

# Agenda

## Council (Budget)

Date: **Wednesday 13 February 2019**

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Time: **5.00 pm**

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Place: **Council Chamber - Oxford Town Hall**

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For any further information please contact:

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Officer**

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This meeting will also be available via a webcast. The webcast will be available to view on the City Council's website after the meeting.

# Council

## Membership

**Lord Mayor**      **Councillor Colin Cook**

**Deputy Lord Mayor**      **Councillor Sajjad Malik**

**Sheriff**      **Councillor Craig Simmons**

<b>Members</b>	<b>Councillor Mohammed Altaf-Khan</b>	<b>Councillor Rae Humberstone</b>
	<b>Councillor Lubna Arshad</b>	<b>Councillor Dan Iley-Williamson</b>
	<b>Councillor Jamila Begum Azad</b>	<b>Councillor Pat Kennedy</b>
	<b>Councillor Shaista Aziz</b>	<b>Councillor Tom Landell Mills</b>
	<b>Councillor Nadine Bely-Summers</b>	<b>Councillor Ben Lloyd-Shogbesan</b>
	<b>Councillor Susan Brown</b>	<b>Councillor Mark Lygo</b>
	<b>Councillor Nigel Chapman</b>	<b>Councillor Dr Joe McManners</b>
	<b>Councillor Mary Clarkson</b>	<b>Councillor Chewe Munkonge</b>
	<b>Councillor Tiago Corais</b>	<b>Councillor Susanna Pressel</b>
	<b>Councillor Steven Curran</b>	<b>Councillor Mike Rowley</b>
	<b>Councillor Dr Hosnieh Djafari-Marbini</b>	<b>Councillor Martyn Rush</b>
	<b>Councillor Alex Donnelly</b>	<b>Councillor Christine Simm</b>
	<b>Councillor James Fry</b>	<b>Councillor Linda Smith</b>
	<b>Councillor Andrew Gant</b>	<b>Councillor Roz Smith</b>
	<b>Councillor Stef Garden</b>	<b>Councillor John Tanner</b>
	<b>Councillor Stephen Goddard</b>	<b>Councillor Richard Tarver</b>
	<b>Councillor Michael Gotch</b>	<b>Councillor Sian Taylor</b>
	<b>Councillor Mick Haines</b>	<b>Councillor Marie Tidball</b>
	<b>Councillor Paul Harris</b>	<b>Councillor Ed Turner</b>
	<b>Councillor Tom Hayes</b>	<b>Councillor Louise Upton</b>
	<b>Councillor David Henwood</b>	<b>Councillor Elizabeth Wade</b>
	<b>Councillor Alex Hollingsworth</b>	<b>Councillor Dick Wolff</b>
	<b>Councillor Richard Howlett</b>	

The quorum for this meeting is 12 members

### **Copies of this agenda**

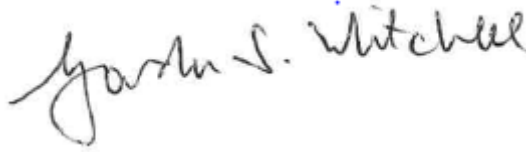
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## Summons

A meeting of the City Council will be held in the Council Chamber - Oxford Town Hall, on Wednesday 13 February 2019 at 5.00 pm to transact the business set out below.



Proper Officer

## AGENDA

### Pages

### PART 1 - PUBLIC BUSINESS

**1 Apologies for absence**

**2 Declarations of interest**

**3 Appointment to Committees**

Group Leaders may announce and clarify any changes to the nominations for their seats on committees.

**4 Announcements relating to items on the agenda**

Announcements by:

1. The Lord Mayor
2. The Sheriff
3. The Leader of the Council (who may with the permission of the Lord Mayor invite other councillors to make announcements)
4. The Chief Executive, Chief Finance Officer, Monitoring Officer

**5 Agreement of procedure for debate on the medium term financial strategy and budget**

The procedure for this meeting including timings for the debate on the Council's budget, capital programme and medium term financial strategy as recommended by the City Executive Board is set out in the Council's Constitution at 11.4.

Any amendments to the procedure must be agreed by majority vote and will only apply to this meeting.

**Recommendation:** Council is recommended to agree that the times permitted for each stage in the budget debate are as detailed in the Council's Constitution

## **6 Public addresses and questions that relate to matters for decision at this meeting**

Public addresses and questions to the Leader or other Board member received in accordance with Council's Procedure Rules and relating to matters for decision in Part 1 of this agenda.

**The request to speak accompanied by the full text of the address or question must be received by the Head of Law and Governance by 5.00 pm on Thursday 7 February.**

The briefing note will contain the text of addresses and questions submitted by the deadline, and written responses where available.

A total of **30 minutes** is available for both public speaking items. Responses are included in this time. Up to five minutes is available for each public address and up to three minutes for each question.

## **BUDGET AND COUNCIL TAX**

### **7 Report of the Council's Chief Finance Officer on the robustness of the 2019-2020 budget**

Report of the Head of Financial Services on the soundness of the financial proposals before Council.

The Head of Financial Services will present the report and recommendations.

**Recommendations:** That Council notes this report in setting its budget for 2019/20 and the indicative budgets for 2020/21 – 2022/23.

13 - 26

### **8 Scrutiny Response: Budget 2019 -2020**

On 5 February the Scrutiny Committee will consider its Budget Review Group's report on the 2019/20 budget before submitting to the City Executive Board for its consideration **(report to follow)**.

The Board's response will be tabled or reported at this meeting.

The Chairs of the Scrutiny Panel and Finance Panel will present the report and recommendations.

**Recommendation:** Council is asked to note the recommendations of the Scrutiny Committee and the City Executive Board's response.

**To  
follow**

## 9 **Licensing and Gambling Acts and General Purposes Licensing Committees - recommendations on fees and charges**

The Licensing and Gambling Acts and General Purposes Licensing Committees considered at their meetings on 23 January reports on fees and charges for the licensing functions falling within their remits.

The draft minutes of the Committees and the reports accompanying the three sets of fees and charges are attached. These fees and charges are also included in the budget papers at Item 9.

The Committee Chairs may wish to present the recommendations.

**Recommendations:** the Licensing and Gambling Acts Committee and the General Purposes Committee recommend **that Council agree** the licence fees and charges for 2019/20 as set out in Items 9a, 9b and 9c (and repeated in Item 10 Appendix 7 (relevant Community Services Fees and Charges and relevant Planning and Regulatory Fees and Charges).)

- |           |   |         |
|-----------|---|---------|
| <b>9a</b> | <b>Licensing Act 2003 and Gambling Act 2005 Licence Fees and Charges for the 2019/20 financial year</b>   | 27 - 36 |
| <b>9b</b> | <b>Commercial Events, Hackney Carriage and Private Hire, Road Closure Orders, Scrap Metal Dealers, Sex Establishments and Street Parties: Licence Fees and Charges for the 2019/20 financial year</b> | 37 - 44 |
| <b>9c</b> | <b>Miscellaneous Licensing: Licence Fees &amp; Charges for the 2019/20 financial year</b>   | 45 - 54 |

## 10 **Medium Term Financial Strategy 2020-21 to 2022-23 and Budget for 2019-20**

The Head of Financial Services will submit a report to the City Executive Board on 12 February which presents the outcome of the budget consultation and seeks agreement of the Council's Medium Term Financial Strategy for 2020-21 to 2022-23 and the Budget for 2019-20 for recommendation to Council (**published as a supplementary pack**).

The City Executive Board is asked to consider the outcome of the public consultation, agree the amendments to the Consultation Budget set out in the report, and make recommendations to Council. Any changes to the final recommendations to Council and any amendments resulting from the City Executive Board meeting will be tabled at the Council meeting.

**Amendments to the budget submitted by opposition groups or individual councillors must be received before 1.00pm on Tuesday 12 February and will be circulated with the briefing note.**

**Supplement  
pack**

Councillor Turner, the Board Member for Finance and Asset Management, will present the report and move the City Executive Board's recommendations.

*The procedure for this item is set out in Part 11.4 of the Council's Constitution.*

**Recommendations: Council is recommended to:**

- a. consider the City Executive Board recommendations to Council, including the budget published as part of the agenda for this meeting along with any amendments resulting from the CEB meeting of 12 February tabled at this meeting;
- b. consider the substantive amendments proposed by the opposition groups; and published with the briefing note;
- c. consider individual amendments; and
- d. agree the recommendations from the City Executive Board as presented to Council, or with further amendments as decided by Council.

**Subject to the recommendations of the City Executive Board at their meeting on 12 February:**

**Council is recommended to resolve to:**

1. **Approve** the 2019-20 General Fund and Housing Revenue Account budgets and the General Fund and Housing Revenue Account Medium Term Financial Plan as set out in Appendices 1-10 of the report, noting:
  - a) the Council's General Fund Budget Requirement of £24.167 million for 2019/20 and an increase in the Band D Council Tax of 2.99% or £8.94 per annum representing a Band D Council Tax of £307.80 per annum;
  - b) the Housing Revenue Account budget for 2019/20 of £42.466 million and a reduction of 1% (£1.03/wk) in social dwelling rents from April 2019 giving a revised weekly average social rent of £102.26 as set out in Appendix 4;
  - c) the General Fund and Housing Revenue Account Capital Programme as shown in Appendix 6.
2. **Agree** the fees and charges shown in Appendix 7.
3. **Delegate** to the Section 151 Officer in consultation with the Board Member for Finance and Assets the decision to determine whether it is financially advantageous for the Council to enter into a Business Rates Distribution Agreement as referred to in paragraphs 12-14 of the report.
4. **Ratify** their decision to implement the Premium Council Tax of 100% for properties that have been empty for more than 2 years and approve the escalated rate of premium council tax when

permitted to do so. (Para 17-19 of the report).

5. **Agree** the transfer of property from the General Fund to the HRA as referred to in paragraph 35 of the report.

*A recorded vote must be taken when voting to agree the final budget and medium term financial strategy.*

**10a Additional recommendations from CEB and corrections to published budget**

If the City Executive Board agrees changes to the recommendations, or changes or corrections to the published report or appendices, these will be tabled at the meeting.

**10b Alternative budget proposals - Liberal Democrat amendments**

Liberal Democrat Group's amendments to the revenue and capital budgets, including explanation, for debate.

These will be published in the Briefing Note.

**10c Alternative budget proposals - Green amendments**

Green Group's amendments to the revenue and capital budgets, including explanation, for debate.

These will be published in the Briefing Note.

**10d Individual amendments to the budget**

Individual amendments to the revenue and capital budgets, including explanation, for debate.

These will be published in the Briefing Note.

**11 Council Tax 2019-2020**

The Head of Financial Services has submitted a report which sets out the necessary calculation to enable Council to set the 2019/20 Council Tax for Oxford City.

Councillor Turner, the Board Member for Finance and Asset Management will move the recommendations and the Head of Financial Services will be available to answer questions.

55 - 72

**Recommendations: subject to the decisions at Item 10 above,  
Council is asked to approve for 2019/20:**

1. The City Council's precept and Council Tax requirement of £14,201,686 including Parish precepts and £13,941,621 excluding Parish precepts.
2. The average Band D Council Tax figure (excluding Parish Precepts) of £307.80 a 2.99% increase on the 2018/19 figure of £298.86. Including Parish Precepts the figure is £313.54, a 3.21% increase (see paragraphs 2 to 6 of the report).
3. A contribution of £10,000 to Old Marston Parish Council in recognition of the additional expenditure that the Parish incurs as a consequence of maintaining the cemetery (see paragraphs 12 and 13 of the report).
4. The amount of £603,750 to be treated as Special Expenses (see paragraph 19 of the report).
5. The Band D Council Taxes for the various areas of the City (excluding the Police and County Council's precepts) as follows:-
  - Littlemore     £348.68
  - Old Marston   £340.49
  - Risinghurst and Sandhills   £329.55
  - Blackbird Leys     £313.44
  - Unparished Area     £310.35These figures include Parish Precepts and special expensing amounts as appropriate; in addition to the City-wide Council Tax of £294.47.

**Council is also asked to note:**

6. Oxfordshire County Council's precept and Band D Council Tax as set out in paragraph 22 of the report.
7. The Police and Crime Commissioner for the Thames Valley's precept and Band D Council Tax as set out in paragraph 23 of the report, and
8. The overall average Band D equivalent Council Tax of £1,988.65 including Parish Precepts (subject to confirmation of the Band D figures for the County Council and Police and Crime Commissioner).

*A recorded vote will be taken.*



## CITY EXECUTIVE BOARD RECOMMENDATIONS

### 12 Treasury Management Strategy 2019-20

73 - 100

The Head of Financial Services submitted a report to the City Executive Board on 12 February which presents the Treasury Management Strategy 2019/20 together with the Prudential Indicators for referral to Council.

Councillor Turner, the Board Member for Finance and Asset Management, will present the report.

**Recommendations: subject to the decision of the City Executive Board, Council is recommended to approve:**

1. The Treasury Management Strategy 2019/20 as set out in paragraphs 15 to 60 of the report and the Prudential Indicators for 2019/20 – 2022/23 as set out in Appendix 2 of the report;
2. The Borrowing Strategy at paragraphs 23 to 35 of the report;
3. The Minimum Revenue Provision (MRP) Statement at paragraphs 36 to 37 of the report which sets out the Council's policy on charging borrowing to the revenue account; and
4. The Investment Strategy for 2019/20 and investment criteria as set out in paragraphs 38 to 59 of the report and Appendix 1 of the report.

### 13 Capital Strategy 2019-2020

101 - 140

The Head of Financial Services submitted a report to the City Executive Board on 12 February which presents the Capital Management Strategy 2019/2020 for referral to Council.

Councillor Turner, the Board Member for Finance and Asset Management, will present the report.

**Recommendations: subject to the decision of the City Executive Board Council is recommended to approve the Capital Strategy as attached at Appendix A of the report.**

## OFFICER REPORTS

### 14 Community Governance Review - Headington Neighbourhood Plan referendum area

141 - 148

The Head of Law and Governance has submitted a report to brief Council on the request to create a community council in the area covered by the 2017 Headington neighbourhood plan referendum.

Councillor Brown, Leader of the Council, will present the report

**Recommendation: That Council resolves to agree the terms of reference for the community governance review for the Headington area.**

## COMMITTEE RECOMMENDATIONS

### 15 Licensed Vehicles Emission Standards

149 - 162

The Head of Community Services submitted a report to the General Purposes Licensing Committee on 23 January 2019 to recommend introduction of emission standards for Hackney Carriage Vehicles and amend the vehicle age limit for Private Hire Vehicles licensed by this Authority.

The minutes of the General Purposes Licensing Committee are attached at agenda item 9c.

Councillor Cook, Chair of the Committee will present the report.

**Recommendations:** the General Purposes Licensing Committee resolved to recommend Council to:

1. approve the recommended option for introduction of new emission standards for Hackney Carriage Vehicles licensed by this Authority;
2. approve the recommended amendment to vehicle age criteria for licensing of new Low and Ultra Low Emission Private Hire Vehicles.

### 16 Matters exempt from publication and exclusion of the public

If Council wishes to exclude the press and the public from the meeting during consideration of any aspects of the preceding agenda items it will be necessary for Council to pass a resolution in accordance with the provisions of Section 100A(4) of the Local Government Act 1972 specifying the grounds on which their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Part 1 of Schedule 12A of the Act if and so long as, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

(The Access to Information Procedure Rules – Section 15 of the Council's Constitution – sets out the conditions under which the public can be excluded from meetings of the Council)

**UPDATES AND ADDITIONAL INFORMATION TO SUPPLEMENT THIS AGENDA ARE PUBLISHED IN THE COUNCIL BRIEFING NOTE.**

Additional information, councillors' questions, public addresses and amendments to motions are published in a supplementary briefing note. The agenda and briefing note should be read together.

The Briefing Note is published as a supplement to the agenda. It is available on the day before the meeting and can be accessed along with the agenda on the council's website.

## **Councillors 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; licenses 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 member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.



**Report of:** Head of Financial Services

**To:** Council

**Date:** 13 February 2019

**Title of Report:** Chief Finance Officer’s report on the robustness of the Council’s 2019/20 budget

<u>Summary and Recommendations</u>
<p><b>Purpose of report:</b></p> <p>Under Section 25 of the Local Government Act 2003 there is a requirement for the Council’s Chief Financial Officer to report to Council on:</p> <p>a) the robustness of the estimates made for the purposes of the calculations of the budget; and</p> <p>b) the adequacy of the proposed financial reserves.</p> <p>Council in considering its Budget should have regard to this advice.</p>
<p><b>Recommendation:</b></p> <p>That Council notes this report in setting its budget for 2019/20 and the indicative budgets for 2020/21 – 2022/23.</p>

**Appendix A : Statement of Reserves and Balances**

**Finance Settlement**

- 1 The Final Finance Settlement for 2019/20 for local authorities was published on 29th January 2019 with no changes from the Provisional Settlement published in December 2018. It included the following key features :
  - Figures for the Council’s Business Rates baseline and tariffs for 2019-20
  - Confirmation of the 3% referendum level for 2019/20.
  - Confirmation of the New Homes Bonus figures for 2019-20
- 2 The Council’s Settlement Funding Assessment (SFA) from 2019-20 relates only to the Councils share of locally retained business rates (baseline funding).

The amount of business rates retained by the authority relies on a number of factors including the amount of income collected in comparison to the baseline funding level.

- 3 Baseline funding included within the SFA is therefore almost certainly not going to be the amount of business rates retained.
- 4 There are still a number of significant uncertainties going forward around Housing, the implications of the Fair Funding Review on Business Rates on which the Government are consulting, New Homes Bonus and the implications of Brexit.

### **Preparation of the Medium Term Financial Plan**

5. As in previous years the Council has undertaken a prudent and robust approach in developing its Medium Term Financial Plan.
- 6 Over the next four years the Council will generate a further £6.5 million of efficiencies over the 4 year period, with on-going efficiencies of £2 million being achieved beyond 2022/23. They include:
  - Staffing and consultancy costs in Regeneration Services - £239k per annum
  - Staffing and reactive maintenance in property services - £110k pa
  - Closure of Templars Square neighbourhood office £100k pa
  - Capitalisation of ICT project management - £278k pa
  - Staff savings following Universal Credit roll out - £240k pa
  - Service redesign and staff savings in Community Services - £120kpa
  - Operational savings from construction of waste recycling station - £320k per annum
- 7 All aspects of the Council's budget, efficiency savings, and additional income streams service reductions and pressures have been subject to rigorous review, with Service Heads being required to review the plans they put forward in previous years and confirm delivery of the proposals. Any changes to previous proposals put forward have been reflected in the updated Medium Term Financial Plan.
- 8 The 2019-20 budget indicates that Council services are funded by New Homes Bonus (£0.9m), Business Rates( £9.2m), Council Tax of £14.2 million and income from fees and charges (£31.9m), including car parking, commercial rent income, planning and building control fees and trading services income (£2m); primarily provided by Oxford Direct Services and interest from loans to OCHL, Oxwed and banks and building societies of around £3million per annum over the next four year medium term. The Medium Term Financial Strategy assumes additional traded income over the next four years of £1.8m from an investment in Oxford Direct Services Ltd of around £15 million.
- 9 Scrutiny of the budget has been undertaken by
  - The Finance Team
  - Directors and the Chief Executive
  - Executive Members
  - The Scrutiny Committee's Finance Panel

- 10 Monitoring of the budget through the year is undertaken by Financial Services in conjunction with Heads of Service and Cost Centre Managers to ensure that the budget is on target or variations are reported and acted on at an early stage. Monthly monitoring reports are considered by Heads of Service at the Council's Operational Delivery and quarterly reports are presented to the Corporate Management Team and City Executive Board.
- 11 The Council are also developing the concept of a Project Management Office and Project Delivery Group which will instil more rigour into the development of capital projects from Project Idea, through Feasibility, Business Case and Delivery.

