Description
Resource availability	
Timescales	
Cost	
Statutory requirements	
Other Programmes / Projects	

5 Project Organisation and Corporate Governance

Describe the project team and management and control aspects.

5.1 Authority

[List the names of the persons/s accountable for the delivery of this project.]

Name	Role	Signature	Date

5.2 Structure

Provide the governance structure chart for the project.

5.3 Roles and Responsibilities

Name	Role	Responsibility
Core roles:		
[Please insert name]	Project Board: Project sponsor	Overall responsibility for ensuring that the project meets its objectives and delivers the projected benefits.
[Please insert name]	Project Board: Senior supplier	Represents the supplier interests within the project and provides supplier resources.
[Please insert name]	Project Board Senior user	Represents the Service area directly benefiting from the project.
[Please insert name]	Project Manager	Plans and delivers the project on a day to day basis and is responsible for ensuring the project delivers to time, budget and requirements.

5.4 Reporting

What are the reporting arrangements for the project? If issues arise, what are the escalation routes?

5.5 Risks, Assumption, Issues and Dependencies (RAID)

Provide details of all risks, assumptions, issues and dependencies. The [RAID log](#) should be a working document and the extract provided here should reflect the current position.

5.6 Change Control

Detail the arrangements for recording and managing change within the project. Refer to the Council's guidance on [change control](#).

5.7 Lessons Learned

How will learning during the project be captured and shared?

5.8 Project Closure

What is the process for closing the project?

5.9 Project Tolerances

Define the tolerances for the project.

Tolerance	Level
If additional budget required please refer to Finance	<i>Refer to Finance for guidance on virement/additional budgetary provision.</i>
Time tolerance is set at:	<i>When is the project to be complete?</i>
Timescales for realisation of benefits are:	<i>When, how and how much will the benefits of the project be realised.</i>

6 Approach

Describe how the project will be managed. E.g. for larger projects, a phased approach is recommended with the use of work packages.

6.1 Procurement Route

Consider, with advice from Procurement and referring to Procurement rules, the required supply for services or goods.

7 Options

List all options for delivering the project that have been considered. Please identify a preferred option if one has been selected at this point.

8 Other Resource Requirements

List all other non-financial resource requirements such as staff time.

9 Project Deliverables

List the expected and required deliverables/products that the project must create or acquire.

9.1 Acceptance Criteria

Define the specific features of the project deliverables which will meet the customers' expectations and will function as the key criteria that will be used to judge project completion. This may, for example, detail sign-off procedures.

10 Project Benefits

List the key improvements the project is expected to bring about in the table below. Express these as far as possible in specific, measurable, achievable, realistic, and time-based terms. Any financial benefits should also be listed in section 5.1.

Benefit	Baseline	2016/17 Target	2017/18 Target	2018/19 Target	2019/20 Target
[insert benefit, e.g. increase the amount of, reduce the amount of,]					
[insert benefit, e.g. increase the amount of, reduce the amount of,]					
[insert benefit, e.g. increase the amount of, reduce the amount of,]					
[insert benefit, e.g. increase the amount of, reduce the amount of,]					

10.1 Project Dis-Benefits

Please state any potential dis-benefits (negative side effects).

10.2 Environmental / Social / Economic Impact

	Impact
What is the likely environmental impact of this project?	<i>E.g. pollution, resource use, reduction to Carbon.</i>
What is the likely economic impact?	<i>E.g. strengthening the local economy, local employment opportunities.</i>
What is the likely social impact?	<i>E.g. opportunities to be part of the community, access to informal provisions.</i>

10.3 Equalities Impact Assessment

Does this project require an Equalities Impact Assessment? Will this project contribute to the achievement of equalities objectives for your service area?

10.4 Costs

Capital

	b/fwd	2016/17	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total Capital Project Costs						0
Funding:						
Usable Capital Receipts						0
Develepers Cont's						0
CIL						0
Capital Grants						0
S106						0
Borrowing						0
Other						0
Total Funding						0

On-going Revenue Implications

	Part Year	Full Year
	£'000	£'000
Expenditure		
Employees		
Premises		
Transport		
Supplies and Services		
Other		
Income		
Income		
Total Net Revenue Implications	0	0

11 Project Plan – High Level Milestones

List the high level milestones for the project. Once approved, they will help measure progress and achievement towards the end goal and will be used as the high level baseline against which activities will be co-ordinated and planned in detail as the project progresses.

Milestone	Start	Finish

11.1 Quality Plan

Please outline the key actions that will ensure the project meets the customers' expectations and the acceptance criteria e.g. quality review meetings. Where relevant please also indicate specialist quality standards and processes from external parties involved.

11.2 \$

Activity	Responsibility (person or organisation)	Resources Required (e.g. User representation/time)

stakeholder map and communications

The purpose of this table is to define all parties with an interest in the project and the means and frequency of engaging them. Large projects can append a separate Communication Plan where necessary.

Stakeholder	Information/interest Requirements from Project (two way)	Communication Channel	Date or Frequency	Responsible individual
Internal stakeholders				
External stakeholders				

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Capital Gateway Project Monthly Monitoring Form

October

A Capital Project

A
Capital
Code



Project Manager		2014/15				Date Form Required	
A Project Manager		Last Month	Current Month			15-Nov-14	
Progress Assessment Score for the Period		0.00	6.61			Latest Annual Budget	
Individual Scores (from -2 to +2)		Applicable	Score	Cumulative Spend		£	
Feasibility (Gateway 0)		0	0	150,000		122,000	
Bid Approval (Gateway 1)		7	2	<div style="background-color: yellow; padding: 10px; text-align: center;"> Project on target progressing well </div>			
Initiation and Procurement (Gateway 2)		6	2				
Contract Award and Delivery (Gateway 3)		4	2				
Monitoring (Gateway 4)		5	1				
Completion (Gateway 5)		6	0				
Scoring Key		Score					
Unlikely Will be Completed				-4			
Encountering Difficulties				-2			
Neutral				0			
Progressing				2			
Complete				4			
Feasibility (Gateway 0)		Applicable	Score	Comments	Actions	Who	When
1 The Project is in line with Council objectives		N	0				
2 Initial consultant and investigation costs identified		N	0				
3 Project Client has been assigned		N	0				
4 Initial cost estimate		N	0				
5 Outline Project Brief prepared		N	0				
6 Key benefits identified		N	0				
7 Major Risks have been identified		N	0				
Bid Approval (Gateway 1)		Applicable	Score	Comments	Actions	Who	When
1 The Project is in line with Council objectives and scored		Y	4				
2 Full Project Brief prepared		N	0	Project already approved.	None.		
3 Project Client identified		Y	4				
4 Project Manager identified		Y	4				
5 Full Capital and Revenue breakdown of costs prepared		Y	4				
6 Project governance structure agreed		Y	4				
7 Internal Resources identified		Y	4				
8 External consultants identified		Y	4	Not required.	None.		
9 Procurement methodology identified		Y	4				
Initiation and Procurement (Gateway 2)		Applicable	Score	Comments	Actions	Who	When
1 Budget has been allocated (Council Approval)		Y	4				
2 Full PID prepared and approved by CAMAC		Y	-2	This being undertaken retrospectively and as such not had CAMAC approval as yet.	PID prepared and submitted to Monitoring Group for approval onto CAMAC.	PM	17-Nov-14
3 Actual project costs completed - both capital and revenue		Y	4				
4 Risk register populated and completed		Y	4				
5 Successful contactor identified		Y	4				
6 Procurement methodology signed off by the procurement team		Y	4				
Contract Award and Delivery (Gateway 3)		Applicable	Score	Comments	Actions	Who	When
1 Full budget released		Y	4				
2 Contract placed		Y	4				
3 On site management team in place		Y	4				
4 All relevant permissions in place		Y	4				
5 Project Plan prepared		Y	-2	Not prepared as yet.	Will have to prepare a Project Plan detailing project's critical events.	PM	17-Nov-14
Monitoring (Gateway 4)		Applicable	Score	Comments	Actions	Who	When
1 Project Budget profiled on Agresso in line with Project Plan		Y	-2	Given Project Plan isn't completed as yet the profiling of the budget on Agresso is as yet unfinished.	Once Project Plan is complete, profiling will be undertaken.	PM/Management Accountant	17-Nov-14
2 Project spend within approved budget		Y	4				
3 Project will be spent in accordance with profiled budgets		Y	4				
4 Project scope unchanged		Y	4				
5 Project Manager completing monitoring reports monthly		Y	4				
Completion (Gateway 5)		Applicable	Score	Comments	Actions	Who	When
1 Final account agreed		Y					
2 All defects attended to under the contract		Y					
3 No outstanding claims		Y					
4 Project Closure Statement completed by Project Manager		Y					
5 Project Closure Statement approved by CAMAC		Y					
6 Scheme has achieved initial business case objectives		Y					

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Project Closure Statement

Project Title: [Insert Project Title]

Date: [insert date document issued]

Client/Sponsor: [Insert name of Project Client/Sponsor]

Project Manager: [Insert name of Project Manager]

Responsible Programme: [Insert the name of the Responsible Programme]

Version No: 0.1

[Guidance on Version Control:

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Once the amended document is approved by the Board it will be 2.0.]

- Approvals:**
1. [list the names of Boards or persons this document is being submitted to for formal approval]
 - 2.

End Stage Report

Purpose

This is the project manager's report to the Project Executive and Project Board and provides information on how well the project/this stage of the project has performed against the agreed scope defined within the Project Initiation Document and Business Case.

The stage report should review whether the project is delivering/has delivered Value for Money, and to ensure that it still represents the most effective and efficient way to meet the relevant objectives.

1 Background to the project

Introduction, objectives, rationale for the project and business benefits expected

2 Achievement of Project Objectives and Deliverables

Has this stage of the project achieved its objectives (purpose) and deliverables (tangible and specific products) as outlined in the Business Case and PID? How well did the project perform against the planned target time and cost? Summarise whether the project was successful or not.

3 Impact of Changes

The effect on the original Project Plan and Business Case of any changes that were approved, including any effect on the planned outcomes

4 Quality review

What type of quality review was undertaken and what were the results?

5 Risk Review

Update on key project risks

6 Project Issues

Update on project issues

7 Actions for the next Stage

Document any unfinished business/outstanding elements at the end of this stage, identify the person responsible for them and pass them on for completion. Outline work that needs to be done to begin the next stage

8 Benefits Update

Update on planned benefits for the project, including level of achievement so far for each benefit or expected levels of achievement and when and how the final benefits realisation will be monitored and reported.