## General Fund Assumptions

- 12 Assumptions on which the four year Medium Term Financial Plan are based are contained within the main budget report presented elsewhere on the agenda, however, the key assumptions include:
  - **Council Tax increase-** The assumed Council Tax increase is 2.99% per annum for 2019-20 with 1.99% thereafter. This is below the referendum level for 2019/20.
  - **Finance Settlement** – The settlement figures are in line with the Government's announcement in January 2019.
  - **Investment Interest** – The Bank of England base rate is currently 0.75%. Interest rate projections in the MTFP range from 1% to 1.3% over the next four years in line with forecasts. The Council currently benefits from a number of property investments :
    - **External Managed Property Investments** – The Council has £10 million invested in two funds. The Council makes a return of around 3.5% plus any increase in the capital value
    - **OxWed Development** – The Council has made loans of approximately £10.6 million into its 50/50 Joint venture with Nuffield College which attracts a return of 6.5%
    - **Housing Company** – The Council has agreed loans to its Housing Company of approximately £1million to date together with additional loans over the next four years of £72 million. The Council makes a return above that which it borrows from PWLB. Interest currently included in the Council's MTFP will rise to £1.6 million by the end of the MTFP.
  - **Retained Business Rates** – The Medium Term Plan includes estimates of the amount of Retained Business Rates income for the authority, based on the Government's indication of tariffs and baseline income for 2019-20. From 2020-21 the methodology for the calculation of Retained Business Rates income will change and business rates baselines will be reset. Whilst the financial implications of these changes are still uncertain, it is fair to say that any uplift currently enjoyed by the authority in respect of the Westgate shopping centre will be significantly reduced. Business rates income is a significant part of the Council's income and estimates going

forward present a high risk to the Medium Term Financial Plan.

- **Pay Assumptions** – April 2019 is the second year of a three year pay agreement. The agreement allows for increases in October each year based on the higher of 1.25% or £500 plus a spinal point increase on 1/10/2019. Inflationary increases have been allowed for thereafter. There will be further negotiations with our trade unions in this area.
- **Inflation** – With the exception of contractual inflation e.g. Leisure contact and ICT maintenance contracts and pay budgets all other budgets are cash limited
- **Contingencies and Provisions** - Contingencies have been allowed for potential shortfalls in efficiency savings, additional income and planned service reductions. By 2022-23 around £500k has been provided ongoing.
- **Revenue contributions and reserve transfers to Capital** – Direct Revenue Funding for the Capital Programme is £17.1 million over the four years.

### **Housing Revenue Account (HRA) Assumptions**

13 The Scrutiny of the HRA budget and Business Plan has followed a similar process to that for the General Fund outlined above.

14 Key assumptions in the HRA budget include:

- **Rent Setting**

For 2019-20 the Council has followed Government policy of 1% reduction. From 1-4-2020 onwards the Government is consulting on setting rents at CPI+1% for the next 5 years

- **Debt Management Strategy**

The first £20m PWLB loan of the £198 million self- financing debt was due for repayment on 31 March 2021. Last year it was agreed that this payment would be deferred. This decision would generate an initial saving of £20m offset by the additional annual interest cost of approximately £0.658m per annum. The debt redemption strategy is to repay debt when financially possible allowing for known commitments whilst maintaining minimum HRA working balances of £3.5 million. Further loan repayments of the self-financing loan will recommence in 2025-27

- **Inflation and pay assumptions**

All the assumptions for pay inflation are the same as for the Council's General Fund.

### **Capital**

15 The Council has set an ambitious Capital Programme for the next four years in excess of £229 million.

16 The preparation of the Capital Programme has undergone similar scrutiny to the other areas of the Council's budget with the Development Board having an oversight of all new bids. Contingencies are included within individual schemes



for variations in spend with any other variations outside these amounts being subject to the normal virement and supplementary estimate approvals set out in the Council's Financial Rules.

- 17 Financing of schemes within the Programme is predominantly through revenue, borrowing and capital receipts. General Fund borrowing will increase to over £118 million over the period and require the Council to access external funding. This will add to the existing HRA self- financing debt of £198 million. There are however, sufficient resources to fund the Capital Programme together with the associated revenue implications.

### **Adequacy of Reserves and Balances**

- 18 The prudent level of reserves that the Council should maintain is a matter of judgement. Generally the higher the risk of the councils financial plans the higher the level of reserves and balances.
- 19 The consequence of not keeping a prudent level of reserves can be significant. In the event of a serious problem, or a series of events such as a downturn in the financial position of ODSL , reduced activity in OCHL or a reduction in the value of the Councils property investments could lead to less return for the Council and potentially a deficit position. In the absence of reserves the Council would be forced to cut expenditure in a damaging or arbitrary way.
- 20 CIPFA (Chartered Institute of Public and Finance and Accountancy) have stated that there should be no imposed limit on the level or nature of balances required to be held by an individual Council. However, for a district council, where changes to a few areas can have a disproportionate impact, a higher percentage level of reserves to net expenditure is desirable.
- 21 The Council has maintained a reasonable level of reserves and working balances as a result of its prudent financial management. Such balances are unallocated and held specifically to cover unexpected adverse variations in the Council's financial position. Whilst the authority would be exceptionally unlucky to suffer adverse consequences from all potential sources of risk in the course of a financial year the impact could be significant, i.e. a 10% reduction in car parking income represents around £800k and a similar percentage reduction in commercial rent income £700k. Similarly there are financial risks around increased costs of homelessness, reduced Business Rates income, loss of investment income, reduced external trading income and loss of Housing Benefit Subsidy.
- 22 For this authority the Section 151 Officer recommends that the level of working balance for the General Fund should be in the region of £3.5 million to £4million and for the HRA around £4 million. Whilst over the planning period there are transfers to and from General Fund balances, the working balance is returned to the recommended level.
- 23 In total the Council's reserves and balances are forecast to be in the region of £63 million at 31 March 2018. This is forecast to reduce to £55 million at 31 March 2019 as the Council uses its capital reserve to finance the Capital Programme. A full schedule of reserves and balances is attached at Appendix A with an explanation as to their intended use and the anticipated position as at

the end of this financial year and next. A summary is shown below:

**Table 1: Earmarked Reserves and Working Balances**

Reserve Description	Balance 1/4/2018	Projected Balance 31- 03-19	Projected Balance 31- 03-20
	£000's	£000's	£000's
<b>General Fund</b>			
Earmarked Reserves	34,765	27,420	19,333
Working Balance	4,006	4,141	3,839
<b>Sub Total</b>	<b>38,771</b>	<b>31,561</b>	<b>23,072</b>
<b>Housing Revenue Account</b>			
Earmarked Reserves	17,871	16,182	6,182
Working Balance	4,941	5,432	5,884
<b>Sub Total</b>	<b>22,812</b>	<b>21,614</b>	<b>12,066</b>
<b>Insurance Funds</b>	1,659	1,659	1,659
<b>Total</b>	<b>63,242</b>	<b>54,834</b>	<b>36,797</b>

- 24 Approximately 47 % ( £30 million) of the Earmarked Reserves relate to the funding of the Council's £229 million Capital Programme.

Earmarked reserves include:

- ring fenced accounts funded by third parties which must be repaid if not used for the purpose specified, e.g. Salix Fund and much of the Grants Reserve
- reserves which have a statutory limitation on their use; such as the Taxi Licensing Reserve and the HMO Licensing Reserve
- accounts which it is considered prudent to set aside for a specific purpose such as the Insurance Fund
- committed but unspent budgeted amounts carried forward at the end of the financial year to fund/complete specific projects

- 25 **General Fund Working Balance** - This is forecast to be around £4 million at 31 March 2018 representing 2.5% of gross General Fund expenditure and 16% of net expenditure.

- 26 **Housing Revenue Account Working Balance**– The amount as at 31 March 2018 is estimated at £4 million representing around 11.6% of gross rental expenditure.

## 27 **Treasury Management**

Reserves and Balances are an essential part of cash balances on which the Treasury function is based. Whilst waiting to be used they will attract interest ranging from 0.6% to 6% depending how they are invested. Longer term investments such as property funds and lending to companies including the Council's wholly owned companies will attract interest in the region of 4.5% to 6%, while investments held for short term liquidity purposes will be at the lower end. The budget for investment interest from all sources is around £3million per annum over the next 4 years. Reserves and balances can also be 'internally borrowed' essentially deferring the need to borrow externally to meet capital commitments. Such borrowing is currently cheaper than accessing external borrowing sources such as PWLB.

## **Progress on the 2018/19 Budget**

- 28 Budget monitoring for the half year ending 31 December 2018 indicates a favourable variance of £0.114 million (0.5% of net expenditure) due largely to over achievement of income in Oxford Direct Services Ltd, increased business rates from Westgate and increased commercial rental income. Car parking income conversely is £738k down on the total car park revenues of around £7.5 million. The Housing Revenue Account is expecting to be in line with original budget.

## **Conclusion**

- 29 I have reviewed the budget preparation process for 2019-20 to 2022-23 and the level of reserves and balances. The Council still faces significant financial uncertainty; with a number of areas of clarification required from the Government especially around Business Rates Retention and pressures around income streams especially car parking. Brexit may also bring additional financial pressures depending on the reaction of the financial markets and also of local businesses. In addition there is an expectation that Oxford Direct Services will deliver £1.4 million of dividend back to the Council in 2019-20 and an additional £1.4 million at the end of the 4 year MTFP and ongoing.
- 30 On Housing, although the rules around future rent rises post 2019-20 after the initial 4 year 1% reduction have yet to be confirmed the HRA is more financially stable and the removal of the debt cap in October 2018 and the High Value Levy has presented the Council the option to increase house building of much needed affordable housing, plans for which will be brought forward shortly.
- 31 Despite the issues highlighted above the Council has undertaken a rigorous process in its budget setting for the Medium Term and more specifically I would conclude that:
- The process for the formulation of General Fund, HRA and Capital budgets, together with the level of challenge, provides a reasonable assurance of their robustness.
  - The approach which has been taken to those funding streams which are currently uncertain is prudent and puts the Council in a positive position to manage underlying pressures going forward.
  - The level of contingencies provided for unachieved efficiency savings

and income projections etc. is prudent.

- The level of the Council's total reserves is sufficient to provide:
  - A working balance to cushion the impact of unexpected events or uneven cash flows and
  - The setting aside of funds to meet known or anticipated liabilities (earmarked reserves).

### **Financial Implications**

- 32 Pending their use, Earmarked Reserves and Balances provide a useful source of revenue investment income for the authority estimated at £1.8 million for 2019/20 as well as being available for 'internal borrowing', thereby mitigating the costs of external borrowing in the short term.

### **Legal Implications**

- 33 In addition to the obligation for the Chief Finance Officer to report under Section 25 of the Local Government Act 2003 set out in the purpose of this report, the provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon, and requires the Council to set a balanced budget having regard to the advice of its chief finance officer (section 151).

### **Risk Implications**

- 34 An analysis of 'Key Risks' is shown in the main Budget report elsewhere on the agenda and should be considered before making any decisions upon the use of reserves.

#### **Name and contact details of author:-**

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Job title: Head of Financial Services

Service Area / Department: Finance

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## APPENDIX A – RESERVES AND BALANCES 1-4-2018 TO 31-3-2020

Ref	Reserve Description	Balance	Projected Balance	Projected Balance
		01/04/2018	31-03-19	31-03-20
		£000's	£000's	£000's

General Fund Earmarked Reserves				
	Ring fenced accounts funded by third parties			
1	SALIX Energy Projects Reserve	723	730	458
2	Barton Reserve	159	154	149
3	Oxford Strategic Partnership reserve	116	116	96
54	Blue Bin League Reserve	72	52	-
52	S106 Commuted sums	582	482	482
49	BOB MK	9	9	9
	Other ring fenced accounts			
6	Taxi Licence Reserve	236	236	236
7	Grants Reserve	3,519	2,416	953
8	HMO Licensing	98	98	98
10	General Licensing Reserve	-	-	-
	Other earmarked reserves			
12	Town Hall Equipment Reserve	20	20	20
13	Work Of Art Reserve	5	5	5
15	Severance Reserve	988	988	988
16	ICT Infrastructure Reserve	2,000	357	250
17	Repairs & Maintenance Reserve	239	139	2
18	Leisure Repairs & Maintenance	175	175	-
19	Business Transformation and Special Projects	798	284	-
20	City Council Elections Reserve	104	14	71
21	Chief Executive's Fund	3	3	3

23	Capital Funding Reserve	9,030	7,174	5,274
25	Agresso Improvement Reserve	365	115	65
31	Homelessness Reserve	952	725	460
33	Lord Mayors Deposit Scheme	52	52	52
34	Home Choice Fund for Single Persons	36	36	36
36	Community Partnership Fund	245	245	245
37	Community and Neighbourhoods Reserve	125	125	125
38	Town Team Partners	10	10	10
42	Emergency Flood Reserve	357	357	357
43	Park and Ride - County Contribution to Maintenance	117	117	117
44	Organisational Development Reserve	721	543	543
48	Severe Weather Recovery Scheme	73	42	42
50	NNDR Retention Reserve	4,531	4,031	3,531
4	Economic Development Reserve	3	3	-
22	Indirect Property Fund	401	401	401
26	Museum Development Reserve	13	13	13
27	Disabled Community Transport	20	20	20
29	OxFutures Reserve	239	131	31
35	Dry Recyclate Reserve	1,400	1,400	-
40	Housing Benefits	504	504	504
53	External Legal Fees	89	89	89
55	Pear Tree Park and Ride	41	41	41
56	Housing Needs reserves	23	-	-
57	Grenoble Road Reserve	257	257	657
58	Vehicle purchase reserve	1,500	2,200	600
59	Northway and Marston Flood Alleviation	624	584	504
60	Regeneration Projects Reserve	170	170	-

61	Public Health Burials Reserve	21	21	21
	<b>Committed unspent budgeted amounts</b>			
45	Committed Projects Reserve	3,001	1,737	1,675
	<b>Self-Insurance Funds</b>			
46	Self-Insurance Funds	1,659	1,659	1,659
<b>Total General Fund Earmarked Reserves</b>		<b>36,424</b>	<b>29,079</b>	<b>20,893</b>

<b>General Fund Working Balance</b>	<b>4,006</b>	<b>4,141</b>	<b>3,839</b>
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<b>Housing Revenue Account Earmarked Reserves</b>				
2	HRA CRM Reserve	120	120	120
3	IT Equipment Reserve	196	196	196
5	Capital Projects Reserve	17,335	15,396	5,396
6	Direct Payment Project Arrears	101	101	101
7	Eco Funding	119	119	119
8	Feasibility Studies Reserve	-	250	250
<b>Total HRA Earmarked Reserves</b>		<b>17,871</b>	<b>16,182</b>	<b>6,182</b>

<b>Housing Revenue Account Working Balance</b>	<b>4,941</b>	<b>5,432</b>	<b>5,884</b>
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<b>Total Council Reserves and Balances</b>	<b>63,242</b>	<b>54,834</b>	<b>36,797</b>
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### General Fund Earmarked Reserves

- 1 The Salix Energy Projects reserve created from a grant made available via Salix. The fund is used to loan money to Service Areas within Oxford City Council. Services then utilise these funds to implement energy efficient schemes. Savings on energy costs are then used to repay the initial loan.
- 2 Barton – The balance of a Housing Communities Agency grant to fund set up costs in relation to the joint venture with Grosvenor for the development of housing at Barton.
- 3 Oxford Strategic Partnership – balance of Local Area Agreement / Breaking cycle of deprivation funding received.
- 4 Economic Development Reserve – remaining balance of unspent budgets relating to City Deal
- 5 Improvement Efficiency Social Enterprise Grant Reserve – remaining balance of grant allocation from the Improvement and Efficiency Social Enterprise for

- Oxfordshire Procurement Hub.
- 6 The Taxis A/C reserve was created to manage the ring fenced taxi licensing cost centre. Surplus / deficits associated with this cost centre are collected and the balance is used to improve and / or address pressures within the Taxi Licensing area.
  - 7 A reserve established under accounting convention to accumulated all unspent balances of grants received in the year pending their spend on projects including Oxfordshire Sports Partnership, Homelessness, Community Safety and flood prevention.
  - 8 Houses in Multiple Occupation Licensing Reserve – Ringfenced licensing income in respect of HMO's to fund future service area expenditure.
  - 10 General Licensing Reserve – net surplus on the administration of licences
  - 12 The Town Hall Equipment Reserve is used to fund new / replacement or repair of Town Hall equipment. The balance represents the net surplus of this cost centre year on year.
  - 13 The Work of Art Reserve - created to aid the purchase or restoration of Council works of art.
  - 14 The Shopmobility Reserve - created to fund replacement or repair of Shopmobility equipment. Any under or overspend associated with the service is collected in this reserve account.
  - 15 Severance Reserve - created to cover any unexpected pressures related to employee costs e.g compensation for loss of office.
  - 16 The IT Infrastructure Reserve is used to fund IT Infrastructure replacement across the Council.
  - 18 Leisure repairs and maintenance – established to fund repairs and refurb of leisure centres.
  - 19 The Business Transformation Reserve is a transitory account. At the year end budgets associated with transformation projects not yet completed are transferred to this reserve. At the start of the following year projects are approved to continue and the funds allocated back to the projects.
  - 20 The City Council Elections reserve is created from the budget surplus / deficit on the City Council Elections cost centre. City elections are held every 2 years and this reserve is used to fund additional costs in election year.
  - 21 Chief Executives Fund – used for initiatives put forward by Chief Exec
  - 22 Indirect Property Fund – To fund any shortfall in the value of indirect property funds
  - 23 Capital Funding Reserve – created to fund capital expenditure.
  - 25 Agresso Improvement Reserve – used to fund the implementation of modules on the Financial Management system
  - 26 Museum Development Reserve – Funding to support the future development of the museum
  - 27 Disabled Community Transport – to fund community transport for elderly persons
  - 29 Oxfutures Reserve – to cover potential liabilities around the Oxfutures EU Grant
  - 31 Homelessness – unspent budget and grant monies associated with homelessness.
  - 33 Lord Mayors Deposit Scheme to help people on a low income afford to move into private rented accommodation by issuing a Deposit Guarantee Bond to landlords.
  - 34 Homes Choice Funds – needed as top-up for bonds/deposits re Private Sector properties.
  - 35 Dry Recyclate Reserve – Reserve to cover the cost of funding a waste transfer station included within the Councils Capital Programme
  - 36 Communities Partnership Fund – Used in connection with community safety



- schemes
- 37 Community and Neighbourhood Reserve- includes ring-fenced project funding for Connecting Communities, Community Actions Groups and Wood Farm Community Centre.
  - 38 Town Team Partners- grant to improve the High Street working with Local Businesses. Additional financial support for the City Council will be required to work up a scheme.
  - 40 Housing Benefit reserve– established to cushion the revenue account from unexpected variations in housing benefit subsidy
  - 41 Westgate Redevelopment Reserve – established to fund the provision of temporary car parking following the demolition of Westgate multi story car park in relation to the redevelopment of the Westgate
  - 42 Emergency Flood Reserve – established to cover the costs of flooding in the city
  - 43 Park and Ride maintenance – monies in respect of maintenance of park and ride car parks
  - 44 Organisational Development Reserve – This fund was set up in to fund the Council's Partnership Payment and support the Council's organisational development aspirations.
  - 45 Committed projects is a reserve relating to the carry forward unspent budgeted amounts from previous years for committed projects
  - 46 The Self-Insurance Reserve is used to cover claim costs that are below the Council's insurance policy excess limit. The fund was subject to actuarial review in 2012/13 and will be adjusted in line with any recommendations flowing from it
  - 48 Severe Weather Recovery Scheme – Grant to be used in connection with costs incurred by the council arising from flooding
  - 49 BOB MK – Oxford City Council hosts a Planning Forum funded by subscriptions received from Local Authorities in Berkshire, Oxfordshire, Buckinghamshire and Milton Keynes. The budget is ring-fenced and any surpluses in year need to be carried forward to future years.
  - 50 NNDR Retention Reserve - Reserve created to cushion the effect on the of Business Rates appeals on the councils Retained Business Rates income
  - 52 Commuted sums – sums received from developers to fund revenue maintenance works
  - 53 Legal fees – balance of budget for central legal fees fund
  - 54 Blue bin league – External monies received to promote recycling
  - 55 Pear Tree park and ride – to cover outstanding permit claim re Pear Tree Park and Ride
  - 56 Housing Needs Reserve –Balance of Community Housing Fund to cover payments to Community First
  - 57 To cover the Councils contribution to the planning application at Grenoble Road
  - 58 Sinking fund for the purchase of vehicles

### **Housing Revenue Account Earmarked Reserves**

- 2 The IT Projects Reserve is to fund the HRA element of IT development projects
- 3 The IT equipment reserve is to fund future IT equipment purchased used specifically for HRA activity e.g. Housing Rents and Servitor job costing
- 5 Capital Projects Reserve – reserve created to manage variations in the HRA capital programme
- 6 Direct Payment Arrears – payment from the DWP in respect of tenant arrears arising from the direct payment project
- 7 External monies received for solar panels on council house roofs
- 8 The feasibility study reserve will provide funds to allow business cases for capital schemes to be prepared with the use of external support

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**To:** Licensing & Gambling Acts Committee  
**Date:** 23 January 2019  
**Report of:** Head of Community Services  
**Title of Report:** Licensing Act 2003 and Gambling Act 2005  
 Licence Fees and Charges for the 2019/20 financial year

Summary and recommendations	
<b>Purpose of report:</b>	To seek agreement of the licence fees for 2019/20 where the Council has discretion over the level of fee charged
<b>Corporate Priority</b>	Vibrant Sustainable Economy
<b>Policy Framework</b>	Statement of Licensing Policy, Statement of Gambling Licensing Policy
<b>Recommendation:</b> That the Licensing & Gambling Acts Committee resolves to:	
1. <b>Agree</b> the licence fees and charges for 2019/20 as set out in the Appendix 1 and recommend them to Council	

Appendices	
Appendix 1	Licensing & Gambling Acts Fees and Charges 2019/20

## Introduction

1. The purpose of this report is to seek agreement to the licence fees and charges for 2019/20 where the Council has discretion over the level of fee charged. The proposed fees and charges are set out at **Appendix 1**.
2. This Committee is responsible for recommending fees under the Licensing Act 2003 and Gambling Act 2005. Fees for other types of licence will be the subject of a separate report to General Purposes Licensing Committee. All fees under the Licensing Act are set by statute.
3. The Authority has discretion under the Gambling Act to set Gambling Premises Licence fees up to the statutory maximum. Fees for Gaming Machine Permits and Temporary Use Notices are set by statute.

4. The general principles when setting fees are that they must be reasonable, proportionate and not exceed the cost of the procedures and formalities under the relevant licensing scheme, including staffing, training, administration, testing, inspections, regulation, and hearings.
5. It is proposed that for the 2019/20 Council year that no variation to the current fees and charges be made in order to provide financial stability to licence holders in the present economic climate.

### **Financial implications**

6. The Council is responsible for collecting licence fees for these functions. Predicted income from licence fees is included in the Council's budget.

### **Legal issues**

7. The power to levy fees is contained in the legislation relevant to each function or in the Local Government Act 2003 in relation to discretionary services. Licensing is not a revenue raising function and fees and charges should reasonably represent the costs of carrying out the function.

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LICENSING & GAMBLING ACTS COMMITTEE	2018/19	2019/20	Increase/	Increase/
FEES & CHARGES 2019/2020	Charge	Charge	(Decrease)	(Decrease)
<b>Licensing Act 2003</b>				
<b>Application fee</b>				
Application and Variation Fees - Premises Licenses and Club Premises Certificates - Minimum	100.00	100.00	0.00	0.00
Application and Variation Fees - Premises Licenses and Club Premises Certificates - Maximum	635.00	635.00	0.00	0.00
Enhanced fee for some premises with rateable value above £87,001 - Minimum	900.00	900.00	0.00	0.00
Enhanced fee for some premises with rateable value above £87,001 - Maximum	1905.00	1905.00	0.00	0.00
Additional fee for capacity of more than 5,000 people - Minimum	1000.00	1000.00	0.00	0.00
Additional fee for capacity of more than 5,000 people - Maximum	64000.00	64000.00	0.00	0.00
<b>Annual fee</b>				
Premises Licenses and Club Premises Certificates - Minimum	70.00	70.00	0.00	0.00
Premises Licenses and Club Premises Certificates - Maximum	350.00	350.00	0.00	0.00
Enhanced fee for some premises with rateable value above £87,001 - Minimum	640.00	640.00	0.00	0.00
Enhanced fee for some premises with rateable value above £87,001 - Maximum	1050.00	1050.00	0.00	0.00
Additional fee for capacity of more than 5,000 people - Minimum	500.00	500.00	0.00	0.00
Additional fee for capacity of more than 5,000 people - Maximum	32000.00	32000.00	0.00	0.00
<b>Other Application Fees</b>				
Personal License	37.00	37.00	0.00	0.00
Transfer of Premises Licence	23.00	23.00	0.00	0.00
Change of address	10.50	10.50	0.00	0.00
Copy of licence	10.50	10.50	0.00	0.00
Temporary Event Notice	21.00	21.00	0.00	0.00
Provisional Statement	315.00	315.00	0.00	0.00

LICENSING & GAMBLING ACTS COMMITTEE	2018/19	2019/20	Increase/	Increase/
FEES & CHARGES 2019/2020	Charge	Charge	(Decrease)	(Decrease)
<b>Gambling Act 2005 - Premises</b>				
<b>Bingo Premises</b>				
Application (3500 max permitted)	930.00	930.00	0.00	0.00
Annual fee (1000 max permitted)	610.00	610.00	0.00	0.00
Variation application (1750 max permitted)	1330.00	1330.00	0.00	0.00
Transfer application (1200 max permitted)	430.00	430.00	0.00	0.00
Reinstatement application (1200 max permitted)	555.00	555.00	0.00	0.00
Provisional statement application (3500 max permitted)	805.00	805.00	0.00	0.00
Copy of licence	25.00	25.00	0.00	0.00
Notification of a change	50.00	50.00	0.00	0.00
<b>Family Entertainment Centre</b>				
Application (2000 max permitted)	750.00	750.00	0.00	0.00
Annual fee (750 max permitted)	680.00	680.00	0.00	0.00
Variation application (1000 max permitted)	1000.00	1000.00	0.00	0.00
Transfer application (950 max permitted)	400.00	400.00	0.00	0.00
Reinstatement application (950 max permitted)	485.00	485.00	0.00	0.00
Provisional statement application (2000 max permitted)	660.00	660.00	0.00	0.00
Copy of licence	25.00	25.00	0.00	0.00
Notification of a change	50.00	50.00	0.00	0.00
<b>Adult Gaming Centre</b>				
Application (2000 max permitted)	750.00	750.00	0.00	0.00
Annual fee (1000 max permitted)	680.00	680.00	0.00	0.00
Variation application (2000 max permitted)	1030.00	1030.00	0.00	0.00
Transfer application (1200 max permitted)	400.00	400.00	0.00	0.00
Reinstatement application (1200 max permitted)	485.00	485.00	0.00	0.00
Provisional statement application (2000 max permitted)	660.00	660.00	0.00	0.00
Copy of licence	25.00	25.00	0.00	0.00
Notification of a change	50.00	50.00	0.00	0.00
<b>Betting Premises (Track)</b>				
Application (2500 max permitted)	890.00	890.00	0.00	0.00
Annual fee (1000 max permitted)	805.00	805.00	0.00	0.00
Variation application (1250 max permitted)	1250.00	1250.00	0.00	0.00
Transfer application (950 max permitted)	420.00	420.00	0.00	0.00
Reinstatement application (950 max permitted)	520.00	520.00	0.00	0.00
Provisional statement application (2500 max permitted)	730.00	730.00	0.00	0.00
Copy of licence	25.00	25.00	0.00	0.00
Notification of a change	50.00	50.00	0.00	0.00
<b>Betting Premises (Other)</b>				
Application (3000 max permitted )	835.00	835.00	0.00	0.00
Annual fee (600 max permitted)	600.00	600.00	0.00	0.00
Variation application (1500 max permitted)	1160.00	1160.00	0.00	0.00
Transfer application (1200 max permitted)	420.00	420.00	0.00	0.00
Reinstatement application (1200 max permitted)	520.00	520.00	0.00	0.00
Provisional statement application (3000 max permitted)	730.00	730.00	0.00	0.00
Copy of licence	25.00	25.00	0.00	0.00
Notification of a change	50.00	50.00	0.00	0.00

LICENSING & GAMBLING ACTS COMMITTEE	2018/19	2019/20	Increase/	Increase/
FEES & CHARGES 2019/2020	Charge	Charge	(Decrease)	(Decrease)
<b>Gambling Act 2005 - Permits</b>				
<b>Alcohol Premises Gaming Machine Permits</b>				
Application	150.00	150.00	0.00	0.00
Existing operator application	100.00	100.00	0.00	0.00
Annual fee	50.00	50.00	0.00	0.00
Permit variation fee	100.00	100.00	0.00	0.00
Transfer of permit	25.00	25.00	0.00	0.00
Change of name on permit	25.00	25.00	0.00	0.00
Copy of permit	15.00	15.00	0.00	0.00
Notification of 2 machines	50.00	50.00	0.00	0.00
<b>Club Gaming Permits and Club Gaming Machine Permits</b>				
Application	200.00	200.00	0.00	0.00
Application (Club Premises Certificate holder)	100.00	100.00	0.00	0.00
Annual fee	50.00	50.00	0.00	0.00
Permit variation fee	100.00	100.00	0.00	0.00
Renewal	200.00	200.00	0.00	0.00
Renewal (Club Premises Certificate holder)	100.00	100.00	0.00	0.00
Permit variation fee	100.00	100.00	0.00	0.00
Copy of permit	15.00	15.00	0.00	0.00
<b>Family Entertainment Centre Gaming Machine Permits</b>				
Application	300.00	300.00	0.00	0.00
Existing operator application	100.00	100.00	0.00	0.00
Renewal	300.00	300.00	0.00	0.00
Change of name on permit	25.00	25.00	0.00	0.00
Copy of permit	15.00	15.00	0.00	0.00
<b>Gambling Act 2005 Temporary Use Notice</b>				
Submission of Notice	500.00	500.00	0.00	0.00
Copy of Notice	25.00	25.00	0.00	0.00
<b>Miscellaneous Charges</b>				
Copy of Premises/Person Entry in Licensing Register	21.00	21.00	0.00	0.00
Statement of Licensing Policy document	41.00	41.00	0.00	0.00
Statement of Gambling Policy document	41.00	41.00	0.00	0.00
Copy of Licensing Decision Notice	21.00	21.00	0.00	0.00
Current list of licensing applications	10.50	10.50	0.00	0.00
Viewing of Films requiring Certification - Per 15 Minutes	7.50	7.50	0.00	0.00
Issue of Film Certification	7.50	7.50	0.00	0.00

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# **Minutes of a meeting of the LICENSING AND GAMBLING ACTS COMMITTEE on Wednesday 19 September 2018**

www.oxford.gov.uk



## **Committee members:**

Councillor Cook (Chair)

Councillor Lygo (Vice-Chair)

Councillor Chapman

Councillor Howlett

Councillor Landell Mills

## **Officers:**

Daniel Smith, Lawyer

Emma Day, Licensing Compliance Officer

Richard Masters, Licensing Compliance Officer

John Mitchell, Committee and Member Services Officer

## **Apologies:**

Councillors Fry, Goff and McManners sent apologies.

## **13. Declarations of interest**

None.

## **14. Minutes**

The Committee resolved to APPROVE the minutes of the meeting held on 02 July 2018 as a true and accurate record.

## **15. Statement of Gambling Licensing Policy**

The Head of Community Services had submitted a report seeking the Committee's agreement to the Statement of Gambling Licensing Policy.

The Licensing and Compliance Officer introduced the report. She reminded the Committee that all Licensing Authorities must have adopted and published a Statement of Gambling Licensing Policy, and must review it every three years. The Policy before the Committee was a revised draft following a period of consultation. The responses to the consultation were given in Appendix 4 of the report. It was explained that the low level of response was not unusual. None of the responses made material suggestions or observations. As well as seeking the Committee's approval of the revised policy the Committee was asked to consider retention of a 'No Casino' resolution.

The previous meeting of the Committee had identified the desirability of consulting organisations with an interest in the welfare of vulnerable adults. The Licensing and Compliance Officer confirmed that Citizen's Advice Bureau, Gamblers Anonymous and the Oxfordshire Adult Safeguarding Board had all been consulted.

It was explained that the “No Casino” resolution had been introduced when the government relaxed the rules about casinos and permitted the opening of so called ‘super casinos.’ Since then, the permissive legislation has been withdrawn and it would no longer be possible to open a casino in Oxford. However, failure to retain the resolution might be interpreted as an implicit willingness that the Council would consider opening a casino if the opportunity presented itself.

In response to questions about what was in place to protect the interests of vulnerable adults it was noted that applicants will now be required to provide Local Risk Assessments which will, in turn, be informed by the new Local Area Profile. The Council’s opportunity to mitigate the risks to vulnerable adults was broadly confined to ensuring application of and compliance with the policy.

It was noted that the Local Area Profile is, deliberately, distinct from the policy. This will enable officers to keep the profile up to date without recourse to the formality of Committee agreement. It was agreed that the title of the Local Area Profile as given with the papers should be amended to make this distinction clear.

Establishments could install up to two gaming machines without a licence but must inform the Council. Three or more machines require a licence. Officers conducted checks of establishments from time to time.

It was confirmed that relevant establishments should have literature available to signpost customers to help and support when appropriate.

The Licensing and Gambling Acts Committee resolved to:

- a) **Note** responses to the consultation submitted to the Licensing Authority;
- b) **Agree** that the ‘No Casino’ Resolution should be maintained;
- c) **Agree** the final draft Statement of Gambling Licensing Policy ; and
- d) **Recommend** the final draft of Gambling Licensing Policy to the Council

## 16. Update (Activity) Report

The Head of Community Services had submitted a report to inform the Committee of the progress made by the Licensing Authority under the Licensing Act 2003 and Gambling Act 2005 during the period from April 2018 to July 2018.

The Licensing and Compliance Officer introduced the report which set out activity for the period from April 2018 to July 2018.

In response to a question from the Chair she said no significant trends were emerging. Significantly less premises licences had been issued compared with the same period in the previous year but this was largely accounted for by the opening of the Westgate centre at that time.

The Chair thanked the licensing team for the reports considered at this meeting and for their work in this important area.

The Licensing and Gambling Acts Committee resolved to:

**Note** the contents of the report.

## **17. Dates of future meetings**

The next meeting of the Committee is scheduled to take place on 23 January 2019, to start at 6.00 pm.

**The meeting started at 6.00 pm and ended at 6.40 pm**

**Chair .....**

**Date: 23 January 2019**

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**To:** General Purposes Licensing Committee  
**Date:** 23 January 2019  
**Report of:** Head of Community Services  
**Title of Report:** Commercial Events, Hackney Carriage and Private Hire, Road Closure Orders, Scrap Metal Dealers, Sex Establishments and Street Parties: Licence Fees and Charges for the 2019/20 financial year

Summary and recommendations	
<b>Purpose of report:</b>	To seek agreement of the licence fees for 2019/20 where the Council has discretion over the level of fee charged
<b>Corporate Priority</b>	Vibrant Sustainable Economy
<b>Policy Framework</b>	None
<b>Recommendation:</b> That the General Purposes Licensing Committee resolves to:	
1. <b>Agree</b> the licence fees and charges for 2019/20 as set out in the Appendix 1 and recommend them to Council	

Appendices	
Appendix 1	Commercial Events, Hackney Carriage and Private Hire, Road Closure Orders, Scrap Metal Dealers, Sex Establishments and Street Parties Fees and Charges 2019/20

## Introduction

1. The purpose of this report is to seek agreement to the licence fees and charges that should apply for 2019/20, for those activities where the Council has discretion. This report does not cover the fees for Licensing and Gambling Act activities, which are reported separately to the Licensing and Gambling Acts Committee.
2. The fees and charges detailed within this report and found at **Appendix 1** relate solely to the functions of the General Licensing Team. A further report will be

provided to Members in relation to the fees and charges related to the functions of the Miscellaneous Licensing Team.

3. The statutory principle in relation to the setting of fees is that they should be reasonable, proportionate and not exceed the cost of the procedures and formalities of the relevant licensing scheme, including staffing, training, administration, testing, inspections, hearings, and regulation.
4. Licence fees set by the Council and administered in the General Licensing function consist of Commercial Events, Hackney Carriage and Private Hire, Road Closure Orders, Scrap Metal Dealers and Sex Establishments.

### **Commercial Events**

5. The making of Temporary Road Closure Orders under the Town Police Clauses Act 1847 is a discretionary service and the Council may make a charge for carrying it out, as long as the charge does not exceed the costs to the Authority.
6. A number of Road Closure applications have been made in the last year for events involving a commercial element, such as for Christmas Market, Art Market, North Parade Market, Christmas Light Festival etc.
7. It is proposed that the fee of between £100 and £300 remains.

### **Hackney Carriage and Private Hire Licence Fees and Charges**

9. Amendments to some of the 'Additional Charges' section has been proposed to recover Authority costs. Those can be found in **Appendix 1**.
10. A new fee is proposed in the 'Drivers' section. All Oxfordshire Licensing Authorities operate under a Joint Operating Framework to ensure that standards are aligned. The new fee recognises that those drivers primarily operating in Oxford City but who are licensed in another Oxfordshire Authority should be licensed by Oxford City Council to enable the Council to conduct the necessary compliance activities. To encourage this, a one-off reduction is proposed to existing Oxfordshire licence holders applying for a three year City Council licence, corresponding to each full year of their existing licence. This shall support Oxfordshire Licensed drivers (licensed by neighbouring Authority) to apply for a drivers licence with Oxford City Council due to their licensed activities being carried out in Oxford City. The proposal can be found in **Appendix 1**.
11. A new fee is proposed in the 'Vehicle' section. This shall support the current vehicle fleet transition to Ultra Low Emission Vehicles. The proposal can be found in **Appendix 1**.

### **Scrap Metal Dealers**

12. The licensing of Scrap Metal Dealers and collectors is an executive function presided over by the City Executive Board. Therefore the setting of fees does not fall to this Committee. The revised and amended fees for this function can be found in **Appendix 1** for Members to note.

## **Sex Establishments (Sexual Entertainment Venues)**

13. On 6<sup>th</sup> November 2018, the Head of Governance and Head of Financial Services approved the report of the Head of Community Services detailing the level of fees to be set for the licensing of such premises. Those can be found in **Appendix 1.**

## **Sex Establishments**

14. On 6<sup>th</sup> November 2018, the Head of Governance and Head of Financial Services approved the report of the Head of Community Services detailing the level of fees to be set for the licensing of such premises. Those can be found in **Appendix 1.**

## **Road Closure with no commercial element including street parties**

15. The Council wishes to support the organisers of community based events such as street parties. However, due to the growing volume of such applications it is proposed that such applications shall include a fee to recover the Authority's costs. The proposed fee consists of half of the recovery costs due to commitment in supporting small street parties and community events.

## **Financial implications**

16. The Council is responsible for collecting licence fees for these functions. Predicted income from licence fees is included in the Council's budget estimates for 2018/19.

## **Legal issues**

17. The power to levy fees is contained in the legislation relevant to each function or in the Local Government Act 2003 in relation to discretionary services. Fees and charges should reasonably represent the costs of carrying out the function.