9 Lessons learnt

List any key lessons learnt that should be captured and shared. List any recommendations for future enhancement or modification of the project management method

10 Conclusions/recommendations

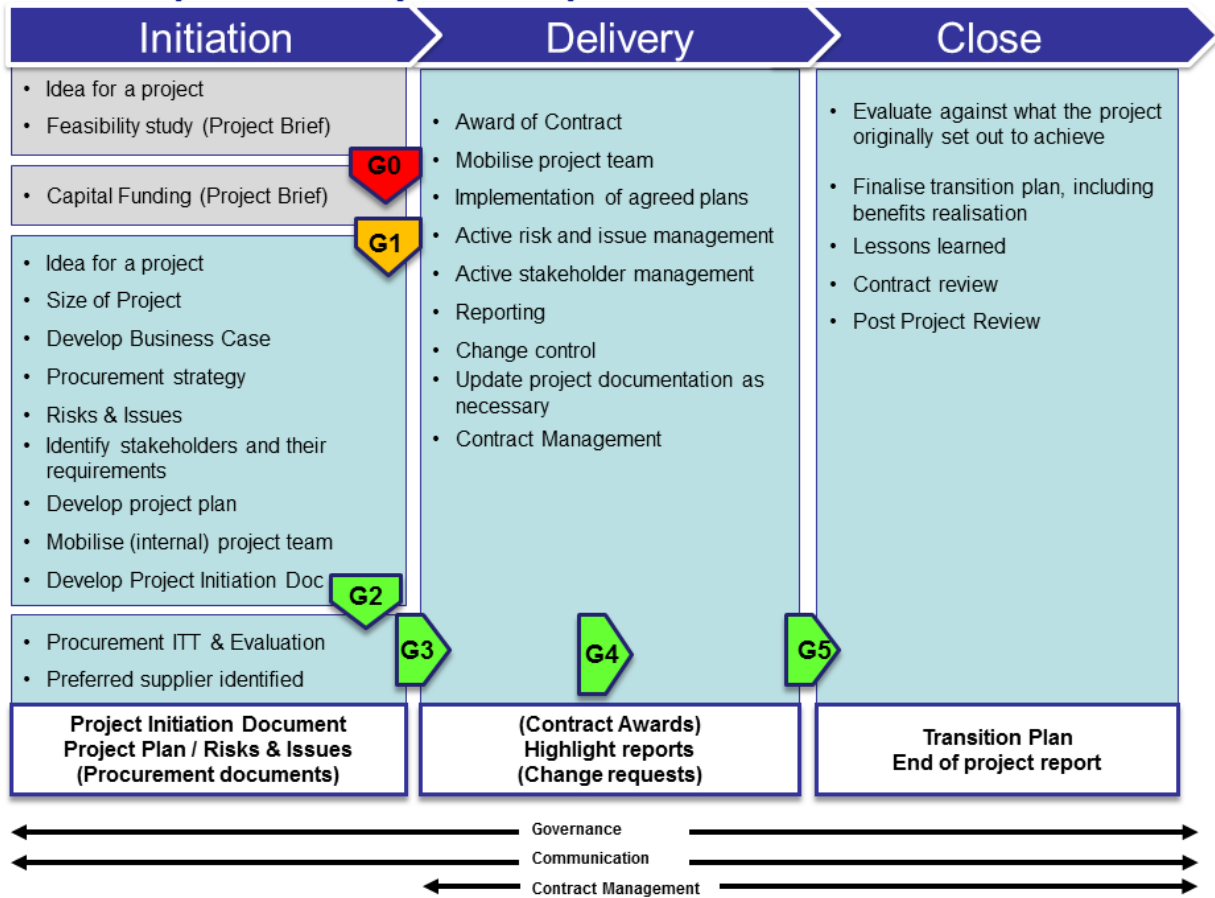
List any key conclusions/recommendations that emerge from the lessons learnt.

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Corporate Asset Management and Capital Programme

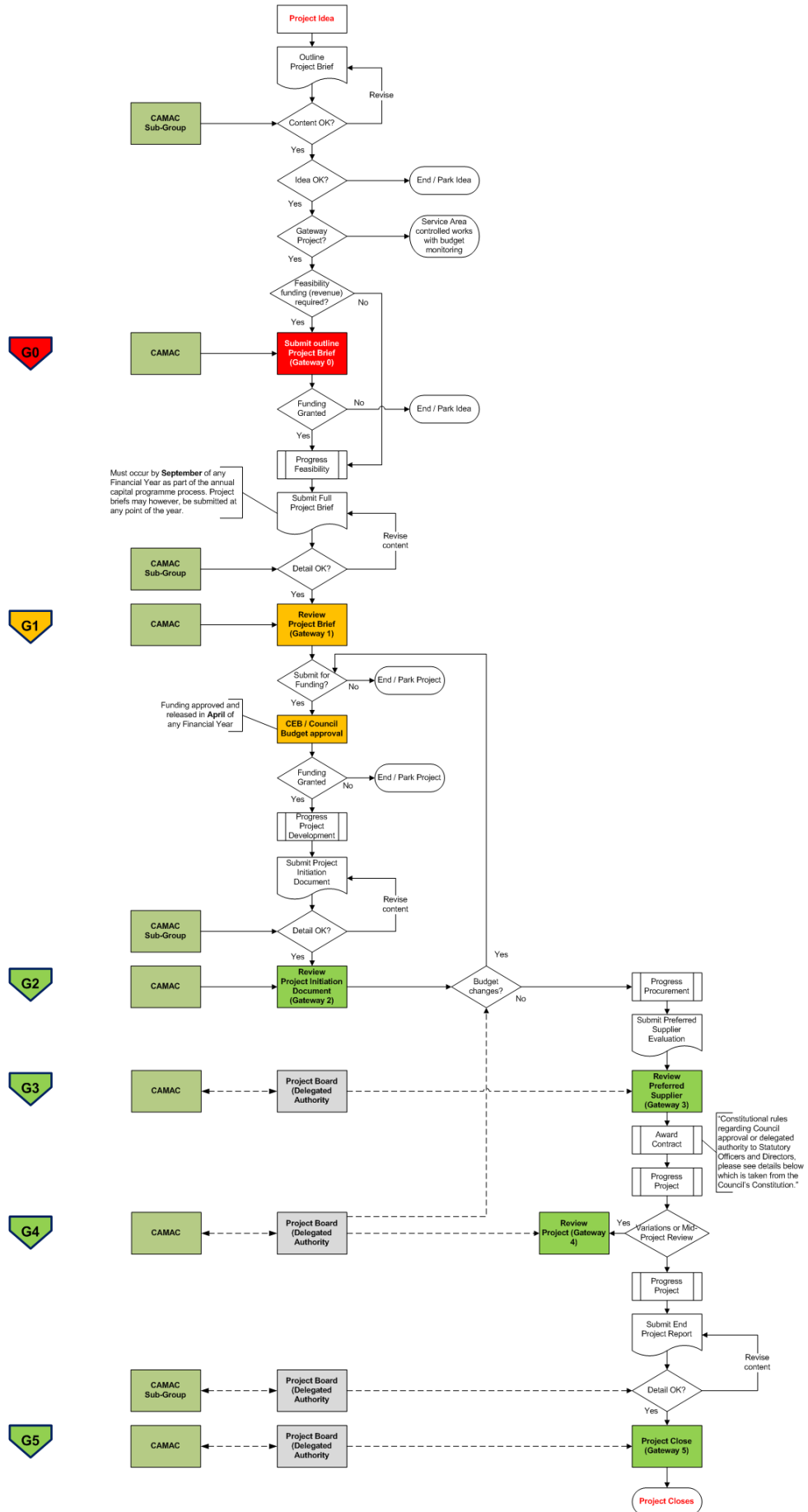
Capital Projects Gateways Process

Oxford City Council - Project Delivery Process



Corporate Asset Management and Capital Programme

Gateway Process – Capital Projects



Corporate Asset Management and Capital Programme

Governance and Assurance Gateways

Capital funding bids and where funding is approved, select projects will pass through a series of governance and assurance gateways. The governance and assurance gateways are designed to ensure that the bids and a project's progress are monitored and assessed through a robust process aligned to the Capital Strategy.

The Gateway process will require specific documentation to be completed and submitted for review and challenge at various stages. As capital funding bids are to be submitted by September of any year, and funding is approved, ready for release during the new Financial Year (beginning April), the documentation requirement will ensure that capital expenditure or capital project details and its associated business case are recorded, in a consistent manner, so that any scheme can continue with all parties understanding the proposed outcomes and costs.

Some schemes will not become 'Gateway projects.' Though the capital expenditure will need to be understood for aspects such as vehicle replacement, or fencing maintenance, these will not be subject to the Gateway Process other than the first stage (Gateway '0' (zero)). These aspects will be managed within Service Areas and be subject to budget monitoring

Once a project has been approved, as well as governance and assurance gateways, monitoring reports will be required, for review by the Corporate Asset Management and Capital (CAMAC) Programme Board.

Governance arrangements for a project are to be proposed to CAMAC, who will revise or ratify the arrangements. Should responsibility for the project be delegated by CAMAC, the delegated authority (typically a Project Board), will be responsible for the completion of any governance and assurance. Monitoring reports, regarding the Capital Bid and Projects will continue to be submitted for review by CAMAC irrespective of whether authority has been delegated or not.

Note: Roles and responsibilities associated with capital projects are described below.

Note2 Documentation should be submitted to capitalprojectdocuments@oxford.gov.uk

Required Documentation

All activity, where capital funding is required, should be described using a Project Brief template to enable information to be captured in a consistent manner. Capital 'Gateway projects' will be required to complete, as a minimum, four documents (over the course of the project) that will apply at the various stages from concept through to completion. Where external procurement is required, a fifth document will be required. The documents required are:

Note: Template examples of the documentation are provided within the appendices.

Corporate Asset Management and Capital Programme

<p>Project Brief</p>	<p>This document enables a Sponsor and project manager to describe the proposed project or scheme in terms of background, objectives, scope, constraints (including risks), cost (including a proposed profile of spend), approach, options and benefits.</p> <p>The document also enables Service Areas to describe maintenance or replacement works that are to be carried out.</p> <p>The information contained will enable CAMAC to determine whether the idea should be progressed (Gateway 0 (zero)) and a funding bid submitted to CEB / Full Council (Gateway 1) as a Gateway Project or to be Service Area managed with budget monitoring.</p> <p>Notes:</p> <ul style="list-style-type: none"> • A Project Brief template should be used where 'match funding' financing is required. Using this template and submitting the information to CAMAC will enable the idea and budget to be considered and approved. Where there are short deadlines for funding, rather than wait for the next Capital Programme Management meeting or full CAMAC Board, an exceptional meeting would be appropriate. • Where a project is managed by an external party, e.g. Oxfordshire County Council, the project should be described using the project brief template. This should incorporate the City Council's financial commitment so that the idea and budget can be considered and approved. A City Council Lead Officer should be appointed, so that the project may be tracked in terms of progress and expenditure.
<p>Project Initiation Document (PID)</p>	<p>Where the Funding Bid has been approved by CEB / Full Council (Gateway 1), CAMAC will request that the project be fully planned and documented.</p> <p>The starting point for the completion of the Project Initiation Document (PID) will be to copy the information from the Project Brief.</p> <p>A PID will be required for projects whose cost is in excess of £100,000</p> <p>The PID requires significant effort and planned activity to collect and prepare all of the required detail.</p> <p>Note: Once work begins on the PID, the Project Brief may be discarded.</p> <p>The information contained will enable CAMAC (or a delegated authority) to determine whether the project should continue and along with any procurement activity, whether preferred resource or suppliers may be contracted (Gateways 2 and 3 respectively).</p> <p>The CAMAC, or the delegated authority will ratify any project tolerance and contingency that has been proposed. Tolerance and contingency should be considered in terms of Cost, Time, and Quality and this should be linked to the risk register for the project</p> <p>Once the PID has been agreed, the scope of the project and its deliverables are fixed. Any changes to this would be addressed through agreed tolerances, or where significant, through requests for</p>

Corporate Asset Management and Capital Programme

	change to CAMAC (Gateway 4).
Project Monitoring Tool	<p>This tool enables the project manager to indicate the progress and status of a project through responding to a small number of questions.</p> <p>The tool presents a status and enables the capture of comments, actions and owners.</p> <p>This tool will remain 'live' for the duration of the project and should be completed as each stage progresses. The monitoring tool is stored on a central network drive and the Project Manager will update the details on a monthly basis. Finance will collate the information provided and will update the Capital Programme Report that is reviewed by the CAMAC.</p> <p>Note: Where ICT projects are capially funded, these projects should also be reported to CAMAC through the use of the Monitoring Tool, even though it would be the Organisational Development and Corporate Efficiency Programme Board which is responsible for the project's delivery</p>
Project Closure Statement	<p>Where CAMAC or the delegated authority has agreed that the project has been completed, the project manager will complete a Project Closure Statement.</p> <p>The starting point for the Project Closure Statement is the PID. The report enables the assessment of the project in terms of products or services delivered benefits, outstanding risks and lessons learned.</p> <p>The detail required within the report will be proportionate to the size and complexity of the project.</p>
Procurement Strategy	<p>Where any external procurement activity is to be conducted as part of the Capital Project, the Project Manager will, by working with the Procurement Team, complete a Procurement Strategy.</p> <p>The starting point for the Procurement Strategy is the Project Brief. The strategy enables the control and monitoring of the procurement and ultimately the award of a contract in line with defined milestones and governance.</p> <p>The detail required within the report will be proportionate to the size and complexity of the project.</p>

Corporate Asset Management and Capital Programme

Governance and Assurance Gateways – requirement and timing

Capital funding bids and subsequent Gateway Projects will be governed through a series of six Gateways; numbered zero through five.

Gateways ‘zero and one’ relate to funding Bids that are to be submitted by September of any year.

Gateways ‘two through five’ relate to CEB / Full Council approved projects and their subsequent progress following the release of capital from April of any year.

The purpose and documentation requirements for each gateway are:

<p>Gateway Zero</p>	<p>Purpose</p> <ul style="list-style-type: none"> • A Sponsor and a project manager wish to propose a project /scheme. This project/scheme may need to carry out surveys, a feasibility study or an options appraisal, in order to establish the viability of a capital funded project, and are seeking revenue funds in order to progress. • A Service Area requires a capital expenditure programme of works e.g. vehicle replacement, or fencing maintenance • Gateway 0 (zero) enables CAMAC to make a determination on whether the scheme is appropriate and aligned to the Capital Strategy, and also whether feasibility funding is to be granted. • The result of this stage will be: <ul style="list-style-type: none"> ○ Gateway Project - subject to Full Gateway process ○ Not a Gateway Project - Service managed works an reviewed through budget monitoring • <p>Documentation required</p> <ul style="list-style-type: none"> • An project brief should be completed, outlining the project idea or expenditure programme
<p>Gateway One</p>	<p>Purpose</p> <ul style="list-style-type: none"> • CAMAC have approved the scheme as a Gateway Project at Gateway 0 (zero). • A Sponsor and a project manager are seeking internal approval to formally request the required funding via CEB / Full Council <p>Documentation required</p> <ul style="list-style-type: none"> • A fully completed project brief, describing the project
<p>CEB / Full Council determine whether funding is to be granted and committed</p>	
<p>Gateway 2</p>	<p>Purpose</p> <ul style="list-style-type: none"> • CEB / Full Council have approved the required funding for the project/.scheme • To review requests to formally begin the project to planned timescales and to authorise the commencement of procurement activity based on an approved procurement strategy. <p>Note: No tender process will commence unless the specification is affordable within the budget that has</p>

Corporate Asset Management and Capital Programme





	<p>been approved. For example, the specification indicates a cost of £1.5 million, however the budget provision is set at £1.3 million</p> <p>Additionally, the tender process will not commence until the Internal Project Manager has checked and approved the design specification.</p> <ul style="list-style-type: none"> • To fully understand the cost of the project including requesting additional budgetary provision from CAMAC (via report to CEB / Full Council) • To ensure that all internal resource requirements are captured and recorded within the PID. This would include resource from Procurement, Legal and Finance. <p>Notes:</p> <p>Where the costs of the project change, the options to address this are:</p> <ul style="list-style-type: none"> ○ Value engineered to achieve the approved budget figure ○ Can money be vired from another part of the Capital Programme to cover the shortfall? ○ Does the scheme need to go back to CEB / Full Council to request the additional funding? ○ Where these options are not appropriate, Full CAMAC may determine to stop the project from continuing. <p>Documentation required</p> <ul style="list-style-type: none"> • A Procurement Strategy document (completed with Procurement) • A fully completed Project Initiation Document
<p>Gateway 3</p>	<p>Purpose</p> <ul style="list-style-type: none"> • CAMAC have approved the project/scheme at Gateway 2 • To evaluate tender responses and approve recommendations to proceed with a preferred supplier or suppliers • To fully understand the cost of the project including requesting additional budgetary provision from CAMAC (via report to CEB / Full Council) <p>Notes:</p> <p>Where the costs of the project change, the options to address this are:</p> <ul style="list-style-type: none"> ○ Value engineered to achieve the approved budget figure ○ Can money be vired from another part of the Capital Programme to cover the shortfall? ○ Does the scheme need to go back to CEB / Full Council to request the additional funding? ○ Where these options are not appropriate, Full CAMAC may determine to stop the project from continuing. <p>Documentation required</p> <ul style="list-style-type: none"> • A revised and fully updated Project Initiation Document • Procurement Strategy template (completed with Procurement) • Preferred supplier tender evaluation report/s
<p>Gateway 4</p>	<p>Purpose</p> <ul style="list-style-type: none"> • CAMAC have approved the project/scheme at Gateway 3

Corporate Asset Management and Capital Programme

	<p>and any contract award has been approved following the rules set out in the Constitution.</p> <ul style="list-style-type: none"> • Project Boards (as delegated authorities) will manage the day-to-day delivery of the project/scheme and any tolerances/contingency • Should there be exceptional changes (outside of agreed tolerances/contingency relating to costs, viability, quality and timescales established by the appropriate authority and ratified by CAMAC) then the project should submit Change Request documentation to the Capital Programme Management group. This will trigger a Gateway 4. • CAMAC may wish to request a Gateway 4 as an external pair of eyes <p>Notes:</p> <p>Where the costs of the project change, the options to address this are:</p> <ul style="list-style-type: none"> ○ Value engineered to achieve the approved budget figure ○ Can money be vired from another part of the Capital Programme to cover the shortfall? ○ Does the scheme need to go back to CEB / Full Council to request the additional funding? ○ Where these options are not appropriate, Full CAMAC may determine to stop the project from continuing. <p>Documentation required</p> <ul style="list-style-type: none"> • The agreed Project Initiation Document • Change Request documentation • Monitoring tool to assess current progress
<p>Gateway 5</p>	<p>Purpose</p> <ul style="list-style-type: none"> • CAMAC have approved the project/scheme at Gateway 3 • Project Boards (as delegated authorities) are requesting formal closure of the project/scheme • To review the completed project and to assess its successes and any lessons learned. <p>Documentation required</p> <ul style="list-style-type: none"> • A Project Closure Statement • Monitoring tool to assess current progress

Corporate Asset Management and Capital Programme

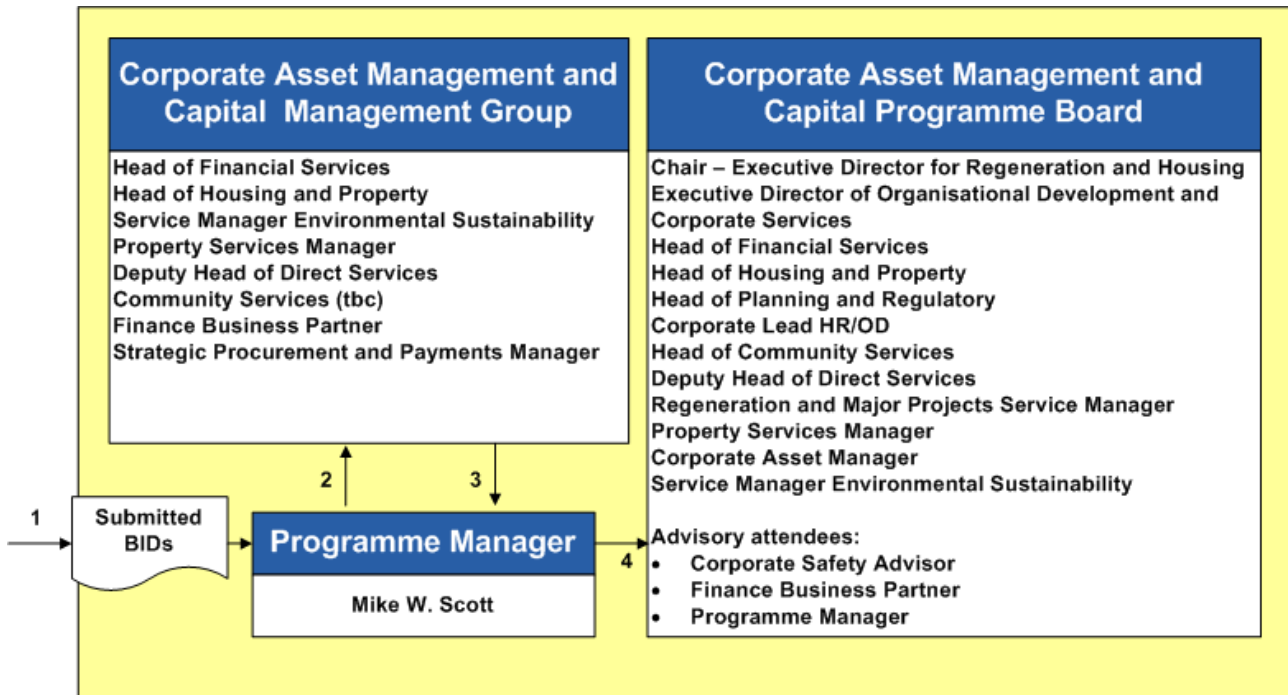
Appendices

Project brief (template)	 Project Brief.doc
Project initiation document (template)	 Project Initiation Document.doc
Project governance / project monitoring tool	 Capital Project Monitoring Form.xlsx
Project Closure Statement (template)	 Project Closure Statement 2014-15.d

Corporate Asset Management and Capital Programme

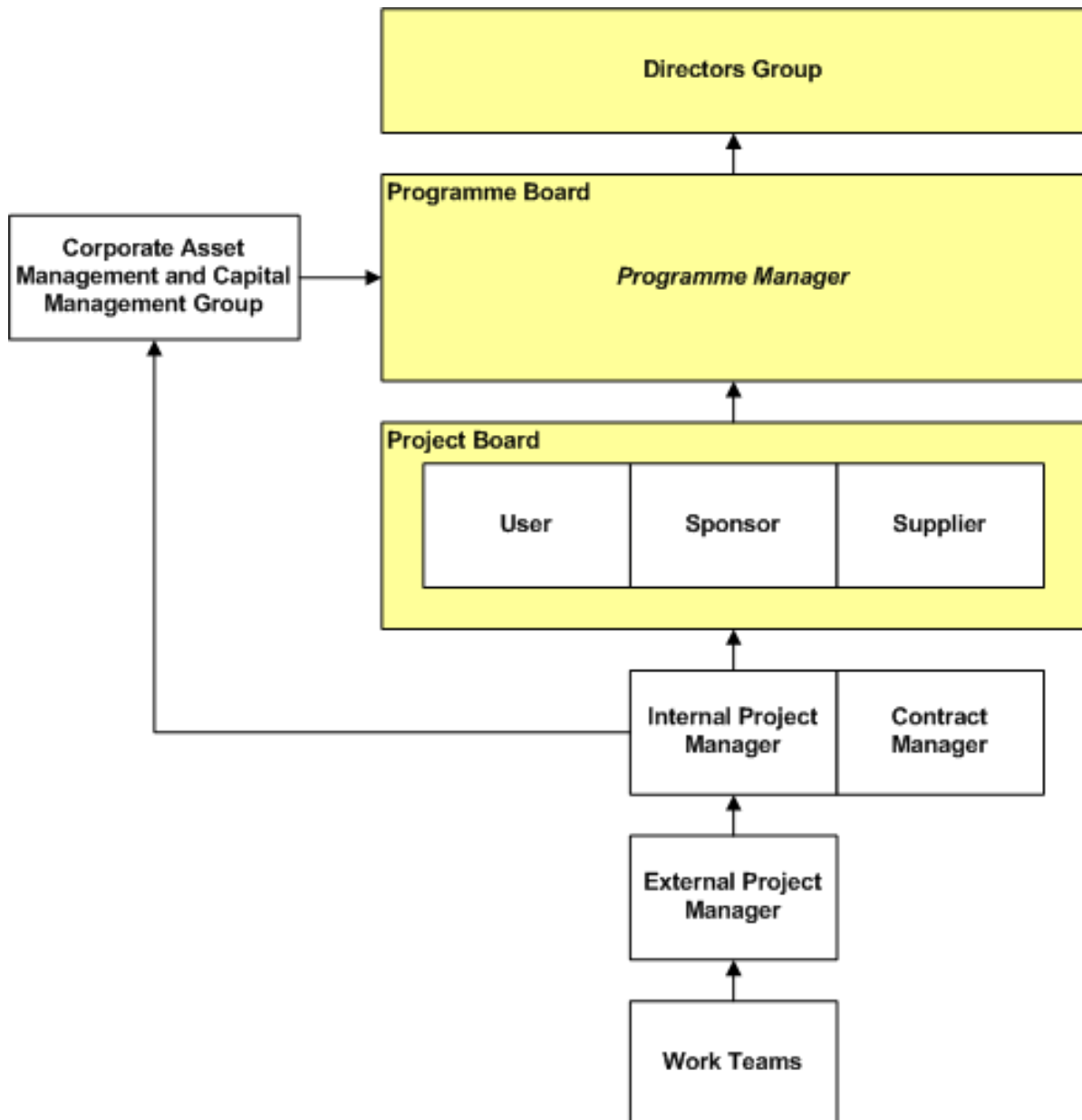
Capital Projects process and governance

Structure, Definition of Roles and Responsibilities



Documentation should be submitted to capitalprojectdocuments@oxford.gov.uk

Corporate Asset Management and Capital Programme Overall Structure



Note: two Project Management configurations are described as follows:

- Management Structure 1 : Internal Project Manager appointed
- Management Structure 2 : External Project Manager appointed

Corporate Asset Management and Capital Programme

Structure, Definition of Roles and Responsibilities

Roles and Responsibilities	
Directors Group)	<p>The Group which are accountable for the successful delivery of the Corporate Programmes and who have control over the resources allocated to it.</p> <p>Provides support, advice and dispute resolution.</p> <p>Appoints a Senior Responsible Officer to the Programme Board.</p> <p>The Chief Executive chairs the Directors Group</p>
Programme Sponsor	<p>The person, appointed by Directors Group, who is accountable for the successful delivery of a programme, who has control over the resources allocated to it, and to whom the programme manager reports progress and escalates issues for resolution.</p> <p>The programme sponsor chairs the programme board</p>
Programme Board	<p>A group that monitors and manages the progress of a programme and are responsible for delivering the programme outcomes and benefits.</p>
Corporate Asset Management and Capital Programme Board	<p>A group that monitors and manages the progress of a programme and are responsible for delivering the programme outcomes and benefits.</p> <p>The Terms of Reference for CAMAC are:</p> <p>To Review Policy and Strategy in respect of:</p> <ul style="list-style-type: none"> • Asset Management Plan • Capital Strategy • Investment Property Strategy • Health & Safety • To manage the implementation of annual capital programme.
Corporate Asset Management and Capital Management Group	<p>This group will review all submissions where capital funding is required. These submissions may relate to:</p> <ul style="list-style-type: none"> • A Sponsor and a project manager wish to propose a project /scheme. • A Sponsor and a project manager wish to propose a project /scheme and this project/scheme may need to carry out surveys, a feasibility study or an options appraisal, in order to establish the viability of a capital funded project, and are seeking revenue funds in order to progress. • A Service Area requires a capital expenditure programme of works e.g. vehicle replacement, or fencing maintenance <p>The group will collate, advise on, prioritise (using a central scoring/prioritisation process), prepare determine whether the scheme is appropriate and aligned to the Capital Strategy, and also whether feasibility funding is to be granted. The group will submit the capital bids, to the CAMAC for approval.</p> <p>The initial outputs of this group will be to determine:</p> <ul style="list-style-type: none"> • Gateway Project - subject to Full Gateway process • Not a Gateway Project - Service managed works an reviewed through budget monitoring

Corporate Asset Management and Capital Programme

	<ul style="list-style-type: none"> • Not a viable scheme <p>The group may advise on the suitable selection of a Project Manager to manage the scheme.</p> <p>Where funding has been approved, this group will ensure that No tender process will commence unless the specification is affordable within the budget that has been approved. For example, the specification indicates a cost of £1.5 million, however the budget provision is set at £1.3 million</p> <p>Additionally, the tender process will not commence until the Internal Project Manager has checked and approved the design specification.</p> <p>The group will review excessive variations to the project and respective requests for change.</p> <p>Part of this arrangement will also be the monitoring of current capital schemes and reporting to the CAMAC on an exception basis and receiving advice and guidance where required.</p> <p>Where disputes on project arrangements are identified, this group will facilitate their resolution through escalation to the CAMAC and to the Senior Responsible Officers Group.</p>
<p>Programme Manager</p>	<p>The person with responsibility for ensuring the delivery of the programme on a day to day basis.</p> <p>The programme manager will receive the capital funding bid papers and will submit them to the programme sub-group for review.</p> <p>Receives an aggregated monitoring report (project status information collected from project managers) via Finance for review and discussion by the CAMAC.</p>
<p>Project Board</p>	<p>A temporary, flexible organisation created to co-ordinate, direct and oversee the completion of a project against the agreed business case.</p> <p>This governance group is responsible for providing the project sponsor with support, advice and technical input.</p> <p>Approves the appointment and defines the objectives and the responsibilities of the Project Manager.</p> <p>Works within scope and tolerances set by the programme board for ensuring the project is on track to deliver agreed outcomes in the agreed Project Initiation Document (PID)</p> <p>Monitoring project progress and assists the project manager with problem resolution, whilst also providing guidance on the direction of the project.</p> <p>Responsible for ensuring the Capital Programme Management Group have visibility of any excessive variances</p> <p>Carries out gateway reviews where this responsibility has been delegated by the programme board.</p> <p>Monitors and reviews performance of the project team and its key roles</p> <p>The project board consists of three roles:</p>

Corporate Asset Management and Capital Programme

	<ul style="list-style-type: none"> • Project Sponsor • Senior user • Senior supplier <p>Note: Project Sponsor and Senior User may be the same person for smaller projects.</p>
<p>Project Sponsor</p>	<p>The senior person with a relevant interest in the project benefits.</p> <p>This person is the owner of the business case, and is accountable for the delivery of the project in line with the agreed business case.</p> <p>This person is able to allocate resources, approve scope changes and provide high-level direction.</p> <p>This person chairs the project board and would typically sit on the programme board.</p> <p>Specific Responsibilities</p> <ul style="list-style-type: none"> • Oversees the development of the Project Brief and the Business Case • Appoints a Project Manager (may be advised by the Capital Management Group) • Ensures that there is a coherent project organisation and a logical set of plans • Ensures Procurement have been involved in developing the procurement strategy for the project. • Monitors and reviews the project against the business case. • Ensures risks are being monitored and mitigated as effectively as possible • Approves the project Closure Statement and that outstanding risks and issues are documented and passed on to the appropriate resource. • Ensures that project benefits have been realised <p>For Gateway 0 (zero)</p> <p>Works with a project manager to develop the outline brief for consideration by CAMAC and aligned to the Capital Strategy.</p> <p>Seeks funding for any feasibility study.</p> <p>Nominates an officer to take forward the idea which may or may not include carrying out some discrete procurement to deliver feasibility studies.</p> <p>Following Gateway 1</p> <p>The Sponsor is to be consulted to ensure that the procurement strategy meets the requirements of the project in terms of timeline, budget and business outcomes.</p> <p>The Sponsor must approve to the procurement strategy before it is submitted to CAMAC for approval.</p> <p>The Sponsor needs to ensure the project manager follows the terms of the Framework for Commercial Contracts to ensure:</p> <ul style="list-style-type: none"> • <i>Lead Contractors develop a relationship with Oxford Direct Services (ODS)</i> • <i>Where there is work that can be separated from the main contract e.g. Landscaping, Highways, ODS are contacted</i>

Corporate Asset Management and Capital Programme

	<p><i>to discuss their ability to carry out the works</i></p> <ul style="list-style-type: none"> • <i>Where there are suitable, discrete work packages, the Lead Contractor meets with ODS to discuss options for them tendering for the work</i> • <i>Where the project is not suitable for ODS, that consideration is given to ODS' expertise and in becoming part of the tender evaluation panel</i> <p>Following Gateway 2</p> <p>The Sponsor is Accountable for the sign-off of the final tender specification before release to market.</p> <p>Informed of the outcome of the tender evaluation via a formal report</p> <p>Depending on the contract value and CEB Delegated Authority given, the appropriate Director will give approval to award the contract in accordance with the tender evaluation report.</p> <p>Responsible for agreeing the Contract Manager.</p> <p>Following Gateway 3</p> <p>Responsible for reviewing and agreeing the final draft contract before it is given to Legal for signing</p> <p>Accountable for the delivery of the project in accordance with the agreed PID and awarded contract.</p> <p>Informed of project delivery progress at each project board and changes managed through the Gateway process.</p> <p>Note: Project Sponsor and Senior User may be the same person for smaller projects.</p>
<p>Senior User</p>	<p>This person represents the interests of all those for whom the project will achieve an objective or who will use the outcome of the project to deliver benefits.</p> <p>This person is responsible for ensuring project requirements are fully and accurately specified in the business case and for monitoring the quality of the outcomes.</p> <p>This person must ensure that the end-user requirements are carefully scrutinised against affordability restrictions and the final scope does not represent a 'wish list' that is over engineered or deviates from the original Project Brief and its requirements so that they meet the needs of the organisation in terms of quality and use</p> <p>Specific Responsibilities</p> <ul style="list-style-type: none"> • Ensures that the desired outcome is specified • Promotes and maintains focus on the desired outcome • Resolves user requirement, budgetary, scope and priority conflicts • Advise user management on matters concerning the project • Ensure that user requirements are accurate and unambiguous • Risks to users are monitored

Corporate Asset Management and Capital Programme

Senior Supplier	<p>This role (may be an individual or a variety of individuals over the course of a project) on the project board provides knowledge and experience of the main areas involved in producing the project's deliverables, such as of those who will design, develop or procure the project's products.</p> <p>This role will represent the suppliers' interests within the project and has the authority to commit or acquire supplier resources in support of the design, development, facilitation, procurement and implementation of the project deliverables.</p> <p>During the early phases of the project process, Procurement, Legal and Finance will occupy this position – see relevant sections below.</p> <p>Specific Responsibilities</p> <ul style="list-style-type: none">• Agree objectives for supplier activity• Promotes and maintains focus on the desired outcome• Ensures supplier resources are made available• Resolves supplier requirement and priority conflicts• Advise non-technical management on supplier aspects of the project• Ensure that supplier and operating standards defined for the project are met• Risks regarding production are monitored
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Corporate Asset Management and Capital Programme

Management Structure 1 : Internal Project Manager appointed

Internal Project Manager	<p>Appointed by the project sponsor to plan and deliver the project on a day-to-day basis on behalf of the project board within the tolerances allowed by the board.</p> <p>Responsible for producing the required deliverables that will support the business case, to the required standard of quality and within the constraints of time and cost.</p> <p>The project manager must have the necessary skills and experience to undertake this role. As a minimum, all project managers are required to have undertaken internal, project management training before being assigned to a project.</p> <p>The project manager should have an understanding of the Contract Rules (including key clauses to be inserted into contracts and the delegated authority to award a contract)</p> <p>Reports on progress via timed highlight reports submitted to the project board via the programme manager.</p> <p>Specific Responsibilities</p> <ul style="list-style-type: none">• Directs the project team• Works with Procurement in developing the procurement strategy for the project.• Plans and monitors progress of the project• Manages the project risks and issues• Prepares revised plans and documentation through a change control process and presents them to the Project Board• Tender submission quality checks with Procurement• Agree the technical and quality requirements of the project with the project Team• Agree the technical and quality requirements of the project with the project board• Ensures project resource submit timesheets and these are reviewed against project costs and the business case <ul style="list-style-type: none">• Prepares the Project Closure Statement including lessons learned and presents it to the Project Board• Monitors the performance of any supplier• Reviews non-standard items with the project team to determine their impact on project costs <p>For Gateway 0 (zero)</p> <p>Works with a project sponsor to develop the outline brief for consideration by CAMAC.</p> <p>Works with Procurement in developing the procurement strategy for the project.</p> <p>Following Gateway 1</p> <p>The Project Manager is Responsible for the production of the Procurement strategy.</p> <p>This is to be produced with input from Procurement, Legal and Finance.</p> <p>The Sponsor is to be consulted to ensure that the strategy meets</p>
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Corporate Asset Management and Capital Programme

the requirements of the project in terms of budget, timeline and business outcome.