<b>Report author</b>	<b>Anna Dumitru</b>
	<b>General Licensing Team Leader</b> <b>Community Services</b> <b>01865 252565</b> <a href="mailto:adumitru@oxford.gov.uk">adumitru@oxford.gov.uk</a>

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# APPENDIX 1

GENERAL PURPOSES LICENSING COMMITTEE FEES & CHARGES 2019/2020	2018/19 Charge £	2019/20 Charge £	Increase/ (Decrease) £	Increase/ (Decrease) %
<b>Taxi Licensing:</b>				
<b>VEHICLES</b>				
Hackney Carriage	400.00	400.00	0.00	0.00
Hackney Carriage (Low Emission Vehicle)	300.00	300.00	0.00	0.00
<b>Hackney Carriage (ULEV Early Adopter Discount)</b>	<b>N/A</b>	<b>0.00</b>		
Hackney Transfer of Ownership	100.00	100.00	0.00	0.00
Hackney Change of Vehicle	100.00	100.00	0.00	0.00
Hackney Temporary Vehicle	75.00	75.00	0.00	0.00
Private Hire	262.00	262.00	0.00	0.00
Private Hire (Low Emission Vehicle)	162.00	162.00	0.00	0.00
<b>Private Hire (ULEV Early Adopter Discount)</b>	<b>N/A</b>	<b>0.00</b>		
Private Hire Transfer	100.00	100.00	0.00	0.00
Private Hire Change of Vehicle	100.00	100.00	0.00	0.00
Private Hire Temporary Vehicle	75.00	75.00	0.00	0.00
<b>Taxi Licensing:</b>				
<b>DRIVERS</b>				
Hackney Combined (1 year licence)	115.00	115.00	0.00	0.00
Hackney Combined (3 year licence)	345.00	345.00	0.00	0.00
<b>Hackney Combined (3 year licence only) for Oxfordshire Licensed drivers with 1 full year on current licence</b>	<b>N/A</b>	<b>230.00</b>		
<b>Hackney Combined (3 year licence only) for Oxfordshire Licensed drivers with 2 full years on current licence</b>	<b>N/A</b>	<b>115.00</b>		
Private Hire (1 year licence)	101.00	101.00	0.00	0.00
Private Hire (3 year licence)	303.00	303.00	0.00	0.00
<b>Private Hire (3 year licence only) for Oxfordshire Licensed drivers with 1 full year on their current licence</b>	<b>N/A</b>	<b>202.00</b>		
<b>Private Hire (3 year licence only) for Oxfordshire Licensed drivers with 2 full year on their current licence</b>	<b>N/A</b>	<b>101.00</b>		
<b>Taxi Licensing:</b>				
<b>ADDITIONAL CHARGES:</b>				
Mandatory Safeguarding Awareness Test - provided by Oxfordshire County Council	15.00	15.00	0.00	0.00
Local Knowledge & Safeguarding Test	75.00	75.00	0.00	0.00
Local Knowledge & Safeguarding Re-Test	75.00	75.00	0.00	0.00
Disability Awareness Course	45.00	45.00	0.00	0.00
DBS check - all driver only, at cost	50.00	50.00	0.00	0.00
<b>DVLA check - for new applicants only, at cost</b>	<b>8.00</b>	<b>7.00</b>	<b>-1.00</b>	<b>-12.50</b>
Licence badge/replacement badge	10.00	10.00	0.00	0.00
Replacement external plate	25.00	25.00	0.00	0.00
Internal Vehicle Licence Plate	15.00	15.00	0.00	0.00

GENERAL PURPOSES LICENSING COMMITTEE	2018/19	2019/20	Increase/	Increase/
FEES & CHARGES 2019/2020	Charge	Charge	(Decrease)	(Decrease)
	£	£	£	%
Replacement Internal Vehicle Licence Plate	15.00	15.00	0.00	0.00
Exempt badge/replacement badge	25.00	25.00	0.00	0.00
Replacement approved fare chart	2.00	2.00	0.00	0.00
Replacement approved no smoking signs (includes VAT)	1.00	1.00	0.00	0.00
<b>Duplicate paper licence (replacement)</b>	<b>2.00</b>	<b>5.00</b>	<b>3.00</b>	<b>150.00</b>
Unpaid Cheque Charge	30.00	30.00	0.00	0.00
Amendments to Private Hire Operator Licence	25.00	<b>100.00</b>	<b>75.00</b>	<b>300.00</b>
Charge for Exemption Notice	50.00	50.00	0.00	0.00
<b>Taxi Licensing:</b>				
<b>PRIVATE HIRE OPERATOR LICENCE</b>				
Vehicle 3 & under (1 year licence)	490.00	490.00	0.00	0.00
Vehicle 4 & over (1 year licence)	980.00	980.00	0.00	0.00
Vehicle 3 & under (5 year licence)	2,450.00	2,450.00	0.00	0.00
Vehicle 4 & over (5 year licence)	4,900.00	4,900.00	0.00	0.00

GENERAL PURPOSES LICENSING COMMITTEE FEES & CHARGES 2019/2020	2018/19 Charge	2019/20 Charge	Increase/ (Decrease)	Increase/ (Decrease)
	£	£	£	%
<b>Road Closures</b>				
Commercial Event Road Closures- Events (under 500 people)	100.00	100.00	0.00	0.00
Commercial Event Road Closures- Market and Street Fairs	250.00	250.00	0.00	0.00
Commercial Event Road Closures- Events (500 or more people)	300.00	300.00	0.00	0.00
<b>Road Closure with no commercial element inc Street Parties</b>	<b>NO FEE</b>	<b>15.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Scrap Metal Dealers (Three Year Licence)</b>				
New Site Licence	1200.00	1220.00	20.00	1.67
Renewal Site Licence	1200.00	1220.00	20.00	1.67
Variation Site Licence	100.00	300.00	200.00	200.00
New Mobile Collector Licence	900.00	605.00	-295.00	-32.78
Renewal Mobile Collector Licence	900.00	605.00	-295.00	-32.78
Variation Mobile Collector Licence	100.00	300.00	200.00	200.00
<b>Sex Establishments</b>				
Sex establishment (Sex Shop or Sex Cinema)- New	2508.00	2508.00	0.00	0.00
Sex establishment (Sex Shop or Sex Cinema)- Renewal	2508.00	2508.00	0.00	0.00
Sex establishment (Sex Shop or Sex Cinema)- Variation/ transfer	1175.00	1175.00	0.00	0.00
Sexual entertainment venues new	5880.00	5880.00	0.00	0.00
Sexual entertainment venues renewal	5880.00	5880.00	0.00	0.00
Sexual entertainment variation/ transfer	1175.00	1175.00	0.00	0.00

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**To:** General Purposes Licensing Committee

**Date:** 23 January 2019

**Report of:** Head of Regulatory Services and Community Safety

**Title of Report:** Miscellaneous Licensing: Licence Fees & Charges for the 2019/20 financial year

## **Summary and Recommendations**

**Purpose of report:** To seek agreement of the licence fees for 2019/20 where the Council has discretion over the level of fee charged.

**Report Approved by:**

Finance: Emma Burson – Approved

Legal: Daniel Smith – Approved

**Policy Framework:** Vibrant Sustainable Economy  
Street Trading Policy 2015

**Recommendations:**

**Committee** is recommended to:

**Agree** the licence fees and charges for 2019/20 as set out in Appendix A and recommend them to Council.

## **Introduction**

1. The purpose of this report is to seek agreement to the licence fees and charges that should apply for 2019/20, for those activities where the Council has discretion as administered within the functions of the Business Regulation Team.
2. The fees and charges detailed within this report and found at Appendix A relate solely to the functions of the Business Regulation Team. A separate report will be provided to Members in relation to the fees and charges related to the functions of the General Licensing Team.
3. The statutory principle in relation to the setting of fees is that they should be reasonable and should relate to the costs of performing the function, including staffing, administration, testing, inspections, hearings and regulation.

4. Licence fees set by the Council and administered in the Miscellaneous Licensing function consist of Acupuncture, Ear Piercing, Electrolysis & Tattooing, Animal Boarding, Dangerous Wild Animals, Dog Breeding, Pavement Cafes, Pet Shops, Exhibiting Animals, Riding Establishments, Street Trading and Zoos.
5. An inflationary increase to these fees and charges is proposed to the current level of fees and charges to ensure the full cost recovery of the services provided with the exception of the new Animal Welfare Licence fees which are dealt with in paragraph 6 of this report and the Street Trading Consent Fees in paragraph 7 of the report.

### **Animal Welfare Licence Fees**

6. New Animal Welfare Licences Fees were introduced in October 2018 in response to a change in licensing legislation in respect of the activities below:
  - i. Boarding for cats and/or dogs
  - ii. Selling animals as pets
  - iii. Hiring out horses
  - iv. Breeding dogs
  - v. Keeping or training animals for exhibition
  - vi. Variation of licences
  - vii. Requests for re-inspection

### **Street Trading Consent Fees**

7. No variation to the Consent Fees is proposed in order to promote and support street trading.

### **Financial Implications**

8. The Council is responsible for collecting licence fees for these functions. Predicted income from licence fees is included in the Council's budget estimates for 2019/20.

### **Legal Implications**

9. The power to levy fees is contained in the legislation relevant to each function or in the Local Government Act 2003 in relation to discretionary services. Licensing is not a revenue raising function and fees and charges should be reasonable and proportionate to the costs of the procedures and formalities of carrying out the function.

**Name and contact details of authors: Lesley Rennie**

**Business Regulation Team Manager**

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**Background papers:**

**Appendix A: Proposed Fees & Charges for 2019/2020 applicable to the Miscellaneous Licensing functions within the Business Regulation Team.**

**Version number: 2**

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Proposed Miscellaneous Licensing Fees & Charges 2019/20				
	2018/19 Charge £	2019/20 Charge £	Increase/ (Decrease) £	Increase/ (Decrease) %
<b>Street Trading Consents</b>				
<b>City Centre &amp; Late Night Traders</b>				
Application Fee	325.00	335.00	10.00	3%
Annual Consent (Pro Rata for period of Consent)	8,180.00	8,180.00	0.00	0%
Weekly Consent (Weekly Rota)	183.00	183.00	0.00	0%
<b>All other traders</b>				
Application Fee	325.00	335.00	10.00	3%
Annual consent (Pro Rata for period of Consent)	2,780.00	2,780.00	0.00	0%
<b>Peripatetic traders (mobile traders e.g. icecream vans, sandwich vans)</b>				
Application Fee	107.00	110.00	3.00	3%
Annual Consent (Pro Rata for period of Consent)	1,445.00	1,445.00	0.00	0%
<b>General Charges</b>				
Replacement Consent	32.50	33.50	1.00	3%
Identification Badge (per badge)	32.50	33.50	1.00	3%
<b>Events</b>				
Street Trading at event for commercial benefit (up to 5 days) - per stall	27.50	28.50	1.00	4%
Street Trading at event for commercial benefit (6-14 days) - per stall	44.50	46.00	1.50	3%
Street Trading at event for community / charity benefit	No Fee	No Fee	No Fee	No Fee
<b>Street Café Licences</b>				
Annual Fee	770.00	790.00	20.00	3%
Annual Neighbourhood Shopping Centre Fee based on location as per Local Plan	350.00	360.00	10.00	3%
<b>Miscellaneous Licensing</b>				
Acupuncture, ear piercing, electrolysis & tattooing (only payable on first registration - person)	118.00	122.00	4.00	3%
Acupuncture, ear piercing, electrolysis & tattooing (only payable on first registration - premises)	237.00	245.00	8.00	3%
Dangerous Wild Animals	427 + Vet Fee	440 + Vet Fee	13.00	3%
Zoo	427 + Vet Fee	440 + Vet Fee	13.00	3%
NEW: Boarding for cats and/or dogs	297 + Vet Fee (if required)	297 + Vet Fee (if required)	0	0
NEW: Selling animals as pets	297 + Vet Fee (if required)	297 + Vet Fee (if required)	0	0
NEW: Hiring out horses	297 + Vet Fee	297 + Vet Fee	0	0
NEW: Breeding dogs	297 + Vet Fee	297 + Vet Fee	0	0
NEW: Keeping or training animals for exhibition	280 + Vet Fee (if required)	280 + Vet Fee (if required)	0	0
NEW: Request for variation	128 + Vet Fee (if required)	128 + Vet Fee (if required)	0	0
NEW: Request for re-inspection	128 + Vet Fee (if required)	128 + Vet Fee (if required)	0	0

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# Minutes of a meeting of the GENERAL PURPOSES LICENSING COMMITTEE on Wednesday 23 January 2019

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## Committee members:

Councillor Clarkson (Chair)

Councillor Corais

Councillor Howlett

Councillor Lygo

Councillor Simm

Councillor Cook (Vice-Chair)

Councillor Gotch

Councillor McManners

Councillor Taylor

## Officers:

Daniel Smith, Lawyer

Richard Adams, Community Safety Service Manager

Mairi Brookes, OxFutures Programme Manager

Joshua Curnow, Licensing Compliance Officer

Lesley Rennie, Business Regulation Team Manager

John Mitchell, Committee and Member Services Officer

## Also present:

Councillor Malik

Sajad Khan Secretary of the City of Oxford Licensed Taxicab Association

## Apologies:

Councillor Humberstone sent apologies and for whom Councillor Mc Manners was a substitute.

## 16. Declarations of Interest

None.

## 17. Minutes

The Committee resolved to **approve** the minutes of the meeting held on 22 October 2018 as a true and accurate record.

## 18. Licensed Vehicles Emission Standards

The Head of Community Services had submitted a report to recommend introduction of emission standards for Hackney Carriage Vehicles and amend the vehicle age limit for Private Hire Vehicles licensed by this Authority.

The Senior Licensing Officer introduced the report.

Councillor Malik (speaking as a member of the public and taxi driver) and Mr Khan addressed the Committee. Both speakers recognised the need to address the issue of

poor air quality and its detrimental consequences for health and accepted the contribution taxis need to play in making that improvement. However they were also of the view that option 3 as set out in the report and recommended by officers would be too onerous because of the significant financial burden it would introduce over a short timescale. A decision based on option 2 of the report would, in their view, be preferable.

In response to questions the OxFutures Programme Manager explained the work being done by officers, working with vehicle owners, to support the introduction of low emission vehicles with reference to the information in Appendix 1 of the report.

In discussion members of the Committee recognised that the recommended option would not be without its challenges but reaffirmed the critical importance of tackling the issue of poor air quality as vigorously and as swiftly as possible. Air quality in parts of the City was at an unacceptable level. The fact that some cities were choosing to tackle the matter less vigorously was not a reason for Oxford to do so. The preferred option already contained a degree of compromise and a dilution of the suggested requirement was not desirable.

The Chair thanked officers for the work they were doing to facilitate a move to low and zero emission vehicles and noted that the cost of them and the associated infrastructure would reduce over time.

On being put to a vote, the General Purposes Licensing Committee resolved to:

1. **Approve** the recommended option for introduction of new emission standards for Hackney Carriage Vehicles licensed by this Authority;
2. **Approve** the recommended amendment to vehicle age criteria for licensing of new Low and Ultra Low Emission Private Hire Vehicles; and
3. **Agree** that such proposals be recommended to Council for adoption

## **19. Licence Fees and Charges for 2019/20: Commercial Events, Hackney Carriage and Private Hire, Road Closure Orders, Scrap Metal Dealers, Sex Establishments and Street Parties**

The Head of Community Services had submitted a report to seek agreement to the licence fees for 2019/20 where the Council has discretion over the level of fee charged for Commercial Events, Hackney Carriage and Private Hire, Road Closure Orders, Scrap Metal Dealers, Sex Establishments and Street Parties.

The Senior Licensing Officer introduced the report explaining that these fees needed to be reasonable, proportionate and not exceed the cost associated with the relevant scheme.

The introduction of a £15 fee for road closures for non-commercial events (including street parties) was questioned. The costs of collection might well equal or exceed the sum collected. The Council should be seen to support community events, the introduction of fee might be seen by some to run counter to that. It was agreed that this should be revisited in a year's time.

The General Purposes Licensing Committee resolved to:

**Agree** the licence fees and charges for 2019/20 as set out in the Appendix 1 and recommend them to Council

## **20. Licence Fees and Charges for 2019/20: Miscellaneous Licensing**

The Head of Regulatory Services and Community Safety had submitted a report to seek agreement to the licence fees for 2019/20 where the Council has discretion over the level of fee charged.

The Business Regulation Team Manager introduced the report which proposed an inflationary increase to these fees and charges except for those in relation to new Animal Welfare Licence Fees (dealt with in the October meeting of the Committee) and those for Street Trading Consents (to promote and support street trading).

The General Purposes Licensing Committee resolved to:

**Agree** the license fees and charges for 2019/20 as set out in Appendix A and recommend them to Council.

## **21. Dates of Future Meetings**

The next meetings of the Committee are scheduled to take place on:

14 May 2019

18 September 2019

All meetings start at 6.15 pm or on the rising of the Licensing & Gambling Acts Committee.

**The meeting started at 6.20 pm and ended at 7.10 pm**

**Chair .....**

**Date: Tuesday 14 May 2019**

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**Report of:** Head of Financial Services

**To:** Council

**Date:** 13 February 2019

**Title of Report:** Council Tax 2019/20

## Summary and Recommendations

**Purpose of report:** To set out the necessary calculations to enable Council to set the 2019/20 Council Tax for Oxford City.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** None

**Recommendation(s):** Council is asked to approve for 2019/20: -

1. The City Council's precept and Council Tax requirement of £14,201,686 including Parish precepts and £13,941,621 excluding Parish precepts.
2. The average Band D Council Tax figure (excluding Parish Precepts) of £307.80 a **2.99%** increase on the 2018/19 figure of £298.86. Including Parish Precepts the figure is £313.54, a 3.21% increase (see paragraphs 2 to 6).
3. A contribution of £10,000 to Old Marston Parish Council in recognition of the additional expenditure that the Parish incurs as a consequence of maintaining the cemetery (see paragraphs 12 and 13).
4. The amount of £603,750 to be treated as Special Expenses (see paragraph 19).
5. The Band D Council Taxes for the various areas of the City (excluding the Police and County Council's precepts) as follows:-

Littlemore	£348.68
Old Marston	£340.49
Risinghurst and Sandhills	£329.55
Blackbird Leys	£313.44
Unparished Area	£310.35

These figures include Parish Precepts and special expensing amounts as appropriate; in addition to the City-wide Council Tax of £294.47.

The Council is also asked to note:

6. Oxfordshire County Council's precept and Band D Council Tax as set out in paragraph 22 below.
7. The Police and Crime Commissioner for the Thames Valley's precept and Band D Council Tax as set out in paragraph 23 below, and
8. The overall average Band D equivalent Council Tax of £1,988.65 including Parish Precepts (subject to confirmation of the Band D figures for the County Council and Police and Crime Commissioner).

**Appendix 1** Statutory Calculations Required for Setting of the Council Tax

**Appendix 2** Council Tax Amounts per Band 2019/20

**Appendix 3** Risk Implications

**BACKGROUND**

1. The Localism Act, 2011 requires local authorities to calculate the amount of income to be collected from Council Tax based on the Band D charge multiplied by the Council's Tax Base. The City Council's calculation of this figure, the Council Tax Requirement, including the Parish Precepts is £14,201,686. The Council Tax Requirement for the Council's own purposes is £13,941,621. The detailed calculation is shown in Appendix 1.

**CALCULATION OF BASIC AMOUNT OF COUNCIL TAX**

2. The tax bases for the various parts of the City were approved by the Audit and Governance Committee on 10<sup>th</sup> January 2019 and totalled 45,294.5. This allows 2% for non-collection.
3. On 13 December 2018, the Provisional Local Government Finance Settlement was announced by the Secretary of State for the Ministry for Housing, Communities and Local Government. The referendum levels for 2019-20 remain unchanged. For district councils, increases of less than 3% or up to and including £5 (whichever is higher) above the authority's relevant basic amount of council tax for 2018/19 can be made without triggering a referendum.
4. The Basic Amount of Tax is calculated in accordance with Section 31B of the Local Government Finance Act 1992. Details are shown in Appendix 1 and summarised in Table 1 below.



**Table 1 Basic amount of Band D Council Tax 2019/20**

Requirement from Council Tax	£13,941,621
(including Parishes)	£14,201,686
Tax Base	45,294.5
Basic Amount of Council Tax Band D	£307.80
(including Parishes)	£313.54

5. The Basic Amount of Council Tax (excluding Parish precepts) represents a 2.99% increase on the 2018/19 figure of £298.86 and an annual increase of £8.94 or approximately 17p per week.
6. The Basic Amount of Council Tax is calculated by dividing the Council Tax Requirement by the Tax Base. This amount of tax is calculated purely to comply with statutory requirements.

**CALCULATION OF ACTUAL AMOUNTS OF COUNCIL TAX**

7. The calculation of the City Wide Tax is set out in Table 2 below:-

**Table 2 City Wide Band D Council Tax 2019/20**

Council Tax Requirement	£14,201,686
Less Parish Precepts	£260,065
Less Unparished Area Special Expenses (see para 19)	<u>£603,750</u>
<b>City Wide Requirement</b>	<b>£13,337,871</b>
Divided by Tax Base	45,294.5
<b>City Wide Council Tax at Band D</b>	<b>£294.47</b>

The City Wide Tax is payable by all dwellings throughout the authority's area.

8. The Parishes have issued the City Council with their precepts. These, and the associated special expensing requirement for other areas of the City, are as shown below.

**Table 3 Band D Parish Precept & Special Expenses Addition 2019/20**

	Parish Precept (net of funding) £	Unparished Area Special Expenses (net of Cemeteries)	Special Expense for Cemeteries £	Total £	Tax Base Numbers	Average Band D £
Littlemore	96,579.38		897.17	97,476.55	1,798.0	54.21
Old Marston	58,571.56			58,571.56	1,272.7	46.02
Risinghurst and Sandhills	50,850.00		733.70	51,583.70	1,470.4	35.08
Blackbird Leys	54,064.00		1,460.81	55,524.81	2,927.6	18.97
Unparished Area		581,784.00	18,874.32	600,658.32	37,825.8	15.88
<b>TOTAL</b>	<b>260,064.94</b>	<b>581,784.00</b>	<b>21,966.00</b>	<b>863,814.94</b>	<b>45,294.5</b>	

### **Council Tax Support Grant**

9. In 2013/14 Council Tax Benefit was replaced with a system which allows local authorities to provide a discount or Council Tax Support Grant to eligible claimants.
10. After the initial year, there was no longer transparency regarding the amount of support the Government included in the Finance Settlement in respect of individual Councils Council Tax Support Grant. Consequently, as the Council's Revenue Support Grant continued to reduce it was agreed that the Council Tax Support Grant paid to Parishes was reduced by a similar percentage.
11. The above principle carried on up to and including 2018/19. As the Council's Revenue Support Grant is reduced to nil with effect from April 1<sup>st</sup> 2019, funding passed on to the Parishes also reduces to nil from 2019/20 onwards. This was explained to the Parishes at the Forum Meeting that took place in December 2018.
12. **OLD MARSTON PARISH**  
The May 2002 Guidance Note issued by Central Government (Dept. of Transport, Local Government and the Regions) on Financial Arrangements with Parish and Town Councils outlined principles that should be followed in financial arrangements between District and Parish Councils. These include:
  - Fairness in the provision of services (and access to them) by the principal authority between different parts of their area
  - Democratic control and accountability – to let local councils support additional services with additional expenditure
13. Old Marston Parish Council subsequently made a successful case to the Council for a contribution to the Parish in recognition of the additional expenditure that the Parish incurs in relation to maintaining the cemetery within the Parish. The use of the cemetery is not restricted to residents of that Parish; hence a contribution has been made to reduce the parish precept in recognition of this fact since 2008/09. For 2019/20 the Old Marston Parish Precept has been calculated as £68,571.56 and a recommendation is made to Council to reduce this by £10,000 to £58,571.56.

14. **BLACKBIRD LEYS PARISH**

The Precept has increased from £31,800 in 2018/19 to £54,060 in 2019/20. The resulting increase in the Parish's Band D Council Tax is an annual increase of £7.59 that equates to an increase of 66.7%. The majority of the increase, £15,000, is to enable the council to fulfil its role to (a) represent the local community; (b) support the delivery of services that meet local needs and (c) to strive to improve quality of life in the parish and contribute toward community wellbeing.

15. These three key areas represent the strategic aims of the Parish and inform the action plan for the next three years. The Parish requires funding to find ways to ensure each aim is met. For example, setting up community events; listening to local residents via active engagement. Also, printing and distributing flyers, setting up stalls and meetings and generally promoting the parish council so that it can genuinely represent the voice(s) of the local community. An initial fund of £5,000 for each strategic aim will provide the necessary resources to begin this process and gradually improve community engagement and consultation.

16. The budget for 2019-20 also makes provision for training and development of Councillors and the Parish Clerk. The increased precept for 2019/20 produces a weekly increase of just 15p for a Band D dwelling in the Blackbird Leys area.

17. **UNPARISHED AREAS OF THE CITY**

Only part of the city area is parished. In the Unparished Area the City Council itself undertakes the parish functions. Section 35 (2) of the Local Government Finance Act 1992, states that 'special expenses' should be calculated when there are "any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by .....a parish".

18. Within the city area the services shown in the table below are currently provided by at least one Parish Council. To avoid double charging for the cost of providing these services, a special expense - equivalent to the cost of providing these services elsewhere in the City - is levied on those areas not providing them.

19. Table 5 below sets out the Special Expenses Account:

<b>Table 5 Special Expenses Estimate 2019-20</b>		
	<b>Total Special Expenses 2019-20</b>	<b>Total Special Expenses 2018-19</b>
Community Recreation	299,031	294,632
Parks Management	8,558	8,440
Grounds	76,665	52,250
Allotments	18,203	18,056
Ditches and Streams	69,077	77,300
Cemeteries	21,966	21,966
Street Furniture	<u>110,250</u>	<u>105,000</u>
	<b>603,750</b>	<b>577,644</b>

20. The calculation of Special Expenses is based on an assessment of the types of work undertaken in parishes as a whole. The services are provided in at least one if not all the Parishes. However, in the case of cemeteries there is only one cemetery in the parished areas, located in Old Marston. As outlined in paragraph 13 Old Marston have put forward a successful case to the Council that the cemetery is available for use by people living outside of the Parish - particularly in respect of interment of ashes. The Council has previously accepted this case and approved a contribution to the Old Marston Precept. The total expenditure on the three remaining cemeteries has been charged across all areas except for the Old Marston Parish.
21. Further details of the calculations, as required by the Act are shown at Appendix 1. Taxes by area and by Band are shown at Appendix 2.
22. **Oxfordshire County Council:** The County Council's likely precept figure for 2019/20 is £66,529,920.44 giving a Band D Council Tax of £1,468.83 a 2.99% increase on the 2018/19 figure of £1,426.19. The figures are due to be finalised on February 12<sup>th</sup> 2019. There will be no Adult Social Care precept in 2019/20 as the County Council has already raised the maximum 6% that in December 2016 the Department for Communities and Local Government announced could be raised over the next three-year period, namely 2017/18 through to 2019/20.
23. **Police and Crime Commissioner for Thames Valley:** The precept figure for 2019/20 is likely to be £9,343,349.46 giving a Band D Council Tax of £206.28 a 13.2% increase on the 2018/19 figure of £182.28. The Provisional Local Government Finance Settlement, announced by the Secretary of State for the Ministry for Housing, Communities and Local Government on December 13<sup>th</sup> 2018, stated that for Police and Crime Commissioners the potential annual increase to their precept will be extended to £24 for 2019/20.

24. **Risk Implications:** Due to the increases explained in the paragraphs above most Oxford residents will face an overall 4% rise in their Council Tax liability for 2019/20. The average Band D Council Tax paid in Oxford in 2018/19 was £1,912.27. This will increase by £76.38 to £1,988.65 in 2019/20. This is less than the £101.40 increase between 2017/18 and 2018/19 because no Adult Social Care precept is applicable for 2019/20. A risk assessment has been undertaken and a risk register is attached at Appendix 3. This includes a risk relating to the potential reputational impact on the City Council as Billing Authority for the area and a risk relating to the increased challenge of maintaining the collection rate.
25. **Equalities Impact Assessment:** It is difficult to estimate the dimensions of equality risks around Council Tax increases. The Council has put in place proportionate mitigating actions such as the Council Tax Support Scheme and the work of the Welfare Reform Team to protect the most vulnerable and economically challenged households across the City.
26. **Financial Implications:** These are all included within the main body of the report.
27. **Legal Implications:** The Local Government Finance Acts, 1988 and 1992, as amended by The Localism Act 2011 prescribe the calculations in this report. The Billing Authority is required under section 30 of the Local Government Finance Act 1992 to set the Council Tax before the 11<sup>th</sup> March in the preceding financial year.

**Name and contact details of author:**

Adrian Wood  
Technical Officer  
Finance  
Telephone Number 01865 252619

**Background papers:**

None

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## Appendix 1

### Statutory Calculations Required for Setting of the Council Tax

1. On January 10th 2019 the Audit and Governance Committee approved:
  - a. the Council Tax Base 2019/20 for the whole Council area as **45,294.5** (Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended) and,
  - b. for dwellings in those parts of its area to which a Parish precept, or Special Expenses relates as:

Littlemore	1,798.0
Old Marston	1,272.7
Risinghurst and Sandhills	1,470.4
Blackbird Leys	2,927.6
Unparished Area	37,825.8
2. The Council Tax requirement for the Council's own purposes for 2019/20 (excluding Parish precepts) is £13,941,621
3. The following amounts have been calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:
  - (a) £156,513,740 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
  - (b) £142,312,054 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) £14,201,686 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year (item R in the formula in Section 31A(4) of the Act). This figure includes the Parish Precepts.
  - (d) £313.54 being the amount at 3(c) above (Item R), all divided by item T (1(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

- (e) £863,815 being the aggregate amount of all special items (Parish precepts and Unparished area special expenses) referred to in Section 34(1) of the Act.
- (f) £294.47 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1a above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish Precept/Special Expenses relates.



<b><u>Littlemore</u></b>	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Parish Special Expenses	36.14	42.16	48.19	54.21	66.26	78.30	90.35	108.42
City Wide Tax	196.31	229.03	261.75	294.47	359.91	425.35	490.78	588.94
<b>City Total</b>	<b>232.45</b>	<b>271.19</b>	<b>309.94</b>	<b>348.68</b>	<b>426.17</b>	<b>503.65</b>	<b>581.13</b>	<b>697.36</b>
PCC for Thames Valley	137.52	160.44	183.36	206.28	252.12	297.96	343.80	412.56
Oxfordshire County	979.22	1,142.42	1,305.63	1,468.83	1,795.24	2,121.64	2,448.05	2,937.66
<b>Total</b>	<b>1,349.19</b>	<b>1,574.05</b>	<b>1,798.93</b>	<b>2,023.79</b>	<b>2,473.53</b>	<b>2,923.25</b>	<b>3,372.98</b>	<b>4,047.58</b>
<b><u>Old Marston</u></b>	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Parish Special Expenses	30.68	35.79	40.91	46.02	56.25	66.47	76.70	92.04
City Wide Tax	196.31	229.03	261.75	294.47	359.91	425.35	490.78	588.94
<b>City Total</b>	<b>226.99</b>	<b>264.82</b>	<b>302.66</b>	<b>340.49</b>	<b>416.16</b>	<b>491.82</b>	<b>567.48</b>	<b>680.98</b>
PCC for Thames Valley	137.52	160.44	183.36	206.28	252.12	297.96	343.80	412.56
Oxfordshire County	979.22	1,142.42	1,305.63	1,468.83	1,795.24	2,121.64	2,448.05	2,937.66
<b>Total</b>	<b>1,343.73</b>	<b>1,567.68</b>	<b>1,791.65</b>	<b>2,015.60</b>	<b>2,463.52</b>	<b>2,911.42</b>	<b>3,359.33</b>	<b>4,031.20</b>
<b><u>Risinghurst and Sandhills</u></b>	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Parish Special Expenses	23.39	27.28	31.18	35.08	42.88	50.67	58.47	70.16
City Wide Tax	196.31	229.03	261.75	294.47	359.91	425.35	490.78	588.94
<b>City Total</b>	<b>219.70</b>	<b>256.31</b>	<b>292.93</b>	<b>329.55</b>	<b>402.79</b>	<b>476.02</b>	<b>549.25</b>	<b>659.10</b>
PCC for Thames Valley	137.52	160.44	183.36	206.28	252.12	297.96	343.80	412.56
Oxfordshire County	979.22	1,142.42	1,305.63	1,468.83	1,795.24	2,121.64	2,448.05	2,937.66
<b>Total</b>	<b>1,336.44</b>	<b>1,559.17</b>	<b>1,781.92</b>	<b>2,004.66</b>	<b>2,450.15</b>	<b>2,895.62</b>	<b>3,341.10</b>	<b>4,009.32</b>

**Council Tax Amounts Per Band 2019/20**

**Page 2**

<b><i>Blackbird Leys</i></b>	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Parish Special Expenses	12.65	14.75	16.86	18.97	23.19	27.40	31.62	37.94
City Wide Tax	196.31	229.03	261.75	294.47	359.91	425.35	490.78	588.94
<b>City Total</b>	<b>208.96</b>	<b>243.78</b>	<b>278.61</b>	<b>313.44</b>	<b>383.10</b>	<b>452.75</b>	<b>522.40</b>	<b>626.88</b>
PCC for Thames Valley	137.52	160.44	183.36	206.28	252.12	297.96	343.80	412.56
Oxfordshire County	979.22	1,142.42	1,305.63	1,468.83	1,795.24	2,121.64	2,448.05	2,937.66
<b>Total</b>	<b>1,325.70</b>	<b>1,546.64</b>	<b>1,767.60</b>	<b>1,988.55</b>	<b>2,430.46</b>	<b>2,872.35</b>	<b>3,314.25</b>	<b>3,977.10</b>
<b><i>Unparished Area</i></b>	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Special Expenses	10.59	12.35	14.12	15.88	19.41	22.94	26.47	31.76
City Wide Tax	196.31	229.03	261.75	294.47	359.91	425.35	490.78	588.94
<b>City Total</b>	<b>206.90</b>	<b>241.38</b>	<b>275.87</b>	<b>310.35</b>	<b>379.32</b>	<b>448.29</b>	<b>517.25</b>	<b>620.70</b>
PCC for Thames Valley	137.52	160.44	183.36	206.28	252.12	297.96	343.80	412.56
Oxfordshire County	979.22	1,142.42	1,305.63	1,468.83	1,795.24	2,121.64	2,448.05	2,937.66
<b>Total</b>	<b>1,323.64</b>	<b>1,544.24</b>	<b>1,764.86</b>	<b>1,985.46</b>	<b>2,426.68</b>	<b>2,867.89</b>	<b>3,309.10</b>	<b>3,970.92</b>

<b><u>Littlemore</u></b>	A	B	C	D	E	F	G	H
Parish Special Expenses	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
City Wide Tax	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>City Total</b>	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
PCC for Thames Valley	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%
Oxfordshire County	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Total</b>	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
<b><u>Old Marston</u></b>	A	B	C	D	E	F	G	H
Parish Special Expenses	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
City Wide Tax	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>City Total</b>	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
PCC for Thames Valley	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%
Oxfordshire County	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Total</b>	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<b><u>Risinghurst and Sandhills</u></b>	A	B	C	D	E	F	G	H
Parish Special Expenses	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
City Wide Tax	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>City Total</b>	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
PCC for Thames Valley	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%
Oxfordshire County	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Total</b>	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%



## Appendix 3

### Risk Register

Council report – Setting of the Council Tax 2019-20

Date – February 13th 2019

Author – Adrian Wood (Finance)

No.	Risk Description Link to Corporate Obj	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid		Current Risk	
Risk Score <b>Impact Score:</b> 1 = Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic <b>Probability Score:</b> 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain											
69		I	P		Mitigating Control: Level of Effectiveness: (HML)	I	P	Action: Action Owner:  Mitigating Control: Control Owner:	Outcome required: Milestone Date:	I	P
	<b>COUNCIL TAX BASE</b> A reduced debit (and lower tax base) would mean the City Council having to borrow to meet the Precept demands of the County Council and the Police and Crime Commissioner. Also the City Council would have less Council Tax Income to fund services.	4	3	There could be less new builds than estimated in 2019/20. In addition there could be increased numbers of exemptions/discount cases.	Assumptions used in numbers of new builds are conservative. The base for the number of Exemptions was the average of the last 12 months. The Revenues team in Financial Services review existing exemption and discount cases to ensure these should still be granted. Assumptions are based on prior years/historical trends	3	2	Continuing monitoring of external trends (Adrian Wood). Monthly position on actual tax base is calculated and reported to the Head of Financial Services. Significant changes to be reported to the Head of Financial Services by Adrian Wood. Mitigating control owner: Nigel Kennedy	Assumptions remain as accurate as possible to minimise the possibility of shortfall. Monthly reviews.	2	2

					and take account of external impacts.						
	<b>OXFORD CITY COUNCIL TAX PERCENTAGE INCREASE</b> The City Council has assumed a 2.99% increase on 2018/19 in the General Fund budget calculations for 2019/20.	4	3	Members may opt for a lower rate reduction, or indeed a freeze in the Band D Council Tax rate.	The financial implications would be that for each 0.5% reduction on the proposed 2019/20 Band D charge, the loss of income is approximately £68k.	3	2	Monthly position on the cost of service provision during 2019/20 will be monitored and reported on the CORVU system). Significant changes will be highlighted (Heads of Services). Mitigating control owner: Nigel Kennedy	That the cost of service provision remains in line with the agreed budget.	3	2
70	<b>THE OVERALL COUNCIL TAX PERCENTAGE INCREASE FOR 2019/20</b> The overall effect of the increases proposed by City Council (2.99%), County Council (2.99%) and Police and Crime Commissioner (13.2%), mean that most Oxford residents will face a 4.0% increase in their Council Tax liability for 2019/20.	4	4	The City Council are the Billing Authority, and collect Council Tax on behalf of the County Council and the Police and Crime Commissioner. The size of the increases will likely result in an increased number of personal visits and telephone enquiries.	Information will be available on the Council's website prior to the bills being delivered confirming that the City Council's share of the overall tax has increased by only 2.99% - an annual increase of £8.94 or approximately 17p per week. The Contact Centre staff will be fully updated before the bills are delivered.	3	2	The numbers of telephone enquiries and visits to St Aldate's Chambers will be monitored and staffing resources arranged so as to ensure calls and visits are dealt with in accordance with our normal service standards.	The mitigating measures will help to a) keep the numbers of callers and phone enquiries down and b) give taxpayers accurate and relevant information.	3	2

	<b>COUNCIL TAX COLLECTION RATE</b> The overall tax increase means that the average Band D Council Tax will increase by over £76 when compared with the 2018/19 figure.	4	4	Taxpayers will find it increasingly difficult to pay the full amount of Council Tax due	If necessary, request will be made to The Head of Service to input further resources into the collection / recovery process.	3	2	Collection of the 2019/20 debit will be monitored and reported at least monthly by the Finance Technical Officer (Adrian Wood). The HoS will be kept closely informed and the position discussed at the monthly Performance meetings.	The collection rate to remain on course as much as possible to minimise the possibility of a shortfall arising.	3	2
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**To:** City Executive Board  
**Date:** 12 February 2019  
**Report of:** Head of Financial Services  
**Title of Report:** Treasury Management Strategy 2019/20

Summary and recommendations	
<b>Purpose of report:</b>	To present the Council's Treasury Management Strategy for 2019/20 together with the Prudential Indicators for 2019/20 to 2022/23
<b>Key decision:</b>	Yes
<b>Executive Board Member:</b>	Councillor Ed Turner, (Deputy Leader) Finance, Asset Management and Public Health
<b>Corporate Priority:</b>	None
<b>Policy Framework:</b>	
<b>Recommendations:</b> That the City Executive Board resolves to:	
<b>Recommend that Council approves:</b> <ol style="list-style-type: none"> <li>1. The Treasury Management Strategy 2019/20 as set out in paragraphs 15 to 60 and the Prudential Indicators for 2019/20 – 2022/23 as set out in Appendix 2;</li> <li>2. The Borrowing Strategy at paragraphs 23 to 35;</li> <li>3. The Minimum Revenue Provision (MRP) Statement at paragraphs 36 to 37 which sets out the Council's policy on charging borrowing to the revenue account; and</li> <li>4. The Investment Strategy for 2019/20 and investment criteria as set out in paragraphs 38 to 59 and Appendix 1.</li> </ol>	

Appendices	
Appendix 1	Credit and Counterparty Risk Management
Appendix 2	Prudential Indicators 2019/20 – 2023/24

## Summary

1. The Council's Treasury Management Strategy has been written in accordance with the revised CIPFA Prudential Code and the revised CIPFA Treasury Management Code of Practice.
2. The report presents the Council's prudential indicators for 2019/20 – 2023/2024. Notable indicators include capital expenditure and borrowing limits as these are areas of significant activity.
3. The average value of investments during the calendar year to 31<sup>st</sup> December 2018 was £102.2m. The actual daily value fluctuated between £78.5m and £120.0m. This is an increase on the previous calendar year, when average balances were £93.7m and daily values ranged from £72.9m to £106.2m.
4. All external debt as at 31 March 2018 (£198.5m) relates 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 is funded from a combination of government grants, capital receipts, revenue, Community Infrastructure Levy and prudential borrowing. However, due to the scale of investment over the period to 2023/24, including the loans to the Council's Housing Company (£47.9m), the level of prudential borrowing will increase to over £343.8 million in 2023/24 from the projected £247.4 million at the end of 2018/19. Borrowing from internal resources will be maximised, however much of the borrowing will need to be from external resources with anticipated external borrowing increasing from £198.5 million to £229.5 million in 2023/24. The Housing Capital Programme is largely funded directly from council house rents.
6. The CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice were revised in late 2017 and have to be fully adopted from 2019/20 onwards. The codes include a requirement to produce a Capital Strategy (which the Council already did) and included additional requirements for this and also for non-Treasury Investments. In order to maintain the clarity between Treasury and non-Treasury Management Activity, all non Treasury Investments are covered by the Capital Strategy.
7. All Prudential Indicators continue to be covered together in the Treasury Strategy. This will allow the indicators to be seen as a whole and in the context of Treasury Management activity to which they are closely related. There are, however, some cross-overs to areas covered by the Capital Strategy.
8. The Prudential Indicators have been revised in line with the revised Codes of Practice. Additional disclosures are included to cover the Government's focus on "commercial activities" and non-financial investments such as loans to the Council's Companies and expenditure on investment properties. This focus has occurred due to some Councils (which have been featured in the press) incurring substantial expenditure buying investment properties to support their revenue budgets.