The Internal Project Manager submits the completed strategy to CAMAC for approval

Notes:

Work with the Sponsor to ensure the project follows the terms of the Framework for Commercial Contracts to ensure:

- *Lead Contractors develop a relationship with Oxford Direct Services (ODS)*
- *Where there is work that can be separated from the main contract e.g. Landscaping, Highways, ODS are contacted to discuss their ability to carry out the works*
- *Where there are suitable, discrete work packages, the Lead Contractor meets with ODS to discuss options for them tendering for the work*
- *Where the project is not suitable for ODS, that consideration is given to ODS' expertise and in becoming part of the tender evaluation panel*

Following Gateway 2

Responsible for ensuring the procurement strategy is signed-off.

Responsible for arranging for the technical specification to be developed to the timeline agreed in the Procurement Strategy and project plan.

The Internal Project Manager is responsible for consulting with other technical staff and preparing the technical specification and providing to Procurement to finalise the full tender documentation.

Responsible for signing-off the completed Technical Specification to ensure it meets the Councils requirements, fit for purpose and provides value for money.

Responsible for submitting the final tender documentation for approval by the Sponsor

Responsible for the coordination of answers to all clarification questions and for approving the tender clarification responses

Responsible for undertaking the tender evaluation as a panel member (subject to Council agreement)

Responsible for the production of the technical elements of the tender evaluation report and submitting it to Procurement.

Responsible for ensuring that the requirements proposed in the final technical solution are fit for purpose, agreed by the project team and are within the project budget.

Submits the evaluation report to the Project Board and to the officer with delegated authority to award the contract.

The Internal Project Manager at this point may become the Contract Manager for the project. This assignment needs to be agreed by Sponsor

Following Gateway 3

Responsible for ensuring that the monitoring arrangements of

Corporate Asset Management and Capital Programme

	<p>performance and KPIs are in place.</p> <p>Receives and reviews contract performance data and reports</p> <p>Responsible for the day-to-day delivery of the project against agreed plans.</p> <p>Responsible for ensuring that the project is being delivered in accordance with the contract.</p> <p>Responsible for producing highlight reporting to the project board and</p> <p>Responsible for producing the monitoring report for the CAMAC.</p> <p>Responsible for managing the relationship with external suppliers where relevant, clearly setting out the roles, responsibilities and standards</p> <p>Ensures that payments are made in accordance with the agreed contract terms, and that no payments are made to a contractor once the Council has become aware that the contractor is likely to go into administration without the prior agreement of the administrator.</p> <p>Monitors performance (e.g. compliance with conditions, KPIs and milestones) and manages the associated risks</p> <p>Ensures that effective communication is maintained between all parties and monitoring conflicts of interest and facilitates their resolution</p> <p>Managing operational changes or variations to the contract and ensures contract documentation is regularly checked, e.g. insurance certificates</p> <p>Working with Procurement to ensure that the contract remains competitive in the current market, and that it continues to demonstrate value for money to the Council</p> <p>Responsible for submitting requests for change beyond agreed project tolerances. This would include time, cost, scope and non-standard items</p> <p>Responsible for ensuring the appropriate reporting is passed to CAMAC for review.</p>
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Corporate Asset Management and Capital Programme

Management Structure 2 : External Project Manager appointed

<p>Internal Project Manager</p> <p>[May also be the Contract Manager]</p>	<p>Where insufficient capacity or skill is available within the Council, the Project Sponsor may choose to appoint an ‘external’ project manager to plan and deliver the project on a day-to-day basis.</p> <p>The Internal Project Manager will act on behalf of the project board and will advise on constraints laid down by the board. The role will act within an assurance capacity.</p> <p>Reports on progress via timed highlight reports submitted to the project board via the programme manager.</p> <p>Specific Responsibilities</p> <ul style="list-style-type: none"> • Directs the External Project Manager where one has been appointed • Ensures the External Project Manager understands the Council requirements regarding Project and Programme controls, including Gateways, and should have an understanding of the Contract Rules (including key clauses to be inserted into contracts and the delegated authority to award a contract) and tender submission compliance checks. • Ensures the Project Manager works with Procurement in developing the procurement strategy for the project. • Monitors progress of the project against agreed plans • Monitors the project risks and issues on behalf of the Council • Agrees revised plans and documentation through a change control process and presents them to the Project Board • Agrees the technical and quality requirements of the project with the project manager and presents them to the project board before they are made available to the market • Ensures project resource (including suppliers) timesheets are collected and reviewed against project costs and the business case • Approves the Project Closure Statement including lessons learned and presents it to the project board <p>Following Gateway 1</p> <p>The Internal Project Manager is accountable for ensuring that the Procurement strategy is produced.</p> <p>Notes:</p> <p>Work with the External Project Manager (and Lead Contractor) to ensure they follow the terms of the Framework for Commercial Contracts to ensure:</p> <ul style="list-style-type: none"> • <i>Lead Contractors develop a relationship with Oxford Direct Services (ODS)</i> • <i>Where there is work that can be separated from the main contract e.g. Landscaping, Highways, ODS are contacted to discuss their ability to carry out the works</i> • <i>Where there are suitable, discrete work packages, the Lead Contractor meets with ODS to discuss options for them tendering for the work</i>
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Corporate Asset Management and Capital Programme

- *Where the project is not suitable for ODS, that consideration is given to ODS' expertise and in becoming part of the tender evaluation panel*

This is to be produced with input from the Project Manager, Procurement, Legal and Finance.

The Internal Project Manager is responsible for submitting the strategy to CAMAC for approval.

Following Gateway 2

Responsible for ensuring the Project Manager presents the procurement strategy to the Board.

Responsible for ensuring the procurement strategy is signed-off.

Responsible for signing-off the completed Technical Specification to ensure it meets the Councils requirements, fit for purpose and provides value for money.

The Internal Project Manager is responsible for submitting the final tender documentation for approval by the Sponsor if an external Project Manager is in post.

Responsible for approving the tender clarification responses.

Responsible for undertaking the tender evaluation as a panel member.

Responsible for ensuring that the requirements proposed in the final technical solution are fit for purpose and within the project budget.

Responsible for ensuring that the costs of both the technical specification and the management of the project are within budget

Submits the evaluation report to the Project Board and to the officer with delegated authority to award the contract.

The Internal Project Manager at this point may become the Contract Manager for the project.

This assignment needs to be agreed by Sponsor

Following Gateway 3

Consulted on the arrangements of contract monitoring of performance and KPIs.

Receives and reviews contract performance data and reports

Responsible for ensuring that the Project Manager is delivering the project in accordance with the contract.

Responsible for ensuring the appropriate reporting is passed to CAMAC for review.

Ensures that payments are made in accordance with the agreed contract terms, and that no payments are made to a contractor once the Council has become aware that the contractor is likely to go into administration without the prior agreement of the administrator.

Corporate Asset Management and Capital Programme

<p>Contract Manager</p> <p>[May also be the Internal Project Manager]</p>	<p>Responsible for managing the relationship with external suppliers where relevant, clearly setting out the roles, responsibilities and standards</p> <p>Monitors performance (e.g. compliance with conditions, KPIs and milestones) and manages the associated risks</p> <p>Ensures that effective communication is maintained between all parties and monitoring conflicts of interest and facilitates their resolution</p> <p>Managing operational changes or variations to the contract and ensures contract documentation is regularly checked, e.g. insurance certificates</p> <p>Working with Procurement to ensure that the contract remains competitive in the current market, and that it continues to demonstrate value for money to the Council</p> <p>Works closely with an External Project Manager or may also be the Project Manager where no external appointment is made.</p>
<p>External Project Manager</p>	<p>Appointed by the project sponsor to plan and deliver the project on a day-to-day basis on behalf of the project board within the tolerances allowed by the board.</p> <p>Responsible for producing the required deliverables that will support the business case, to the required standard of quality and within the constraints of time and cost.</p> <p>The project manager must have the necessary skills and experience to undertake this role. This will include the Council's Project Management methodology, the Capital Gateway process and an understanding of the Contract Rules (including key clauses to be inserted into contracts and the delegated authority to award a contract).</p> <p>Reports on progress via timed highlight reports submitted to the project board via the programme manager.</p> <p>Specific Responsibilities</p> <ul style="list-style-type: none"> • Directs the project team • Works with Procurement in developing the procurement strategy for the project. • Plans and monitors progress of the project • Manages the project risks and issues • Prepares revised plans and documentation through a change control process • Agree the technical and quality requirements of the project with the project board having previously had this agreed by the Council's internal project manager • Ensures project resource (including suppliers) submit timesheets and these are reviewed against project costs and the business case • Prepares the Project Closure Statement including lessons learned

Corporate Asset Management and Capital Programme

For Gateway 0 (zero)

Works with a project sponsor to develop the outline brief for consideration by CAMAC.

Works with Procurement in developing the procurement strategy for the project.

Following Gateway 1

The Project Manager is Responsible for the production of the Procurement strategy.

Notes:

Work with the Internal Project Manager (and Lead Contractor) to ensure the terms of the Framework for Commercial Contracts are followed to ensure:

- *Lead Contractors develop a relationship with Oxford Direct Services (ODS)*
- *Where there is work that can be separated from the main contract e.g. Landscaping, Highways, ODS are contacted to discuss their ability to carry out the works*
- *Where there are suitable, discrete work packages, the Lead Contractor meets with ODS to discuss options for them tendering for the work*
- *Where the project is not suitable for ODS, that consideration is given to ODS' expertise and in becoming part of the tender evaluation panel*

This is to be produced with input from Procurement, Legal, Finance and the Internal Project Manager.

The Sponsor is to be consulted to ensure that the procurement strategy meets the requirements of the project in terms of budget, timeline and business outcome.

The Project Manager submits the completed procurement strategy to the Internal Project Manager who will submit the strategy to CAMAC for approval

Following Gateway 2

Responsible for arranging for the technical specification to be developed to the timeline agreed in the Procurement Strategy.

The Project Manager is responsible for consulting with other technical staff and preparing the technical specification and providing to Procurement to finalise the full tender documentation.

Responsible for the coordination of answers to all clarification questions.

Responsible for undertaking the tender evaluation as a panel member (subject to Council agreement)

Responsible for the production of the technical elements of the tender evaluation report and submitting it to Procurement.