9. The MRP Statement has been amended to clarify the position in relation to assets leased to Oxford Direct Services Ltd.
10. Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code and to this end amendments have been made to include all of the requirements within the Council's strategies.

### **Banking and Treasury Management Arrangements in relation to the Companies**

11. The Company Boards approved that the bank accounts relating to the Council's wholly owned companies are grouped with the Council's bank accounts for the purposes of cash flow management and investment. The Boards of the Companies adopted Treasury Management principles in line with the Council's Treasury Management Strategy. This has the following advantages:
  - The cashflows of the companies can be managed within the Council's current arrangements for treasury management
  - Overdrafts do not need to be arranged and paid for either for the Companies' bank accounts
  - Working capital draw down can be minimised based on actual cashflow required to balance the accounts to nil (calculated on a notional basis with no or limited need for cash transfers)
  - Adoption of the Council's Treasury Management principles, means that the Companies can earn interest on any positive balances in line with that achieved by the Council (excluding investments in property funds)
  - There is no need for the Companies to comply separately with MiFID II to undertake investments under a professional status; due to the lack of treasury management history and an investment portfolio that does not meet the minimum levels, professional status would not be able to be achieved, thus limiting investment options
  - The Council does not need to apply for Financial Conduct Authority, (FCA) registration and therefore does not need to incur the additional costs of doing so. Additional costs would be chargeable to the Companies, but is an unnecessary additional expense which has been avoided due to agreement being reached on Treasury Management principles and processes.

### **Loans to the Council's Companies**

12. Over the life of the Council's Medium Term Financial Plan it is assumed that the Council will give loans to the Council's Housing Company to the value of around £48 million. Whereas these are not Treasury investments, there is however a positive impact on the Council's net investment income due to a markup being charged on the loans of at least 1%. As at the end of December 2018 the Council had loans outstanding to Oxford West End Developments (OxWED) of £10.8 million and to the Housing Company of £1.1 million with interest due on these of £740k per annum.

### **Interest and Economic Outlook**

13. The future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. Rising bond yields in the US have also caused some upward pressure on

bond yields in the UK and other developed economies, however, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political reasons, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period and as such, given that the Council is projecting a need to borrow over the term of the MTFP, PWLB interest rate are closely monitored in case earlier borrowing becomes advantageous. Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK.

14. It is unlikely that the Monetary Policy Committee of the Bank of England will increase Bank Rate in February 2019 ahead of the deadline in March for the EU exit. The next increase in Bank Rate is therefore being forecast for May 2019 with possible further rises in February and November 2020, ending up at 2.0% in February 2022. If there is a disorderly exit from the EU, then it is possible that credit rating agencies could downgrade the sovereign rating for the UK from the current level of AA. If this were the case then the likelihood would be that the UK would be rated as AA-, although it could go lower. If there is a disorderly exit then it is probable that interest rates will become volatile to react to impacts on the economy, whether that be higher to control inflation or lower to reduce the risk of recession.

## **Treasury Management Strategy Statement**

### **Background**

15. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
16. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
17. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

18. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, arising usually from capital expenditure, and are separate from the day to day treasury management activities.
19. CIPFA defines treasury management as:  
*“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*
20. Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The reporting changes include the introduction of the requirement to approve a capital strategy (which the Council produced in a slightly different form previously), to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately and includes the additional requirements introduced with these changes.

### **Treasury Management Advisors**

21. Treasury advice and market information is provided by Link Asset Services, formerly known as Capita Asset Services. A procurement exercise was undertaken during 2018 and the contract was awarded to Link Asset Services in September 2018 for 3 years with an option to extend for a further 2 years. The information provided by Link Asset Services that is used for making investment decisions is outlined further on in this report and in associated appendices.
22. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

### **Borrowing and Debt**

23. Under the Prudential Code, individual authorities are responsible for deciding their level of borrowing. The system is designed to allow authorities with an affordable borrowing requirement, to borrow in order to pay for capital investment.
24. The arrangements also facilitate ‘invest to save’ schemes where they are affordable, prudent and sustainable.
25. 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; and

- That the impact of the Authorised Borrowing Limit on Council Tax or council rents is reasonable.
26. The draft Capital Programme for 2019/20 to 2023/24, which appears elsewhere on the Agenda; includes the following expenditure which is currently planned to be financed by borrowing:
- £47.9 million loans to the Housing Company, primarily to finance the purchase of New Build homes for Affordable Housing at Barton and other housing;
  - £9.6 million for the acquisition or refurbishment of Investment Properties that will generate additional revenue income; and
  - £26.2 million to finance HRA capital expenditure.
27. The S151 officer has delegated authority to determine the need for external borrowing taking into account prevailing interest rates and associated risks. Borrowing may be undertaken to fund the approved Capital Programme or to fund future debt maturities and a combination of long-term and short-term fixed and variable rate borrowing may be considered which may include borrowing in advance of future years' requirements. In using the delegated authority, the S151 Officer will take into account the following factors:
- The on-going revenue liabilities created, and the implications for the future plans and budgets;
  - 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.
28. Council officers, in conjunction with the Council's treasury advisors, Link Asset Services, monitor 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.
29. The Council currently has £198.5m of external debt held at fixed rates with varying maturity terms up to 2057. This debt relates to the Council's housing stock within its HRA. The first repayment, of £20 million, is due in 2020/21. It is currently anticipated that debt to the same value will be taken out in order to replace the debt repaid. The first repayment of this debt, in the sum of £20 million, will now take place in 2025-26.
30. The Council's Capital Financing Requirement (CFR) 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 by borrowing from a financial institution or the Public Works Loans Board (PWLB). The estimated level of CFR for each year can be found in the Prudential Indicators in Appendix 2.
31. In October 2018, a policy change of the abolition of the HRA debt cap was announced. The Chancellor announced in the Budget that the date the debt cap was to be removed was 29<sup>th</sup> October 2018. The Council can now undertake further borrowing to finance HRA capital expenditure, provided it is both affordable and

prudent to do so, in line with the CIPFA Prudential Borrowing Code. The Council is considering how it will use these new borrowing powers to increase housing supply.

### **Borrowing Strategy 2018/19**

32. The Council currently has £26.1 million internal borrowing as at 1<sup>st</sup> April 2018. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt since cash supporting the Council's reserves, balances and cash flow has been used as a temporary funding source. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.
33. The Head of Financial Services will continue to monitor interest rates and take a pragmatic approach to changing circumstances. Due to the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations:
- If it is considered that there is a likelihood of a significant fall in long and short term rates (e.g. due to a marked increase of risks in respect of recession or deflation), then long term borrowing will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
  - Alternatively, if it is felt that there is a significant risk of a sharp increase in long and short term rates than currently forecast, then external borrowing is likely to be taken earlier.

### **Borrowing in Advance of Need**

34. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
35. Any decision to borrow in advance will be within approved Capital Financing Requirement estimates, and demonstrate value for money. Prior to borrowing in advance the risks and benefits of undertaking the borrowing will be considered. Actual borrowing will be subsequently reported through either the mid-year performance report or annual report as appropriate. Due to the amount of Prudential Borrowing in the Capital Programme, the potential benefits of borrowing in advance will be closely monitored.

### **Minimum Revenue Provision (MRP) Statement 2019/20**

36. 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 undertaken will depend on the borrowing requirement compared to the projected level of cash balances. The Council is required to make a prudent charge to its revenue account for borrowing. This charge is known as the Minimum Revenue Provision (MRP) and reflects the repayment of principal borrowed.

37. Regulations require the Council to approve an MRP policy on an annual basis. The following statement is unchanged from the 2018/19 strategy apart from a minor change to point d) to clarify that this point includes the leases to Oxford Direct Services. It is recommended that this statement be used for 2019/20:

- a) For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure<sup>1</sup>, 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 Borrowing<sup>2</sup> 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 or leases 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 separate MRP provision as it is anticipated the investment will be repaid in full and the repayment of the debt will reduce the Capital Financing Requirement. 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.

## **Annual Investment Strategy 2019/20**

### **Management of Risk**

38. The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

39. The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

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<sup>1</sup> 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

<sup>2</sup> Unsupported borrowing is any borrowing not covered by Government grants.



40. The guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 1 under the categories of ‘specified’ and ‘non-specified’ investments.
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

41. As a result of the change in accounting standards for 2018/19 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the Ministry of Housing, Communities and Local Government concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1<sup>st</sup> April 2018.

### Interest rates

42. Average cash balances for the year to 31<sup>st</sup> December 2018 were £102.2m, having fluctuated between ££78.5m and £120.0m.

43. In August 2018, base rate increased to 0.75% from 0.50% following a previous rise in November 2017. The Council’s target average interest rate return is 0.6% above

base rate. Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

44. In the event of an orderly non-agreement exit from the EU, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly exit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

### **Investment Durations**

45. As with the previous financial year, most existing investment deal terms are for 6 months. However, the Council does have some longer-term investments up to one year and durations of future loans are likely to increase in line with the criteria set out by the Council's Treasury advisers.
46. Investments are made in accordance with the Council's Treasury Management Strategy such that returns are balanced against security of investment and 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. The Council works to achieve the optimum rate of return on its investments commensurate with proper levels of security and liquidity.

### **Creditworthiness**

47. 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).
48. The Council utilises the creditworthiness services provided by Link Asset Services. 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 Swap<sup>3</sup> (CDS) spreads and sovereign ratings. 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.
49. The Council is alerted to changes to ratings by Link Asset Services' creditworthiness service and takes the following action in respect of updates:
- 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

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

counterparty is temporarily suspended pending the credit rating agency's full review.

50. As part of the creditworthiness methodology a minimum sovereign rating of AA- from Fitch (or equivalent from other agencies if Fitch does not provide one) has been determined.
51. In addition to the recommendations from Link 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 investment balance (to 31<sup>st</sup> December) with any one counterparty or group or £15 million, whichever is the greater
  - Maximum of 10% of total investments to be with institutions in other countries that meet the required criteria.
52. 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.
53. 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**

54. 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 shown in more detail in Appendix 1.
55. 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. Additionally, once the duration of a Non-specified Investment falls below 366 days, it also falls into the Specified category.
56. 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 therefore limited to either a maximum of 25% (currently £25.6 million) of the previous full year's average monthly investment balance to 31<sup>st</sup> December, or £24 million, whichever is the greater. The Council currently have £10 million of property investments; £7 million with Lothbury and £3 million with CCLA Investment Management Ltd. In the Councils Budget Strategy provision has been made for further investments of treasury cash in indirect property funds in the order of £10 million.
57. 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 are still classified as Specified Investments provided the duration of the

investment from the start date to the maturity is no longer than 365 days. Trade dates are factored into the duration of the investment if arranged more than four weeks in advance because there is an increased risk due to funds being contractually committed.

### **Ethical Investment Policy**

58. The Council adopted an ethical investment policy in 2015/16. No changes are proposed to the policy which is set out below:

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)

59. The Council has been able to take advantage of some green deposit notice accounts offered by Barclays Bank who are working in association with Sustainalytics, a leading global provider of environmental, social and corporate governance research and ratings, to achieve a positive environmental impact. Their green framework covers the following environmental areas:

- Energy efficiency projects and renewable energy
- Sustainable food agriculture and forestry
- Waste management
- Greenhouse gas emission reduction
- Sustainable water

### **Prudential Indicators**

60. 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 2018/19 – 2021/22, and will be monitored and reported on an annual basis.

### **Other implications**

61. Environmental Impact – 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.

## Financial implications

62. All financial issues are addressed in the body and appendices of the report. The Council's assumptions for net investment interest for the General Fund for 2019/20 to 2023/24 are as follows:

	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's
Net Investment Interest	2,948	3,212	2,869	3,612	3,810

63. This includes the cost of borrowing, interest from companies and interest from external investments.

## Legal issues

64. 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.

65. 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.

66. The Council's 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.

## Level of risk

67. Risks are managed as set out in this report and appendices. The Council is intending to invest a further £10 million in property funds during 2019/20. The use of these instruments can be deemed capital expenditure, and as such will require the use of capital resources. This Authority will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

68. The value of property funds is reliant on the value of the property held by the funds and property values can go down as well as up. It will be ensured that the Fund(s) that the Council uses will hold a broad property portfolio which will mitigate the risk of specific sectors suffering a loss in property values. The regular returns from Property Funds are from property rentals so as long as the properties remain tenanted there will be a return. The risk of holding property is also affected by the uncertainty over the exit from the EU.

69. Increases and decreases in the value of property funds now have to be charged to the revenue account, although there is a statutory mitigation from Government that allows these impacts to be reversed out for five years.

### **Equalities impact**

70. There are no equalities impacts relating to this report.

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**Background Papers:** None

## **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.

Oxford City Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment. The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk in the context of the whole organisation's inflation exposure.

### **Investments that are not part of treasury management activity**

The following principles are required to be adopted as part of the Council's TMP1 in accordance with the Treasury Management Code of Practice 2017:

- The Council recognises that investment in other financial assets and property primarily for financial return and not treasury management purposes, requires careful management and monitoring. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.
- The Council has ensured that all of its non treasury investments are covered in its Capital Strategy, and has set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.
- The Council has compiled a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's associated risk exposure.

This has been compiled based on the 2017/18 final accounts.

**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 it 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 would not be defined as capital expenditure and don't exceed a maturity period of one year, or where the maturity period is longer, 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. They include investments 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 that have been awarded a high credit rating by a credit rating agency, e.g. money market funds, rated AA 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 Funds	AAA	£25m	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 Link Asset Services's Credit List i.e. blue and orange coloured institutions recommend investments of upto a year according to the Link Asset Services 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 or £24 million, whichever is the greater. 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**

	<b>Minimum Credit Criteria</b>	<b>Max % of total investments/£ limit per institution</b>	<b>Max maturity period</b>
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 or £24 million, whichever is the greater	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 Link Asset Services's Credit List i.e. investments with yellow coloured institutions are recommended for upto 60 months (5 years) according to the Link Asset Services Credit List.

The durational bands adopted in detail are:

- Yellow 5 years \*
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

### **UK banks – ring fencing**

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

**The Monitoring of Investment Counterparties** - The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services 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	365 days
AA+	2 years	365 days
AA	2 years	9 months
AA-	2 years	9 months
A+	365 days	9 months
A	9 months	6 months
A-	6 months	3 months

## 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 2018/19 to 2023/24 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. The expenditure is split over three areas:
  - Commercial Activities / Non-financial investments
  - Other General Fund
  - HRA
4. 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.
5. 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**

	2017/18 Actuals £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's	2021/22 Estimate £000's	2022/23 Estimate £000's	2023/24 Estimate £000's
<b>Commercial Activities /</b>							
<b>Non-financial investments</b>	666.6	20,800.1	19,596.4	12,525.0	25,308.0	10,045.0	3,598.0
<b>Other General Fund</b>	18,144.6	20,204.8	32,116.0	20,665.3	10,570.1	9,826.0	2,170.0
<b>HRA</b>	18,899.3	17,441.2	17,769.0	16,803.0	8,263.0	8,721.0	8,221.0
<b>Total expenditure</b>	<b>37,710.5</b>	<b>58,446.1</b>	<b>69,481.4</b>	<b>49,993.3</b>	<b>44,141.1</b>	<b>28,592.0</b>	<b>13,989.0</b>
<b>Financed by:</b>							
Developer Contributions	1,370.7	2,460.5	5,593.8	2,260.0	260.0	0.0	0.0
Capital Grants	5,408.4	3,431.5	2,695.7	1,507.7	1,100.0	1,302.0	1,000.0
Capital Receipts	5,947.3	2,288.9	10,868.6	7,289.5	8,506.3	8,081.0	0.0
Revenue	17,591.8	11,434.3	6,774.3	5,795.4	2,676.8	2,294.0	3,868.0
Major Repairs Reserve	7,087.3	16,458.1	7,934.0	12,620.0	0.0	5,317.0	8,221.0
Sub Total	37,405.5	36,073.3	33,866.4	29,472.6	12,543.1	16,994.0	13,089.0
<b>Prudential Borrowing</b>	<b>305.0</b>	<b>22,372.8</b>	<b>35,615.0</b>	<b>20,520.7</b>	<b>31,598.0</b>	<b>11,598.0</b>	<b>900.0</b>
<b>Total funding</b>	<b>37,710.5</b>	<b>58,446.1</b>	<b>69,481.4</b>	<b>49,993.3</b>	<b>44,141.1</b>	<b>28,592.0</b>	<b>13,989.0</b>

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6. The following table shows how much of the overall capital funding need relates to “commercial activities” and non-financial investments such as loans to the Council’s Companies and expenditure on investment properties.

**Table 2:- Commercial Activities and Non-financial investments funding need**

Commercial Activities / Non-financial investments	2017/18 Actuals	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
<b>Capital Expenditure (£000's)</b>	666.6	20,800.1	19,596.4	12,525.0	25,308.0	10,045.0	3,598.0
<b>Percentage of total financing need</b>	1.8%	35.6%	28.2%	25.1%	57.3%	35.1%	25.7%

## B. Affordability

7. This indicator represents the estimate of the ratio of financing costs to the net revenue stream for both the HRA and General Fund. The General Fund has net interest income and so the indicator is interpreted such that the larger the negative percentage figure becomes, the more reliant the General Fund is on the net interest income. Note that this includes both investment income and borrowing costs.
8. The HRA has net interest expenditure and this indicator is interpreted such that the larger the positive percentage figure becomes, the more HRA resources are used to finance the net debt costs.

**Table 3:- Ratio of Financing Costs to Net Revenue Stream**

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<b>General Fund</b>	<b>2017/18 Actuals £000's</b>	<b>2018/19 Estimate £000's</b>	<b>2019/20 Estimate £000's</b>	<b>2020/21 Estimate £000's</b>	<b>2021/22 Estimate £000's</b>	<b>2022/23 Estimate £000's</b>	<b>2023/24 Estimate £000's</b>
<b>Net Interest Income</b>	<b>-2,670.33</b>	<b>-2,364.09</b>	<b>-2,948.06</b>	<b>-3,312.41</b>	<b>-3,168.70</b>	<b>-3,612.09</b>	<b>-3,809.62</b>
<b>Revenue stream</b>	22,858.00	23,369.11	24,175.23	23,846.85	24,004.33	24,495.11	24,909.34
<b>Ratio</b>	<b>-11.7%</b>	<b>-10.1%</b>	<b>-12.2%</b>	<b>-13.9%</b>	<b>-13.2%</b>	<b>-14.7%</b>	<b>-15.3%</b>
<b>Housing Revenue Account</b>	<b>2017/18 Actuals £000's</b>	<b>2018/19 Estimate £000's</b>	<b>2019/20 Estimate £000's</b>	<b>2020/21 Estimate £000's</b>	<b>2021/22 Estimate £000's</b>	<b>2022/23 Estimate £000's</b>	<b>2023/24 Estimate £000's</b>
<b>Item 8 interest</b>	7,701.72	7,701.72	7,701.72	7,701.72	7,701.72	7,701.72	7,701.72
<b>Investment income</b>	-128.96	-125.78	-253.80	-284.04	-314.29	-344.54	-344.54
<b>Net financing cost</b>	<b>7,572.76</b>	<b>7,575.94</b>	<b>7,447.92</b>	<b>7,417.68</b>	<b>7,387.43</b>	<b>7,357.18</b>	<b>7,357.18</b>
<b>Revenue stream</b>	45,316.31	43,241.16	43,162.10	43,426.10	44,505.27	45,605.97	46,733.89
<b>Ratio</b>	<b>16.7%</b>	<b>17.5%</b>	<b>17.3%</b>	<b>17.1%</b>	<b>16.6%</b>	<b>16.1%</b>	<b>15.7%</b>

## C. The Council's Borrowing Need (the Capital Financing Requirement)

9. This prudential indicator relates to the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic 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 indebtedness and so its underlying borrowing need. Any capital expenditure above in Table 1, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.
10. The CFR does not increase indefinitely, as the minimum revenue provision (MRP), which is a statutory annual revenue charge, reduces the indebtedness broadly in line with each assets life, and so charges the economic consumption of capital assets as they are used.