Corporate Asset Management and Capital Programme

	<p>Following Gateway 3</p> <p>Responsible for ensuring that the monitoring arrangements of performance and KPIs are in place.</p> <p>Responsible for producing highlight reporting to the project board and inclusion in the monitoring report for CAMAC.</p> <p>Responsible for the day-to-day delivery of the project against agreed plans.</p> <p>Responsible for submitting requests for change beyond agreed project tolerances.</p> <p>Ensures no payments are made to a contractor once the Council has become aware that the contractor is likely to go into administration without the prior agreement of the administrator</p>
<p>Procurement</p>	<p>Following Gateway 1</p> <p>Procurement is responsible for developing the strategy with key input from project stakeholders and ensuring that it contains all elements required by the strategy and that it meets the Councils Corporate Objectives and Constitution.</p> <p>Procurement must approve the strategy before the Internal Project Manager submits it to CAMAC for approval.</p> <p>Following Gateway 2</p> <p>Procurement is responsible for providing advice to the Board.</p> <p>Responsible for finalising the full specification documentation.</p> <p>Ensuring that the Councils Corporate Priorities are incorporated in the final specification and deliverables.</p> <p>Ensuring that the Council's commercial teams have had opportunity to bid for work where appropriate.</p> <p>Responsible for releasing the tender documents to the market.</p> <p>Accountable for ensuring that the tender process is managed in accordance with all relevant procurement regulations and that a tender submission compliance check has been completed..</p> <p>Accountable that the clarification questions are being responded to appropriately and promptly.</p> <p>Accountable for arranging the evaluation process and ensuring that the evaluation panel carry out the evaluation compliantly in accordance with all relevant regulations.</p> <p>Accountable for finalising the tender evaluation report in conjunction with Finance and Legal.</p> <p>Following Gateway 3</p> <p>At the point of contract award, Procurement are responsible for ensuring that the final contract is prepared for signing in accordance with specification requirements and solution agreed.</p> <p>Once the contract is signed, arranging for the original contract to be signed by the other party.</p>

Corporate Asset Management and Capital Programme

	<p>Accountable for retaining the original copy and ensuring that the relevant staff have access to an electronic copy.</p> <p>Responsible for monitoring the Risk status and market position of the contracted supplier and reporting this to the Board on a monthly basis.</p> <p>Supporting the Internal Project Manager in contract reviews.</p> <p>Responsible for reviewing and agreeing contractual variations to the contract taking professional advice from Legal.</p> <p>Receives corporate target updates through project highlight reporting.</p> <p>Ensuring that monthly performance data in relation to the Corporate Performance targets is provided for inclusion in reports to CEB.</p>
<p>Legal</p>	<p>Following Gateway 1</p> <p>Legal are to be consulted during the production of the Procurement Strategy and will provide advice as required.</p> <p>Legal must approve the strategy before the Internal Project Manager submits it to the Sponsor for approval.</p> <p>Legal must advise on contract terms and any legislation.</p> <p>Following Gateway 2</p> <p>Legal are to advise on any project specific Terms and Conditions that they consider need to be included in the final contract before the final tender is submitted to the Sponsor for approval.</p> <p>Following Gateway 3</p> <p>Responsible for advising on the proposed amendments to the contract terms put forward by the preferred bidder.</p> <p>Responsible for ensuring the final contract contains the appropriate Legal contract terms</p> <p>Need to sign or seal the contract in accordance with the constitution.</p> <p>Notified of any proposed contractual changes.</p>
<p>Finance</p>	<p>Following Gateway 0 (zero)</p> <p>Finance is responsible for sign-posting the project manager to the Project Monitoring tool.</p> <p>On a monthly basis, collate the information provided and will update the Capital Programme Report that is reviewed by the CAMAC.</p> <p>Following Gateway 1</p> <p>Finance are to be consulted during the production of the Procurement Strategy and will provide advice where required.</p> <p>Finance must approve the strategy before the Internal Project Manager submits it to CAMAC for approval.</p> <p>Finance need to advise on:</p> <ul style="list-style-type: none"> • the selection and evaluation criteria • their requirements in terms of suitability of the selected

Corporate Asset Management and Capital Programme

	<p>supplier</p> <ul style="list-style-type: none"> • how the cost of the project should be evaluated. <p>Following Gateway 2</p> <p>Finance need to sign-off the specification is in accordance with their advice documented in the strategy before the final tender is submitted to the Sponsor for approval.</p> <p>Responsible for undertaking the evaluation as a panel member.</p> <p>Carry out an assessment of the financial health of each of the bidders and ensuring that the financial evaluation of the preferred bid is robust and assessed correctly taking into account 'whole life' costs.</p> <p>Following Gateway 3</p> <p>Responsible for ensuring the final contract includes the correct financial considerations</p> <p>Responsible for ensuring the Capital spend is in accordance with the budget profile and reporting on any discrepancies.</p>
<p>Project Team / Work streams</p>	<p>The people required by the Internal Project Manager/project manager to assist in the delivery of the project.</p> <p>A project team may be made up of people working full time on the project or others, from different areas, who provide occasional support.</p> <p>The size and composition of the project team is dependent on the nature and size of the project.</p> <p>The people on the team should have the necessary skills and expertise to carry out their roles to deliver the elements of the project under the planning and coordination of the project manager. This will include the appropriate input to the design of any technical specification</p> <p>It is the project manager's responsibility to identify who is needed, but the project Sponsor's responsibility to ensure they are made available.</p>

To: City Executive Board

Date: 11 February 2016

Report of: Finance Panel (Panel of the Scrutiny Committee)

Title of Report: Scrutiny Budget Review 2016/17

Summary and Recommendations

Purpose of report: To present the conclusions and recommendations of the Finance Panel on the Budget and Medium Term Financial Strategy 2016-2020

Scrutiny Lead Member: Councillor Craig Simmons

Executive Lead Member: Councillor Ed Turner

Recommendations: The Finance Panel to the City Executive Board:

That the City Executive Board states whether it agrees or disagrees with the twenty four recommendations set out in the body of this report.

Foreword by the Chair of the Finance Panel

I welcome the opportunity to present these 2016/17 budget recommendations on behalf of the Scrutiny Committee's Finance Panel. I would like to extend my thanks to those Members who participated – including those Housing Panel Members who attended a special housing-themed Panel meeting.

Our small Panel has thoroughly reviewed the budget papers that were approved for consultation by the City Executive Board on 17 December 2015, with a view to understanding and commenting on the robustness of the budget proposals as well as offering any relevant guidance to the City Executive Board on key decisions.

During this process we have benefited from extensive officer support and covered all 137 pages of the budget papers. In total, we held 5 meetings and spoke to 11 directors, service heads and other senior staff. We requested some further supporting information (e.g. on staffing levels, income and reserves) but were unfortunately unable, due to a lack of time, to do a full zero-based review. I would also like to thank Democratic Services for keeping the whole process on-track.

This budget flows naturally from the last and follows the now familiar themes of diminishing Government Revenue Support Grant counteracted by increasing external income (from trading, grants, fees and charges).

The Finance Panel has been an enthusiastic supporter of external revenue generation as a means of shoring up service delivery in the face of Government cuts to local authority funding and is pleased to have contributed to identifying, encouraging and securing a number of new sources of funding over the past couple of years. Senior officers have wholeheartedly embraced this approach and have demonstrated exceptional entrepreneurial spirit. Personally, I think the Council should be making much more noise about its successful revenue generation efforts.

Largely as a result of steadily rising external revenues, the General Fund is, generally, in good shape. The same cannot be said of the Capital Programme which has been scaled back considerably from the ambitious plans announced last year in response to anticipated changes in Government housing policy. These may, or may not, end up as bad as predicted. But the Council is right to take the cautious approach set out in the four year capital programme which puts £20.1m money aside to offset HVCH sales and is shaped around a lower level of Council house rents.

The recommendations are the result of our deliberations.

Contents

Introduction	2
Background	2
Aims	3
Method	3
Conclusions and recommendations	3
Overview	3
Presentation of proposals	4
Maximising income.....	5
New investments.....	9
Efficiency savings.....	9
General fund pressures	10
Reserves	11
Capital programme.....	11
Housing Revenue Account and HRA capital	12

Introduction

Background

1. The Scrutiny Budget Review Group 2016/17 (RG) comprised of the members of the Finance Standing Panel; Councillors Simmons (Chair), Fooks, Fry and Hayes. Members of the Housing Standing Panel joined the RG to scrutinise budget proposals relating to housing and the Housing Revenue Account, and their input was greatly appreciated.

2. The RG would like to thank the Chief Executive, Executive Directors, Assistant Chief Executive and their supporting officers for attending meetings to present their proposals and answer questions. In particular the RG would like to thank Nigel Kennedy and Anna Winship for their support and advice throughout the Budget Review process.

Aims

3. The RG aimed to test the robustness of assumptions and underlying principles used in framing budget proposals, and the extent to which these proposals support the City Council's Corporate Plan priorities.
4. This report is intended to provide a considered second opinion on the budget proposals, with some constructive commentary and suggestions. The RG's recommendations are aimed at challenging the City Council to strive to do even better where possible. The conclusions and recommendations are structured around the following themes:
 - Overview
 - Presentation of proposals
 - Maximising income
 - New investments
 - Efficiency saving
 - General fund pressures
 - Reserves
 - Capital programme
 - Housing Revenue Account revenue and capital

Method

5. Evidence gathering took place between 14 December 2015 and 28 January 2016. The RG took the following into consideration in scrutinising the budget proposals:
 - a) A presentation and discussion with the City Council's Head of Finance on the draft budget proposals;
 - b) A thorough review of the budget paperwork that was approved for consultation by the City Executive Board on 17 December 2015;
 - c) Responses to written questions put to the Head of Financial Services and Executive Directors;
 - d) Discussions with each Executive Director and their supporting officers;
 - e) Additional information requested by the RG including breakdowns of gross income, expenditure and staffing establishment by service and transfers to and from earmarked reserves;
 - f) Consultation feedback.

Conclusions and recommendations

Overview

6. The RG found that the proposed Council budget for 2016/17 and Medium Term Financial Plan (MTFP) for the following 3 years are balanced, robust and, as far as possible, support the delivery of the Council's Corporate Plan.

7. The budget proposals were developed in a difficult financial environment and in some respects, the recent budget round has been the most challenging the Council has faced. This is due to reducing funding from central government, which is further increasing the Council's reliance on income generated locally, and the high degree of uncertainty in a number of areas, most notably around the local implications of national housing policy changes.
8. As a result of government policies such as annual reductions to social rent levels and the forced sale of higher value Council homes, important details of which have not yet been provided, the Council is having to significantly scale back its ambitions for meeting housing need in the city and is not able to proceed with a programme of new build Council housing at this time. The Council is actively exploring other mechanisms for delivering a range of new housing but it is likely that pressure on homelessness in the city will continue to increase, and indeed additional revenue funding has been allocated to allow for this.
9. There is also some good news in the budget proposals. The RG found that the Council has deliverable plans in place to continue to reduce costs through efficiency savings and to increase income generated locally from trading and from its commercial property portfolio. These successes, together with a reduced capital programme (with a number of unfunded schemes initially placed on a 'reserve list'), have enabled the Council to protect services and ensure that there are again no compulsory redundancies amongst its workforce.
10. On the whole, the assumptions underlying the budget proposals appear to be prudent and cautious, which is reflective of the risks and uncertainties that the Council faces. These include uncertainties around; the local impacts of government housing policies, levels of future government grant funding, New Homes Bonus and Business Rates income, the speed and phasing of Universal Credit roll-out, whether local authorities will be exempt from paying a new Apprenticeship Levy (estimated to be £185k per year), the level of the Council Tax threshold in future years and what the government's devolution agenda might mean for Oxfordshire. Other possible risks that could negatively impact the Council's Medium Term Financial Plan include a possible economic downturn, stronger than expected wage inflation, failure to deliver planned efficiency savings and increased pressure on services such as homelessness, including as a result of County Council cuts.

Presentation of proposals

11. Mindful that an important function of scrutiny is to seek to open up Council decision making to the public, the RG identified a number of relatively minor changes that could be made in the presentation of future budget proposals in order to make them more accessible and transparent. These presentational improvements would also assist elected members in seeking to scrutinise future budget proposals.
12. The RG requested and reviewed a breakdown of total income and expenditure by service and found that Council revenue expenditure totals £109m, which is largely offset by revenue income of over £89m, leaving a net budget requirement of £19.5m in 2016/17. Gross income and expenditure figures are not provided in

the budget paperwork and the RG suggest that these should be included in future budget reports, along with details of other grant income achieved (e.g. from successful one-off bids for government or EU funding).

13. Budget adjustments and FTE impacts (e.g. from efficiency savings) contained in the proposals cannot currently be seen in proportion to the size of the budgets and teams that they relate to. The RG suggest that additional columns should be added to Appendix 3 that show budgets and FTEs at unit level. The RG also suggest that additional clarity should be provided where figures in the new investments / bids lines represent reversals of investments that have already been made.
14. The RG suggest that details should be provided as to how the Capital Budget (Appendix 6) is expected to be funded. Details should also be provided, perhaps in the Budget Report, as to how major individual capital schemes will be funded.
15. The RG suggest that where service managers have discretion to set fees and charges (Appendix 8) based on hourly rates and/or what is considered to be reasonable, that additional information could be included for transparency, such as indicative hourly rates. The RG also suggest that the descriptions of some of the new charges (e.g. cycling on a pavement) could be more specific.