11. The table shows the amount of the CFR which is needed to finance the “commercial activities” / non-financial investments.

**Table 4:- Estimates of capital financing requirement (underlying need to borrow for a capital purpose)**

	2017/18 Actuals £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's	2021/22 Estimate £000's	2022/23 Estimate £000's	2023/24 Estimate £000's
Commercial Activities / Non-financial investments	305	19,608	35,403	44,663	67,998	76,192	77,092
Other General Fund	25,328	27,829	37,711	44,065	43,093	42,121	41,149
<b>General Fund</b>	25,633	47,437	73,114	88,728	111,091	118,313	118,241
<b>HRA</b>	199,384	199,916	209,751	213,934	222,197	225,581	225,581
<b>Total CFR</b>	<b>225,017</b>	<b>247,353</b>	<b>282,865</b>	<b>302,662</b>	<b>333,288</b>	<b>343,894</b>	<b>343,822</b>
Movement in CFR	268	22,336	35,512	19,797	30,626	10,606	-72
Movement in the CFR represented by:							
Net Financing need for the year	305	22,373	35,615	20,521	31,598	11,578	900
Less MRP	-37	-37	-103	-724	-972	-972	-972
Movement in CFR	268	22,336	35,512	19,797	30,626	10,606	-72

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#### **D. Core Funds and Expected Investment Balances**

12. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or used on other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.



**Table 5:- Core Funds and Expected Investment Balances**

<b>Estimated Year End Resources</b>	<b>2017/18 Actuals £000's</b>	<b>2018/19 Estimate £000's</b>	<b>2019/20 Estimate £000's</b>	<b>2020/21 Estimate £000's</b>	<b>2021/22 Estimate £000's</b>	<b>2022/23 Estimate £000's</b>	<b>2023/24 Estimate £000's</b>
Fund Balances & Reserves	62,990	61,990	61,990	61,990	61,990	61,990	61,990
Capital Receipts & Grants	20,343	9,233	8,483	8,283	8,283	8,283	8,283
Provisions	6,589	6,589	6,589	6,589	6,589	6,589	6,589
Other	-122	-122	-122	-122	-122	-122	-122
<b>Total Core Funds</b>	89,800	77,690	76,940	76,740	76,740	76,740	76,740
Working Capital *	16,572	25,486	26,272	27,072	27,872	28,672	29,472
(Under) / Over Borrowing **	-26,174	-48,510	-55,022	-60,819	-70,445	-74,051	-73,979
<b>Expected Investments ***</b>	80,198	54,666	48,190	42,993	34,167	31,361	32,233

\* Working capital balances shown are estimated year-end; these may be higher mid-year

67 \*\* Under / Over Borrowing is the difference between the Council's CFR and external borrowing. The Council maximises use of internal balances where possible to reduce borrowing costs. A level of cash resource must be maintained to ensure that cashflow variations during the year can be accommodated.

\*\*\*This is the level of expected investments at the end of the year; during the year these will often be much higher due to cashflows.

## **E. External Debt and Treasury Management**

13. The Council's forward projections for borrowing are summarised below. The table shows the anticipated external debt against the underlying capital borrowing need, the CFR.

**Table 6:- Debt against Underlying Borrowing Need**

External Debt	2017/18 Actuals £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's	2021/22 Estimate £000's	2022/23 Estimate £000's	2023/24 Estimate £000's
Debt at 1st April	198,843	198,843	198,843	227,843	241,843	262,843	269,843
Expected Change in Debt	0	0	29,000	14,000	21,000	7,000	0
<b>Expected Debt at 31 March</b>	198,843	198,843	227,843	241,843	262,843	269,843	269,843
CFR	225,017	247,353	282,865	302,662	333,288	343,894	343,822
<b>Under / (Over) Borrowing</b>	26,174	48,510	55,022	60,819	70,445	74,051	73,979

14. The Council must set an operational boundary which is the limit beyond which external debt is not normally expected to exceed. This will be lower than the CFR where the Council uses internal resources to finance borrowing (i.e. is under borrowed). The authorised limit is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not necessarily sustainable in the longer term. This is set here at the level of the CFR to allow for flexibility depending on what happens with borrowing rates and to allow for borrowing in advance where this is supported by the capital plans or the CFR. The authorised limit is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

**Table 7:- Limits to borrowing activity**

	2017/18 Actuals £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's	2021/22 Estimate £000's	2022/23 Estimate £000's	2023/24 Estimate £000's
Authorised limit	372,118	372,118	363,894	363,894	363,894	363,894	363,894
Operational boundary	240,000	274,000	302,865	322,662	353,288	363,894	363,822

15. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. 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.

**Table 8:- Maturity Structure of Borrowing**

	<b>Estimate Upper %</b>	<b>Estimate Lower %</b>
< 12 months	30%	0
12 months up to 2 years	30%	0
2 up to 5 years	30%	0
5 up to 10 years	35%	0
10 up to 20 years	100%	0
20 up to 30 years	100%	0
30 up to 40 years	100%	0
40 years +	100%	0

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**Table 9:- Upper limit on fixed and variable interest rate borrowing and investments**

	<b>2017/18 Actuals %</b>	<b>2018/19 Estimate %</b>	<b>2019/20 Estimate %</b>	<b>2020/21 Estimate %</b>	<b>2021/22 Estimate %</b>	<b>2022/23 Estimate %</b>	<b>2023/24 Estimate %</b>
Upper limit on fixed rate borrowing	100	100	100	100	100	100	100
Upper limit on fixed rate investments	100	100	100	100	100	100	100
Upper limit on variable rate borrowing	100	100	100	100	100	100	100
Upper limit on variable rate investments	100	100	100	100	100	100	100

16. This following indicator links to the Non Specified investment in Appendix 1

**Table 10:- Upper limit for principal sums invested for periods longer than 365 days**

	<b>2017/18 Actuals</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>
Upper limit for investments for periods longer than 365 days	Higher of £24m and 25%	Higher of £24m and 25%	Higher of £24m and 25%	Higher of £24m and 25%	Higher of £24m and 25%	Higher of £24m and 25%	Higher of £24m and 25%

**To:** City Executive Board  
**Date:** 12 February 2019  
**Report of:** Head of Financial Services  
**Title of Report:** Capital Strategy 2019/20 – 2023/24

Summary and recommendations	
<b>Purpose of report:</b>	To present the Capital Strategy for approval.
<b>Key decision:</b>	No
<b>Executive Board Member:</b>	Councillor Ed Turner
<b>Corporate Priority:</b>	Efficient and Effective Council.
<b>Policy Framework:</b>	Constitution.
<b>Recommendation:</b> That the City Executive Board resolves to:	
<b>Recommend that Council approves</b> the Capital Strategy attached at Appendix A.	
Appendices	
Appendix A	Capital Strategy 2019/20 – 2023/24

## Introduction and background

- Paragraph 18.11 of the Council's Constitution requires that a Capital Strategy is prepared which includes:
  - The principles the Council will follow in its capital planning and management;
  - The methodology for inclusion of schemes within the Capital Programme; and
  - The arrangements for the effective management of capital schemes.
- The CIPFA 2017 Prudential Code introduces a requirement that Councils prepare and approve a Capital Strategy. This requirement includes consideration of non Treasury investments such as Investment Properties and loans to other organisations. The Council's Capital Strategy has therefore been fully reviewed to ensure that the requirements of the CIPFA Prudential Code have been taken into account.

3. There is a link between the Capital Strategy and the Treasury Strategy through cashflow implications and borrowing strategies. To aid clarity the Treasury Strategy includes all Treasury implications including the Minimum Revenue Provision policy and the Capital Strategy is restricted to non-Treasury Management matters where possible.
4. The Council continues to have a significant capital investment programme and established a methodology for identifying, selecting and monitoring capital projects a few years ago. This methodology has recently been reviewed and is still being refined. An outline of the methodology can be found in the Capital Strategy.
5. The Council believes that capital programme delivery is essential to support the services that the Council provides to its customers. To this end a new Project Management Office and associated Project Development Team have been constituted and resourced. The Project and Gateway Process has subsequently been fully reviewed and revised.
6. All capital schemes and major projects are assessed and filtered by the Project Management Office prior to being passed through to the Operational Delivery Group or the Development Board and then through to Corporate Management Team.
7. 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.
8. 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.

### **Financial implications**

9. The Capital Strategy provides a rationale for evaluating, managing and monitoring the Council's Capital Programme in order to secure delivery of the Programme and its objectives in the most cost effective manner.

### **Legal issues**

10. There are no legal implications directly arising from this report.

### **Level of risk**

11. There are not 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**

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

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<b>Background Papers:</b> None
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## **CAPITAL STRATEGY 2019/20 – 2023/24**

December 2018

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## **Capital Strategy**

### **1. Purpose**

- 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 arrangement for management of capital schemes.
  - d. Identifies the capital schemes to be undertaken over the following four financial years and how those schemes will be funded.
- 1.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential code also requires local authorities to produce a capital strategy from 2019/20 onwards. The strategy demonstrates how the Council ensures that capital expenditure decisions are taken in line with desired outcomes and consider stewardship, value for money, prudence, sustainability and affordability.
- 1.3. The Capital Strategy document is a key document for the Council and forms part of the Council's integrated revenue, capital, treasury and balance sheet planning. It is a high level document that provides an overview of how capital expenditure and capital financing contribute towards the delivery of desired outcomes. To facilitate this it summarises the Council's approach to capital investment and lays out the means by which capital schemes are prepared, evaluated and monitored and the governance processes around this. It also includes a narrative of how risks associated with capital expenditure are managed.

### **2. Scope**

- 2.1 The Capital Strategy covers all capital expenditure and capital investment decisions for the Council and also those entered into under Group arrangements. The Capital Strategy specifically excludes all investments that are entered into under Treasury Management powers; these are covered in the Treasury Management Strategy. The Treasury Management Strategy also includes the policy around borrowing to finance capital expenditure.

### **3. Capital Expenditure and Investment**

- 3.1 Capital expenditure and investment seeks to provide long-term solutions to Council priorities and operational requirements. Expenditure for capital purposes therefore gives rise to new assets, increases the value and/or useful life of existing assets or, generates an income stream to the Council via non treasury investments.

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3.2 The following principles have been adopted which are in accordance with CIPFA's new Treasury Management Code of Practice:

- The Council recognises that capital investment in other financial assets and property primarily for financial return and not treasury management purposes, e.g. loans to companies in support of service outcomes and investment property portfolios require careful management and monitoring
- The Council ensures that all of its non-treasury investments are covered by its Capital Strategy, and sets out, where relevant, the Council's risk appetite and specific policies and arrangements for its non-treasury investments. The risk appetite for these activities may differ from that for treasury management
- The Council has compiled a schedule setting out a summary of its existing material investments and liabilities including financial guarantees together with the Council's associated risk exposure

## 4. Links to Other Corporate Strategies and Plans

4.1 The Council has an overarching view of its future direction, Oxford2050, which was extensively consulted upon prior to being finalised. This vision can be found on the website:

<https://oxford2050.com/>

4.2 The Vision has 5 overarching themes:

- Work and learning
- People and communities
- Built and natural environment
- Transport and connectivity
- Culture and leisure

4.3 Supplementing this, the Council has a Corporate Plan which sets out the Council's vision and priorities for the City.

[Oxford City Council Corporate Plan, 2016–2020](#)

4.4 The Council's Corporate Plan 2016-2020 sets out the following five strategic priorities:

- **A Vibrant and Sustainable Economy**  
A smart and entrepreneurial city with a thriving local economy supported by improved infrastructure, training and skills.
- **Meeting Housing Needs**  
Improving Oxford residents' access to affordable and high-quality homes in good environments that are close to jobs and facilities.
- **Strong, Active Communities**  
Socially cohesive and safe communities
- **Clean and Green Oxford**

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An attractive and clean city that minimises its environmental impact by cutting carbon waste and pollution

➤ **Efficient, Effective Council**

A customer focused organisation delivering efficient high quality services that meet people's needs

4.5 An annual statement is then produced:

**[Oxford City Council Corporate Plan Annual Statement 2017/18](#)**

The annual statement describes the achievements of the past year in each of the Corporate Plan areas and identifies where the Council will focus its priorities in the remaining period of the Corporate Plan (i.e. 2018–2020).

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

- Medium Term Financial Plan
- Asset Management Plan
- Regeneration Framework
- Treasury Management Strategy
- Oxford Transport strategy
- Housing Strategies
- Green Spaces Strategy
- Community Centres Strategy
- Culture Strategy
- Digital Strategy
- Customer Contact Strategy
- Service Plans

4.7 The operation of all of these strategies and plans is underpinned by the Council's Constitution, in particular the Contract Procedure Rules and the Financial Regulations. Capital resources are directed to those projects that optimise the achievement of the overall outcomes as set out in these strategies and plans. The processes adopted are designed to ensure that this happens.

## **5. External Drivers**

5.1 In addition to the Council's own priorities external influence may impact on capital decisions, for example central government, Growth Board and local enterprise partnership (LEP) priorities and funding requirements and the influence of demographic and legislative changes.

## **6. Setting the Capital Budget**

### **6.1 Identifying Capital Expenditure / Investment Need**

The need for a capital project may be identified through one or more of the following processes:

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- Service areas prepare plans for the delivery and improvement of their services which align with the overall desired outcomes of the Council; these may identify any capital investment needed to meet future service outcomes;
- The Asset Management Plan and associated property management processes highlight deficiencies in the condition, suitability and sufficiency of the Council's existing property portfolio and identify future areas of need;
- Housing Management highlight deficiencies in the condition, suitability and sufficiency of the Council's existing housing stock and identifies future areas of need;
- The need to respond to Government initiatives and new laws and regulations;
- The need to generate a revenue income to contribute to the delivery of desired outcomes.

## **6.2 Assessing Capital Expenditure / Investment Need**

- 6.2.1 Due to competing demands for limited resources, the Council prioritises capital investment based on a number of different factors such as:
- Its contribution to corporate priorities
  - Necessity both in terms of physical Health and Safety and also software security
  - The extent to which it facilitates delivery of statutory or non-statutory services
  - The ability of the project to leverage additional funding, or secure a future income stream
  - The affordability of the revenue implications of the project
  - The risk of undertaking / not undertaking the capital expenditure
- 6.2.2 For capital expenditure in relation to loans to companies and investment in property funds these are assessed on the ability to provide an income return to the Council. This is assessed on a risk based approach compared to financial return.

## **6.3 Environmental Considerations in Capital Decision Making**

- 6.3.1 There are many benefits to including sustainability or environmental criteria in the decision-making process when it comes to allocating capital resources.
- 6.3.2 "Green" or sustainable procurement can help to develop markets for environmentally sound products and services, thereby encouraging the market to develop a more sustainable approach which should encourage the further development of sustainable products and services.
- 6.3.3 One of our key priorities already demands a reduction of up to 5% carbon emissions' on installed measures. Project Managers are

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encouraged to consider the installation of measures which are both energy efficient and low on carbon emissions in the capital projects for which they are responsible.

- 6.3.4 In making loans to companies in which it has an interest, the Council will seek to use its influence to ensure that appropriate environmental considerations are reflected in the entities it is lending to.

## 6.4 Key Questions

- 6.4.1 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?

### Prudence

- 6.4.2 Prudence is a difficult concept to define. In deciding whether an investment decision is prudent there should as a minimum be an initial consideration of the relationship between:

- the capital cost and
- the business cost (being the revenue costs associated with the use of the asset).

- 6.4.3 The authority needs to consider whether this choice represents the best use of resources having looked at all available options: will buying the cheapest now prove to be a false economy? Above all, the authority should be confident that the preferred option is the best value for money, and the quality is sufficient to meet the Council's needs.

- 6.4.4 Prudence and value for money are also key considerations when deciding whether to loan monies to new companies, this will include security of the loan and the likely pay back period and length of the loan.

- 6.4.5 Investments in property funds are seen as medium to long term investments therefore the value for money is assessed on this basis to ensure that over a longer period of time the investment is value for money and provides a return to the Council.

### Affordability

- 6.4.6 The question of affordability in relation to capital projects is easier to address as the list of cost components is easier to define. Whilst the list is not exhaustive it will typically include:

Capital Costs	Revenue costs
Feasibility costs	Ongoing rental charges
Initial build/purchase	Ongoing facilities management charges
Disposal/demolitions/de-	Utilities costs

6.4.7	commissioning costs	
	Project management costs internal and external	Maintenance (planned and reactive)
	Fees: Surveyors, Clerk of works	Financing costs
	Loans to companies	Staffing implications
	Investments in property funds	Business Rates

Feasibility costs may be capitalised provided the scheme leads to the eventual construction of an asset, if not, any such costs incurred must be charged to revenue.

- 6.4.8 Affordability in respect of investments in property funds will be a judgement as to whether the return after taking account of the cost of capital is sufficient.
- 6.4.9 Affordability in respect of investments in companies will need to consider the contribution towards the Councils Corporate Objectives as well as the financial return and potential dividend.

## **Sustainability**

- 6.4.10 The third question the Code poses relates to sustainability. In assessing whether an investment is sustainable, the authority should consider:
- how it fits into any future policy or environmental framework
  - the future availability of resources to implement and continue to maintain any capital asset arising
  - the potential for changes in the need for the asset, e.g. demographic developments
  - the potential for changes in the nature of the driver, problem, or policy the capital expenditure is seeking to address.
  - The security on loans made
  - The liquidity of investments
  - The whole life costs of the project

## **6.5 Assessing the Impact of Capital Investment on Overall Finances**

- 6.5.1 The assessment of schemes will ensure that the relationship between capital accounting, capital and revenue expenditure and treasury management are considered by identifying the impact that capital investment decisions have on the finances of the authority overall and the relative impact on the General Fund and Housing Revenue Accounts.
- 6.5.2 The process of adhering to a strict option appraisal methodology and setting prudential indicators will clearly illustrate the revenue impact of capital investment decisions. As well as identify alternative solutions.

## **6.6 Prioritising Investment**



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- 6.6.1 The Capital Strategy plays an important role in the Council's service planning and budget process. Capital Expenditure projects are prioritised and ranked through a scoring methodology aligned to a Capital Gateway framework that ensures capital resources are specifically targeted towards schemes that best meet and deliver the Council's corporate objectives. The process includes the production of fully costed business case. Approved schemes are subsequently monitored to ensure delivery is on time, within budget and meets the projects objectives. More detail on this is shown in Section 7.
- 6.6.2 Capital Investments projects such as Loans to companies and Investment in property funds are assessed differently, as these are prioritised based on the investment return that will be received back to the Council. When considering loans to companies the Council will consider any Business Plans available to ensure that the investment is sound and that the Council's money is secure. When considering a full review of the fund is undertaken examining factors such as rate of return, size of the fund, type and location of property, investors in the fund, the credentials of the fund manager and their view of risk, past track record and property void rates. More detail on this is shown in Sections 12 and 13.