Recommendation 1 - That to improve the transparency and accessibility of the Council's budget proposals and in line with the increased reliance on external revenues and more uncertain Government support, the following should be provided in future years:

- a) ***Details of gross revenue income and other grants received by service and how these relate to the gross expenditures on these services (Budget Report);***
- b) ***Total staffing establishment (FTE) figures so that FTE impacts can be seen in proportion to the size of the service or team (Appendix 2 or 3).***
- c) ***Net budgets in the Detailed General Fund Budget Proposals so that adjustments can be seen in proportion to the size of the budget they relate to (Appendix 3);***
- d) ***Clearer explanation where adjustments in new investments / bids budget lines are reversals of one-off investments that have already been made (Appendix 3);***
- e) ***Details of how the capital programme as a whole and major individual schemes are expected to be funded (Appendix 6);***
- f) ***Indicative fees and charges rates where Service Managers have the discretion to set these (for example the typical hourly rate for a senior lawyer) (Appendix 8);***
- g) ***More specific descriptions of what new fees and charges relate to (Appendix 8).***

Maximising income

16. The RG recognise that the Council has a good record of increasing income from trading, grants and fees and charges over recent years, which has enabled it to maintain services despite reductions in government funding. The budget proposals continue on this trajectory and the challenge grows as the Council's

Revenue Support Grant from government reduces to zero in 2019/20. The RG identified a number of recommendations aimed at securing and maximising the Council's revenue income over the medium term.

Revenue Support Grant

17. There may be an opportunity for the Council to opt in to receiving a 4 year Revenue Support Grant (RSG) settlement from government. This would provide more certainty on the level of this funding over the coming years as it is phased out, better enabling the Council to plan for this. It is expected that a 4 year RSG settlement would require the production of an efficiency plan the RG would support this on the basis that the Council is likely to already have many of the elements in-hand.

Recommendation 2 - That the Council should look to opt in to receiving a 4 year Revenue Support Grant settlement in order to provide additional funding certainty in future years as this grant reduces.

Council Tax

18. Council Tax increases are planned of 1.99% in year 1 and 1.5% in years 2-4. The RG heard that 1.5% is considered to be prudent given that there is uncertainty as to what level the government's referendum threshold (currently 2%) will be set at in future years. The RG take the view that this threshold is unlikely to be lowered and suggest the Council should plan for a 1.99% increase in each of the 4 years. This would maximise income and increase the Council's base funding that is carried forwards after year 1.

Recommendation 3 - That Council Tax increases should be set at the maximum level currently allowed by government (1.99%) rather than 1.5% in years 2-4 of the Council's Medium Term Financial Plan.

Business Rates

19. The Council's Head of Financial Services, in consultation with the Board Member for Finance, is expected to be delegated authority to determine whether the Council should enter into a Business Rates Distribution Agreement, once the relevant data has been made available on which to base this decision. An agreement would enable the Council to share in the proceeds of any additional business rates income retained in Oxfordshire but the Council would also share the risk of any losses above a safety net position, which could happen if one or more major rate payers ceased to operate in Oxfordshire. Last year a £1.7m maximum potential risk was not deemed worth £279k of additional income. The RG support the Council keeping its position under review each year in this way and would encourage a less risk-averse stance in the event that the likely gains of entering into an agreement were assessed as being more substantial than those on offer last year.

Recommendation 4 - That annual assessments should continue to be made of the potential benefits and risk to the Council of entering into a Business Rates Distribution Agreement with other Oxfordshire Councils.

Trading

20. Trading income has become increasingly important to the Council. The RG found that although future Direct Services income will be impacted by reduced workload from the Housing Revenue Account, there are plans in place to increase this important income stream by 2.5% per year on average by building up the external customer base. The RG was assured that external trading activities are structured in a flexible and robust way and that Direct Services contributions to Council overheads would be relatively secure in the event of an economic downturn.
21. The RG note that the Council is also beginning to trade 'white collar' services, such as selling legal advice to external customers. The Council is also expecting to generate £28k by working with Kent County Council to deliver HR support and advice to schools. The RG suggest that, given these are relatively new areas of trading for the Council, progress against these income targets should be closely monitored.

Recommendation 5 - That progress against new income targets expected to be achieved by trading 'white collar' services (e.g. legal, HR) should be particularly closely monitored given that this is a relatively new area of trading for the Council.

Commercial assets

22. The RG was pleased to note that income from the Council's commercial property portfolio has surpassed £10m per annum. The RG found that additional commercial property lease income figures (£332k per year by 2019/20), assessed as being low risk, were based on a thorough review and are considered to be prudent and achievable. The extension of Seacourt Park and Ride is expected to generate an additional £240k per year by 2017/18 assuming the work is completed by January 2017, although this income is rated as high risk due to a number of dependencies.
23. The RG suggest that there may be opportunities for the Council to generate additional income from its assets in innovate ways, for example by looking at the potential to lease spaces above Council-owned car parks.

Recommendation 6 - That the Council should continue to maximise income from its commercial assets, including by actively exploring the feasibility of generating income by leasing spaces (so called 'air leases') above Council-owned car parks, for example for buildings or solar power generation.

Income generation

24. The RG reviewed the revenue income achieved by each service against the revenue expenditures on those services. The RG suggest that there may be opportunities to generate more revenue income in Environmental Sustainability as that service, which generates £18k of revenue income per year against a total expenditure of £886k, has a good record of achieving one-off funding from external sources.

Recommendation 7 - That Council Officers should explore whether there are opportunities to generate regular revenue income in Environmental Sustainability in order to reduce the net budget requirement of that service, which has a good record of achieving one-off funding.

Fees and charges

25. The RG reviewed fees and charges income and found that the Council has robust fee setting processes. Service Heads are asked to benchmark fees and charges and have knowledge of competing in markets, as well as training. The RG found that pest control is the last area where charging levels have been deliberately set below market rates but that the Council is gradually increasing these charges to ensure full cost recovery. Off-street parking income is also being increased significantly to support the Council's budget and the RG note that there is a need to balance the benefits of additional income from parking with other policy aims.
26. The Council is expecting to receive an additional £580k in higher park and ride charges (including £80k from the Seacourt extension) in 2018/19. This is equivalent to an increase in the daily parking charge from £2 to £3 and assumes that the County Council will follow the price increase. The RG has previously recommended that agreement should be sought on common charging across all park and ride sites serving Oxford. To protect this income and avoid incentivising commuters to drive further for cheaper parking charges, the RG recommend that the Council continues to engage with the County to achieve common charging, either through a formal agreement or otherwise.

Recommendation 8 - That the Council should continue to engage constructively with the County Council in order to achieve common charging across all Oxford Park and Ride sites and protect planned additional income of £500k per annum from 2018/19.

27. The RG identified some areas where the Council could look again at whether there is a case for raising fees and charges in order to maximise income.
28. Given the unique settings that Oxford provides, the RG suggest that there may be opportunities to increase income by charging higher rates for commercial filming in the City, including possibly by charging treble rather than double the normal rates for filming requests with less than 7 days' notice.
29. The RG suggest that charges for householder services such as bulky collections, which are being held at £25, could also be reconsidered.
30. Noting that Oxford Town Hall was fully booked in the lead up to Christmas, The RG suggest that there may be an opportunity to introduce a 'pre-Christmas premium' on events held in the Town Hall. A similar premium could also be applied to commercial events in prime city centre locations, such as Broad Street and Bonn Square.

Recommendation 9 - That Council Officers should explore whether there are opportunities to increase income by charging 'premium' and/or seasonal fees and charges, including specifically for the following:

- a) Commercial filming (including higher premiums for late notice requests);**
- b) Householder services – such as bulky items collection;**
- c) Pre-Christmas premiums for Town Hall bookings and commercial events in prime locations (e.g. Broad Street markets).**

New investments

31. There are few proposals for new general fund spending and a number of previous investments are due to drop out, with the net impact being a reduction in spending of £821k per year by 2019/20. The largest new investment items are in the Planning and Regulatory service. One off funding of £560k has been allocated in 2016/17 for the Grenoble Road planning application fee. This will pay for the Council's share (as one of the major landowners) of technical work, studies, modelling and a submission to the planning authority. The RG questioned whether this spend could be capitalised but heard that this would not be prudent at this stage given that the outcome is uncertain. The RG also welcome proposals to increase base budgets for a Planning Enforcement (£34k) and a Safeguarding Policy Officer post (£24k), both of which have previously been highlighted by scrutiny as priorities for additional resources.

Employee Engagement Survey

32. A relatively modest spend of £11k every second year has been allocated to pay for a new 'Best Companies' staff survey. The RG heard that this survey would enable comparison with other employers and that results would be reported to the Board Member and service heads. The RG suggest that the results should also be made available to elected members.

Recommendation 10 - That the anonymised results of the new biennial Best Companies employee engagement survey should be made available to elected members.

Educational attainment

33. The Council's Educational Attainment funding will be £43k in 2016/17 and £23k in 2017/18. The RG heard that schools could bid for funding in order to promote good practice, learning and skills. There may be an under-spend this year and the RG suggest that if this is the case, the Council should look to phase out part of this funding earlier than planned.

Recommendation 11 - That in light of a possible underspend this year, consideration should be given to removing part of the residual £43k of educational attainment funding sooner than planned.

Efficiency savings

34. The proposals include efficiency savings totalling £2.3m per year by 2019/20, the majority of which are expected to be delivered in the first two years. The RG received assurances that officers are always looking for further efficiency savings but were not proposing many specific new savings for years 3 and 4 at this stage.

Some of the more significant efficiency savings in the budget proposals include savings from; the Council's leisure contract, further office rationalisation, a new IT contract, the impacts of Universal Credit roll-out, the current low cost of fuel, and Business Improvement staffing reductions. Some planned efficiencies, for example from combining planning and licensing enforcement functions, are not included in the proposals because they will enable service improvements rather than provide cash savings.

Impacts of Universal Credit

35. The roll-out of Universal Credit means that the Council will no longer be required to administer Housing Benefit for working age claimants. Expected savings are split between Financial Services and Business Improvement (which includes Customer Services) and total 9 staffing posts. The RG found that some savings, including the proposed closure of Templar's Square Customer Service Centre, which predominantly deals with Housing Benefit claims, have been put back due to uncertainties around the phasing and pace of Universal Credit roll-out.

Recommendation 12 - That the delivery of efficiency savings in Business Improvement and Financial Services that are expected to be achieved as a result Universal Credit roll-out, including the closure of Templar's Square Customer Service Centre (which has been put back two years to 2019/20) should be kept under review, with the aim of realising these savings earlier if possible.

Promoting on-line self service

36. The RG noted that the Council has a new website and Tenant Portal, and questioned whether there is scope to achieve further savings from a greater focus on 'channel shift'. Some planned savings are rolled in to a £126k efficiency saving that also includes the closure of Templar's Square Customer Service Centre and has been put back 2 years, from 2017/18 to 2019/20. The RG suggest that the Council should continue to look for opportunities to reduce costs in this way while making sure that services that are accessible to all customer groups, including older people and digitally excluded groups.

Recommendation 13 - That the Council should continue to look for further opportunities to use IT to reduce the transactional costs of service delivery, whilst continuing to ensure that services are accessible to all customer groups.

General fund pressures

37. The RG reviewed the pressures contained in the budget proposals, including building materials inflation, an additional tree surveying resource, leisure equipment replacement costs, legal expertise and homelessness. The RG found that expected variations in 2015/16 have been factored in to these pressures and that they are based on sound assumptions.

Waste and recycling

38. A £1m pressure has come to light due to an increase in the marked price of disposal of co-mingled dry recyclate, which is linked to the current low cost of oil. This pressure is contractually fixed for the next 12 months after which there is a

potential upside but also further risk. The Council will be bringing forward proposals to develop a waste transfer station to provide expected cost mitigation of some £250k in subsequent years. The RG suggest that the Council should seek to maximise revenues from the waste transfer station including by making the facility available to other bodies and if possible by the local reuse of materials.

Recommendation 14 - That the Council should look to maximise revenues from the planned new waste transfer station, both by opening up the facility to others and by the local reuse of materials, if such outlets exist.

Homelessness

39. There is expected to be a £200k over-spend on private rented and bed and breakfast accommodation for homeless people in 2015/16. Provision has been made to increase this revenue budget by £200k from next year and to cover the over-spend by drawing down the homelessness reserve, which will reduce from £1m to £800k. The RG suggest that it would be prudent to replenish the homelessness reserve by reducing revenue contributions to capital by £200k.

Recommendation 15 - That given the pressures on homelessness and the risks around County Council cuts, it would be prudent to redirect £200k of revenue contributions to capital and instead use this to top up the homelessness reserve, which is expected to be reduced from £1m to £800k.

Reserves

40. The RG reviewed the Council's reserves and found that the total amount held in reserves as of March 2015 was £38.6, over half of which was set aside to fund capital schemes and would be spent. The RG suggest that reserves should be reviewed and where these are held against risks or expenditure that will occur in a future year, this funding should be freed up and invested.

Recommendation 16 - That the Council's reserves and balances should be reviewed with a view to investing any suitable funds (e.g. those that are held against a risk or item of expenditure occurring in a future year).

Capital programme

41. The general fund capital programme has been scaled back, with revenue contributions to capital reducing from £6.6m in 2015/16 alone to £10.6m over the following 4 years. The RG found that some sources of capital funding such as from New Homes Bonus and capital receipts (including from the sale of Temple Cowley Pools) were not accounted for in the original budget proposals. A number of capital schemes were initially placed on a 'reserve list' until funding for them was secured. Nevertheless, funded schemes contained in the draft proposals still total £42.9m over 4 years, the bulk of which is planned for 2016/17.
42. The RG reviewed the capital programme in detail and found that there had been some changes to funding, including for items on the reserve list, and the phasing of certain schemes. The RG suggest that these changes are reflected in the final budget proposals that go to Council.

Recommendation 17 - That the capital programme and capital scheme reserve list should be revised in light of recent capital movements, grant income and the need to re-profile some schemes.

43. The RG questioned how certain the costs of capital schemes are and found that while a number are fixed cost, the cost of some schemes is more uncertain. To minimise cost inflation and uncertainty, the RG suggest that the Council should seek to contract the big-ticket capital schemes at the earliest opportunity. The RG also suggest that there may be an opportunity to take a more holistic approach to contracting capital works, rather than contracting each scheme individually.

Recommendation 18 - That the Council should seek to contract large capital schemes as soon as possible to minimise price inflation and uncertainty, and consider the case for taking a more programme-based approach, rather than contracting schemes individually.

Acquisition of investment properties

44. The Council has allocated £10.3m to invest in its property portfolio, which will be funded by prudential borrowing. This spend was all allocated to year 1 in the draft proposals but the RG heard that it would need to be re-profiled as some of the identified schemes have a 5 or 6 year horizon. The RG suggest that the Council should continue to seek to become a more agile operator in the property market and look for opportunities to bring forward acquisitions where possible.

Recommendation 19 - That the Council should continue to ensure that it is an agile operator in the housing market so that it can purchase investment properties as soon as possible and secure best value from this £10.3m capital spend.

Housing Revenue Account and HRA capital

45. The combined impact of national policies such as the introduction of a social rent decrease for 4 years and the forced sale of higher value Council housing voids (HVCH) has resulted in significant and unknown pressures for the Council's Housing Revenue Account (HRA). The loss to the HRA over 4 years compared with previous expectations is estimated to be £33.6m. Given the major uncertainties around national policies beyond the 4 years, in particular in regards to the future direction of social rent levels, the Council has not produced a longer term HRA business plan at this stage. To cover the impacts of these changes HRA capital investments have been reduced by over £50m, which includes the creation of a £20m contingency against the forced sale of HVCHs.

Social housing new build

46. The Council's new build programme (excluding homes at Barton) has been removed entirely, reducing from £16.5m to zero. The RG heard that a proposed Housing Company for Oxford is pivotal to mitigating pressures on housing and set up costs of the company are included in budget. The focus of the Company will be on getting new housing built and it would look to buy new build at Barton. However, any transfer of existing Council stock to the Company would require Secretary of State's approval. The RG questioned whether there is scope for the

Council to use some of its borrowing headroom to fund new build. The RG was advised that the risk of continuing to finance social housing schemes from this account were considered to be too great. A proposal was made to reduce the borrowing headroom from £20m to £10m to fund new build. A majority of members were not in favour and a minority of members were in favour of this proposal.

Rent reductions

47. The Council has applied for an exemption from the government's 1% per year rent reduction policy and found that in the unlikely event that the Council was permitted to hold rents at their current level for 4 years, this would bring in an additional £3.5-4m over the period. The RG questioned whether there were opportunities to increase Council rents in the short term to minimise the impacts of the rent reduction policy but found that this was not possible. The RG also asked whether there was scope to increase service charges but found that these had been increase by more than inflation for 3 years, had recently been reviewed and needed to be fair and reflect the cost of services provided.

Forced sale of higher value Council homes (HVCH)

48. The government's HVCH policy is likely to take the form of an annual levy based on a formula, and a £20m contingency has been created to enable the Council to retain its HVCHs. Details of the government's HVCH policy are likely to be made available later in the year and the RG suggest that the Council should closely monitor these with a view to freeing up funds from the £20m contingency where possible.

Recommendation 20 - That the Council should keep the local impacts of the forced sale of higher value Council dwellings (HVCH) policy under review and consider any opportunities or mechanisms to free up funds from the new £20.1m contingency for HVCH.

HRA debt

49. The Council has a long-term debt on its HRA to service of some £200m, which is a legacy of the Council retaining ownership of its housing stock. The debt is currently subject to preferential interest rates but if and when portions of it are deferred rather than repaid, they will be refinanced at higher interest rates. Given the uncertainties around future rent levels and the Council's capacity to develop new social housing, the RG questioned whether there is a risk that this debt could become unsustainable in the very long term. The RG suggest that the decision to defer a £20m repayment due in 2021 (which is outside of the plan period) should be reviewed to ensure that it is still the best decision for the Council and tenants. The RG note that the HRA surplus moves from £3.5m to £10.8m over plan period and that this accumulation could be used towards debt repayment, if that was assessed as being the best option.

Recommendation 21 - That in the light of recent housing policy and budgetary changes, it would be prudent to instruct Council Officers to examine whether the deferral of the £20m debt repayment due in 2021 is still in the best long-term interests of the Council and Council tenants.

Blackbird Leys regeneration

50. HRA funding towards the regeneration of the centre of the Blackbird Leys estate has been reduced from £8.6m to £5.2m and while the scope of what was previously proposed will be reduced, the scheme is still expected to deliver new affordable housing and community facilities. The RG heard that the market will be adjusting to national policy changes but that the Council may be in a position to go to market later in the calendar year.

Energy efficiency programme

51. The HRA Energy Efficiency programme is another area of HRA capital spending that has been significantly scaled back, from £8.6m to £1.2m. The Panel found that there is some uncertainty as to whether the renewable element of the energy efficiency programme could be delivered through a partnership with Low Carbon Hub, as indicated in the Budget Report, and suggest that clarity is provided.

Recommendation 22 - That clarity should be provided on whether the renewable element of the HRA Energy Efficiency programme could be delivered in partnership with the Low Carbon Hub.

Adaptions for disabled

52. Funding for disabled adaptions, which could be expected to trail off over time as more properties are adapted, increases slightly over each of the 4 years. The RG fully support this use of funding but suggest that it is reviewed to ensure that best value is being achieved. Regular audits should be undertaken of the number of adapted properties and the number of tenants requiring adaptions.

Recommendation 23 - That HRA capital spending on adaptations for the disabled should be reviewed to ensure that best value is being achieved. An audit should be undertaken and updated regularly of the number of tenants living in adapted properties to ensure that they are used to house people who need them.

Tower Block Refurbishment

53. The RG found that the cost of the Tower Block refurbishment scheme was now contractually fixed at £20m, a significant increase on earlier estimates of £12.1m. As no sinking fund was incorporated into historic leasehold agreements to cover capital works, leaseholders are required to contribute towards the cost of refurbishment, and have been offered a number of payment options. While it would not be feasible to institute sinking funds into leasehold arrangements retrospectively, the RG suggest that these should be built in to future leasehold agreements.

Recommendation 24 - That 'sinking funds' should be instituted into new build leasehold arrangements where appropriate (e.g. blocks of flats) to prevent potentially high bills for leaseholders when these properties require capital works.

Name and contact details of author:

Andrew Brown on behalf of the Finance Panel (Panel of the Scrutiny Committee)
Scrutiny Officer
Law and Governance
Tel: 01865 252230 e-mail: abrown2@oxford.gov.uk

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Finance Panel work programme 2015-16

Items for Finance Panel meetings

Suggested Topic	Suggested approach / area(s) for focus
Budget 2016/17	Review of the Council's medium term financial strategy.
Budget monitoring	Regular monitoring of projected budget outturns through the year.
Municipal Bonds	To receive an update on the progress of a municipal bonds agency and consider whether there is a case for the City Council investing in or borrowing from the agency.
Low Carbon Hub funding model	To receive a briefing on the Low Carbon Hub funding model and consider whether there is an opportunity for the City Council to use a similar model to generate capital funding.
Corporate Debt Policy	To pre-scrutinise the Council's Corporate Debt Policy.
Treasury Management	Scrutiny of the Treasury Management Strategy and regular monitoring of Treasury performance.
Recommendation monitoring - Budget Review 2015/16	To receive an update on the progress of the Panel's budget review recommendations from 2015/16.
Recommendation monitoring – European Funding	To receive an update on the progress of the Panel's European Funding recommendations.
Council tax exemptions	To receive an update on the financial implications of different types of exemptions.

Draft Finance Panel agenda schedule

Date and room (all 5.30pm start)	Agenda Item	Lead Member; Officer(s)
2 July 2015, Plowman Room	1. Municipal Bonds	Christian Wall (Local Capital Finance Company);
	2. Corporate Debt Policy (pre-decision)	Nigel Kennedy & Anna Winship
	3. Budget Monitoring 2014/15 quarter 4	Nigel Kennedy
29 October 2015, St. Aldate's Room	1. Low Carbon Hub funding model	Steve Drummond (Low Carbon Hub)
	2. Update on EU funding	Matt Peachey

	3. Medium Term Financial Strategy - briefing 4. Budget Review 2016/17 - scope	Nigel Kennedy Cllr Simmons
28 January, Plowman Room	1. Energy and Water Supply Contract Procurement (pre-decision) 2. Report of the Budget Review Group 2016/17 3. Capital Strategy 2016-17 (pre-decision) 4. Treasury Management Strategy (pre-decision)	Jo Colwell and Paul Spencer Cllr Simmons; Andrew Brown Nigel Kennedy Anna Winship
7 April, Plowman Room	1. Council Tax Exemptions 2. Low Carbon Hub funding model - update	Nigel Kennedy Nigel Kennedy

134

Informal meetings closed to the public

Date and room (all 5.30pm)	Agenda Item	Lead Member; Officer(s)
14 December, Judge's Room	1. Budget Review 2016/17 – initial meeting	Nigel Kennedy
5 January, Plowman Room	1. Budget Review 2016/17 – Community Services	Tim Sadler & Nigel Kennedy
6 January, Plowman Room	1. Budget Review 2016/17 – Organisational Development and Corporate Resources	Peter Sloman, Jackie Yates & Nigel Kennedy
7 January, Plowman Room	1. Budget Review 2016/17 – Regeneration & Housing (joint session with Housing Panel)	Stephen Clarke & Nigel Kennedy
14 January, Plowman Room	1. Budget Review 2016/17 – agree recommendations	Caroline Green & Nigel Kennedy

Provisional 2016/17 Finance Panel dates: 8 September 2016, 8 December 2016, 16 January 2017, 1 February 2017 & 29 March 2017 (all 5.30pm starts)