## **6.7 How Schemes Get Included in the Capital Programme**

- 6.7.1 The Council believes that capital programme delivery is essential to support the services that the Council provides to its customers. To this end a new Project Management Office and associated Project Development Team have been constituted and resourced. The Project and Gateway Process has subsequently been fully reviewed and revised.
- 6.7.2 All capital schemes and major projects are assessed and filtered by the Project Management Office prior to being passed through to the Operational Delivery Group or the Development Board and then through to Corporate Management Team. The structure of the bodies involved in capital scheme appraisal can be seen in diagrammatic form in Appendix 1.
- 6.7.3 Once schemes have been approved through the Project and Gateway Process (outlined in Section 8 and shown in more detail in Appendix 2) they will be presented to Members for inclusion into the draft capital programme which is considered alongside the draft Medium Term Financial Plan. Final approval of the capital programme will be at the Council meeting in February of each year.
- 6.7.4 As part of the process of producing a list of potential schemes for the capital programme service managers must complete option appraisals to determine the most cost effective way to optimise the desired outcomes.

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- 6.7.5 Capital schemes and adjustments to capital scheme budgets can be added to the capital programme during the year, however this will be by exception and will still need pre-approval through the Project and Gateway Process prior to being submitted to Members.
- 6.7.6 It is recognised that there needs to be a process whereby the Council's customers can have input into what is needed for the City. The outline of how the Council seeks to accommodate this is shown in Appendix 3.

## **7. Performance Monitoring**

### **Council in-house Capital Schemes.**

- 7.1 Capital expenditure is reviewed for its legitimacy in meeting the definition of a capital purpose and reconciled monthly. Monthly monitoring meetings are held between Responsible Officers allocated to deliver capital projects and finance staff. For larger projects this may mean the setting up of a Project Board with officers and advisors covering a variety of expertise, chaired by a lead officer who is responsible for the delivery of the project.
- 7.2 All responsible officers and project managers can obtain monthly financial reports via the Council's Financial Management System, Agresso, advising them of current spend against the profiled budget with variances shown. Officers are responsible for providing an outturn forecast for the project and reasons for any variance.
- 7.3 Performance of the Council's Capital Programme is reported to the City Executive Board via the Quarterly Integrated Report. Development Board also review the Capital Programme in detail on a monthly basis, and discuss and approve slippage and underspends of each of the current schemes. The Head of Financial Service has authority to slip projects into the following year or pull a project forward from a proceeding year. In cases where a project is forecasting an overspend of £250k or more and cannot be funded from other scheme underspends then the overspend must be reported to Council.

### **Loans to Companies and Investments**

- 7.4 This includes capital expenditure such as loans to Council owned companies and investments in property funds and other direct property investments that are undertaken purely for generating a financial revenue or capital return.
- 7.5 These schemes are included within the Council's capital programme and as such are reported on in the same way as other capital projects.
- 7.6 Loans to Companies and Investments in Property Funds will require the monitoring of the operations of the borrower / Fund Manager:
- In the case of loans to companies this will take the form of quarterly and annual performance and financial monitoring reports to Shareholders. The Shareholder can comment on any issue of concerns

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with a recommendation for corrective action where appropriate, with the ultimate sanction of loan call in.

- With respect to investment in property funds the performance of the fund and fund manager is tracked at half yearly meetings; the ultimate sanction for any issues of concern is to call back the investment.

7.7 Where loans to companies have been financed from borrowing, there will be no charge to revenue in respect of the principal element of the loan whilst the Council is satisfied that the company business plans support repayment in line with the agreed terms. The receipt from the company of principal repayments will then be a capital receipt which will be used to reduce the capital financing requirement. Where the Council has uncertainty over the repayment of loans, a charge to revenue will be made commensurate with the level of risk.

## **8. Outline of the Gateway Review Process**

8.1 Existing Projects and Capital funding bids will pass through a series of governance and assurance gateways unless they are specifically exempted from this process (see 8.3). 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.

8.2 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.

8.3 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 (Proposal). These aspects will be managed within Service Areas and be subject to budget monitoring.

8.4 Once a project has been approved, as well as governance and assurance gateways, monitoring reports will be required, for review by the Development Board.

8.5 Governance arrangements for a project are to be proposed to the Development Board, who will revise or ratify the arrangements and make recommendations to the Corporate Management Team (CMT). Should responsibility for the project be delegated by the Development Board, the delegated authority (typically the Operational Delivery Group) will be responsible for the completion of any governance and assurance. Monitoring reports regarding the Capital Bid and Projects will continue to

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be submitted for review by the Development Board irrespective of whether authority has been delegated or not.

- 8.6 The Stages of the process are outlined in Section 9 below and detailed in Appendix 2. The financial appraisal of capital projects, which will be summarised within the business case document, is detailed in section 11.

## **9. Options Appraisals, Feasibility Studies and the Gateway Review Process**

- 9.0.1 The overall process is shown in diagrammatic form in Appendix 2 and the involvement of customers is shown in Appendix 3.

### **9.1 Stage 1 – Ideas and Proposals**

- 9.1.1 The purpose of this stage is to:
- Set out what the idea is
  - Provide supporting information on why this should be prioritised
  - Identify resources needed to take it forward into feasibility or delivery (small projects)
- 9.1.2 Ideas are put forward using a Proposal template. A proposed scheme may require feasibility funding and move to the Feasibility stage or may move directly to the Design & Specification stage where feasibility funding is not required.
- 9.1.3 In some instances, the scheme may be rejected outright or may be added to the pipeline of ideas for future consideration or deliver

### **9.2 Stage 2 – Feasibility and Initial Design**

- 9.2.1 This stage will require the consideration of Construction Design and Management (CDM) and collaborative working to develop the idea.
- 9.2.2 Feasibility outputs are described using a Business Case template. Supporting feasibility reports and documentation should be submitted along with the Business Case.

### **9.3 Stage 3 – Planning, Final Design & Technical Specification**

- 9.3.1 Design and specification will develop the business case and establish the requirements and full costs to enable successful delivery of the project.
- 9.3.2 The full business case will enable the 'Development Board' to determine whether funding commitment should be recommended and contracts awarded or whether the project should be held back in favour of another project that better achieves the organisation's key priorities. Supporting reports and documentation should be submitted along with the Business Case.

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- 9.3.3 As part of this stage, projects are assessed against the Business Assessment Criteria, including financial analysis and assessment (see section 11), and are scored using the Budget Prioritisation Criteria (see Appendix 4) prior to being put forward for budget approval.

## 9.4 Stage 4 – Delivery

- 9.4.1 The project is delivered against the full business case. Periodic update reports will enable the current status, risks, and issues relating to delivery to be monitored. The aim is for all projects to be delivered on time and within budget.

## 9.5 Stage 5 – Closure

- 9.5.1 On completion a closure report will be produced and using this the project will be reviewed to assess what went well, what could have been done differently and what the challenges were. This will capture key learning so that lessons learned can result in changes to the process for new and existing projects.

## 9.6 Smaller scale and ICT projects

- 9.6.1 ICT projects will be undertaken for the following reasons:
- Infrastructure improvement
  - Data security improvement
  - Audit requirement
  - Support service improvement (joint business case from ICT and service)
- 9.6.2 A full business case will be produced to determine whether the project should be recommended and contracts awarded or whether the project should be held back in favour of another project that better achieves the organisation's key priorities.

## 10. Capital Funding

- 10.1 There are a number of sources of funding the Council can use to finance its Capital Programme. In the past the Council has relied heavily on capital receipts to fund its General Fund Programme but with limited property available for sale these are gradually being eroded. With continuing budgetary pressures being placed on the Council's General Fund the ability to use direct revenue funding is reducing and consequently the Council will need to either find alternative sources, use prudential borrowing, or curtail its ambitions for capital spend.
- 10.2 The Council's Capital Programme is currently funded from the following sources:
- Capital Receipts
  - Prudential Borrowing

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- Developers Contributions e.g. s106 receipts and Community Infrastructure Levy (CIL)
- Revenue Contributions
- External funding – Capital Grants and contributions e.g.
  - Disabled Facilities Grant – housing adaptations within the private sector
- Housing Revenue Account Financing including the Major Repairs Reserve

## 10.3 Capital Receipts

10.3.1 The Council can recycle capital receipts generated from the disposal of assets back to fund both General Fund and HRA capital projects. As at the 31 March 2018 the Council had £7.9 million of usable capital receipts available to fund future capital spend of which £6.9 million is ringfenced to schemes that increase the supply of affordable housing.

10.3.2 The City Council owns many assets including investment properties and through the Asset Management Plan the continuation of holding such assets is reviewed and decisions are taken on whether to:

- Hold and continue to maintain and refurbish them, or
- Dispose of and generate a capital receipt for funding the Capital Programme.

Further information on Investment Properties can be found in Section 12.

10.3.3 The Council has entered into an agreement with the Department for Communities and Local Government in which the authority will recycle within a rolling 3 year period Right to Buy (RTB) receipts arising from “additional” RTB disposals into new social housing dwellings within the City. There are rules around the sum allowed per new social housing build project from funding source. However, the Council currently anticipates all receipts will be utilised on eligible schemes as and when they arise. As at the 31 March 2018 the Council had £6.9 million of these receipts.

## 10.4 Prudential Borrowing

10.4.1 Under the Prudential Framework local authorities are 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.

10.4.2 There is approximately £100 million of Prudential Borrowing included in the Council’s MTFP over the next four years. This is to fund the costs of social housing provision, repairs to investment properties, funding loans to Council companies plus some operational capital schemes.

10.4.3 Borrowing under the Prudential Framework can be used to finance Spend to Save Schemes where the capital investment achieves either revenue savings, or facilitates cost avoidance. Such schemes include

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Seacourt Park and Ride, Waste Transfer Station and the purchase of homes for homeless families.

10.4.4 Prudential borrowing to fund capital projects will likely, depending on the nature of the capital investment, bring with it the need to make a charge to revenue to reflect the cost of borrowing. The basis for this charge, known as Minimum Revenue Provision (MRP) is set out within the Council's Treasury Management Strategy. This cost, where it is to be incurred, will be included the financial appraisal as part of any project's business case.

10.4.5 Prudential borrowing for property fund investments and the making of loans to companies does not require an MRP since the loan can ultimately be repaid to the Council. However the value of the investment is reviewed annually and should the value deteriorate then impairment would need to be charged to the revenue account.

## 10.5 **S106 Developer Contributions/Community Infrastructure Levy (CIL)**

10.5.1 Developer contributions and CIL are sought to mitigate the impact of developments and to overcome what would otherwise be a potential reason to refuse a planning application. Following the introduction of CIL the Council primarily seeks S106 contributions to meet the social housing targets within current planning policies.

10.5.2 The CIL charging mechanism which largely replaces s106 monies 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.

10.5.3 In order for CIL to work properly strong partnership ties with the Council's public sector colleagues at Oxfordshire County Council, Oxford University, Oxford Brookes University, the Clinical Commissioning Group and neighbouring District and Borough Councils. Community organisations may need to be established and enhanced over time.

## 10.6 **Revenue Contributions**

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10.6.1 Revenue funding can be used to directly finance capital expenditure. The amount that is available is dependent on other revenue income and expenditure and is driven by the Medium Term Financial Plan. Revenue Reserves can also be used to supplement the in-year funding. The levels of revenue funding available overall are subject to the judgement of the Head of Financial Services (the section 151 officer) who will assess the necessary levels of general balances and earmarked reserves.

## 10.7 External funding

10.7.1 External funding can be sought to support capital schemes and indeed this is to be encouraged since it increases the level of resources available to the Council. However prior to submitting bids for grant funding, an assessment of the proposed scheme must be undertaken including all revenue implications and conditions of the funding. The Development Board and the Head of Financial Services must agree to the capital project and the submission of a funding bid prior to entering into any commitment.

## 10.8 Housing Revenue Account Specific Funding

10.6.1 Capital commitments can be funded from surpluses within the Council's Housing Revenue Account (HRA). The production of a 30 year HRA Business Plan, which is periodically reviewed, enables the funding needs of the Council's housing stock to be accommodated. The amount of surplus is influenced by rents which, for four years from 1/4/2016, have been limited by Government to a year on year decrease of 1%. This in turn limits the amount of funding available to finance capital expenditure

10.6.2 The HRA can utilise prudential borrowing. The HRA had a debt cap from 2012 until recently but this cap has now been abolished by Central Government.

10.6.3 The HRA is charged with depreciation which, unlike the General Fund, is not reversed out and so is a real charge to the account. This amount is then available through the Major Repairs Reserve for financing new capital expenditure.

10.6.4 The resulting HRA Capital Programme provides for renovation and improvement of existing housing stock, tower block refurbishment and limited estate regeneration. There is limited scope for new housing construction.

## 11. Financial Assessment of Business Cases

### 11.1 General



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11.1.1 Where proposals are all intrinsically part of the same project, these can be combined into one business case. Where they are distinct i.e. benefits will accrue if one part is undertaken but not the other, then separate modelling should be undertaken to give the option of taking one part without the other. Where there are potential variations within aspects of the project an options appraisal should be undertaken.

11.1.2 For grant funded projects, separate analysis should be undertaken to ensure that any benefits outweigh any costs incurred in addition to that funded directly by grant. Grant projects are not risk free and care should be taken about the risks fall and the potential impact of those risks on the Council or the City. **Projects should be approved prior to applying for grant funding.**

11.1.3 The purpose of the financial appraisal element of a business case is to:

- identify the financial implications for the project,
- allow comparison of project costs against the forecast benefits,
- ensure the project is affordable; ensure every cost associated with the project is considered,
- assess the financial impact of risks associated with the project
- understand the project sensitivities and the potential impact of these
- assess value for money, and
- predict cash flow.

## 11.2 Financial Analysis

11.2.1 Financial analysis must be undertaken with support from the relevant service accountant. The Financial Analysis must include:

- All marginal Capital and Revenue requirements
- Impact on the Balance Sheet
- The impact on the Revenue Account
- The impact on cashflows
- Overall affordability and funding

11.2.2 Costs which will no longer be incurred due to the project should be included as a benefit and likewise income which will no longer be received should be included as a cost.

11.2.3 The Financial Analysis must be undertaken on the basis of a full financial cost benefit analysis with all key assumptions identified, aiming for as much accuracy as possible. Costs and benefits should exclude VAT where this is recoverable but should include non-recoverable tax (such as national insurance and corporation tax). Financial analysis must be iterative because as the business case is developed, earlier work must be revisited to verify the continued applicability and valuation of costs and benefits.

11.2.4 Capital Funding for capital projects must be assumed to be through borrowing unless there is specific funding for the project which only becomes available to the Council through undertaking the project i.e.

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the construction of a new building which directly frees up another asset for sale in which case the capital receipt from that potential sale can be used as financing or part-financing. Where it is proposed to use capital funding other than borrowing for financial analysis purposes, this must be explicitly agreed by a Finance Manager (the Financial Accounting Manager or the Management Accounting Manager). Where it has been agreed to use other funding sources in the financial analysis, care must be taken over timings and to ensure costs of bridge funding are included in the analysis.

11.2.5 The rate of interest to be used for borrowing will be based on PWLB rate projections indicated by the life of the asset and the expected timing of the funding requirement. Rates to be used will be set for each budget round by the Financial Accounting team.

11.2.6 The period of time each case is assessed over depends on the life of the asset / project. As a guide:

- For capital based projects the assessment should be over the life of the asset and should include all costs and benefits for the whole of that life;
- For revenue based projects the assessment should be over a 5 year period.

11.2.7 All costs and benefits must be clearly broken down so that it is clear what is included and so that the behaviours of the individual elements can be properly assessed and scrutinised. Costs and benefits with different behaviours and / or dependencies should therefore be separately identified. This analysis should be undertaken from both a cash and a revenue account perspective. Detailed workings should be available in excel format and all assumptions must be identified.

11.2.8 The overall impact on both the income and expenditure account and the impact on the balance sheet should be identified based on the analysis.

11.2.9 The following indicators must be provided for the financial cost benefit analysis:

- Net Present Value (NPV)
- Payback period (years)
- Benefit/Cost Ratio
- Internal Rate of Return (IRR)

The NPV, payback period and Benefit / Cost Ratio calculations must use a discount rate of 3.5% (as per the Treasury Green Book which is the discount rate the Council uses as a standard). The indicators must be calculated using both a cash and a revenue basis. The payback period should be provided on a discounted and a non-discounted basis.

(NB there will be other non-financial costs and benefits and these should also be identified in the business case but not as part of the financial analysis element.)

## 11.3 Risk Assessment

A risk assessment should be undertaken using the Council's standard methodology. The assessment summarises the significant risks specifically related to the project and should explain clearly what the causes, consequences, controls and mitigations are and how the risks are managed. There are other high level risks inherent in capital programmes and these are covered in Section 14.

## 11.4 Sensitivity Analysis

11.4.1 Sensitivity analysis should be undertaken based on the risks of the project and the key assumptions adopted in the financial analysis. Sensitivity analysis concerns project risk and looks at alternative futures by measuring the impact on project outcomes or assumptions of changing values in which there is uncertainty.

11.4.2 The actual sensitivities used may vary from project to project but some basic sensitivities should include:

- Costs more than expected by 5%
- Expected savings / income less than expected by 5%
- Costs more than expected by 5% AND expected savings / income less than expected by 5%

The NPV and other indicators of each of these scenarios should be shown against the baseline case.

Also:

- How much would cost increase / savings need to reduce by to make the project unviable

## 11.5 Business Case Financial Assessment

11.5.1 The key assessment criterion is the NPV measure. IRR can be a useful guide but also can be unreliable when comparing projects with different cash flows.

11.5.2 The Payback period is useful but normally doesn't take account of the discount factor, hence the need for inclusion of a separate discounted payback period.

11.5.3 The sensitivity analysis gives an indication of how the project will fare given variations, however judgment will have to be applied on the probability of those variations.

11.5.4 Undertaking analysis of the cashflows and revenue impact allows the impact on both the profit and the liquidity of the organisation. It may be that there will be a limit placed on the amount of projects undertaken from a strategic perspective based on the cashflow and revenue impact and associated risks as well as other non-financial factors (such as capacity).

## 11.6 Standard Models

Standard base models will be developed and revised over time, however there can never be a one size fits all approach since all projects are different and the assumptions and sensitivities will vary from project to project, however some assumptions will be consistent to enable comparison between projects. These standard assumptions will be developed and refined over time by the Financial Accounting Team within Financial Services and in any case will be reviewed for each budget round. The standard assumptions will include what general inflation figures should be used for different types of expenditure and income; variations from this can be agreed, however justification for the variation would be needed.

## 11.7 Inclusion of Financial Information in a Business Case Document

Financial analysis of a project is undertaken using excel modelling techniques. It is not appropriate to include this in detail in the Business Case for a project. Instead the key aspects of the financial analysis should be summarised, identifying the key factors such as:

- Revenue impact
- Cashflow impact
- Summary of indicators
- Sensitivity impacts

## 12. Property Investments

12.1 The Council has a substantial portfolio of properties that are held for revenue or capital returns and not for service delivery. The gross book value of these properties as at 1<sup>st</sup> April 2018 was £124.9 million. Rent due to be received in 2018/19 is £9.3 million which is 7.45% of the book value. The risk of voids has been assessed by the property team on an individual property basis which gives a total percentage risk of future void properties of 19.3% which would amount to £1.8 million. The highest impact is from the retail and restaurant sector. A high level summary is shown in Appendix 5. Future expenditure of £9.5 million over 2019/20 to 2020/21 is anticipated to refurbish investment properties.

12.2 In recent years the Council has looked to purchase property where returns are greater than the capital cost of the original investment. Capital spend has focused on:

- Indirect property investments through the fund managers Lothbury and CCLA - £10 million
- Purchase of properties for homeless families via investment fund managers Resonance, managed by St Mungos Broadway - £10 million, with £5 million match funded by Big Society Capital
- Investment and development of its existing commercial property portfolio in excess of £10million

# Appendix A

12.3 Property Fund Investments are Treasury investments and as such are covered by the Treasury Management Strategy.

12.3 In the main capital spend is financed from prudential borrowing with borrowing costs falling on the revenue account. Prudential borrowing will generally attract a cost of capital of around 6% inclusive of the Minimum Revenue Provision (MRP). The MRP Policy is contained in the Treasury Management Strategy.

## **13. Loans to Companies**

13.1 In response to reducing resources the Council has looked to new delivery models to maintain service provision and continue its significant capital investment in the City which levers in other partners and innovative financing. These new delivery models include:

### **13.2 Barton LLP**

13.2.1 In 2011 the City Council entered into a partnership with the property developer Grosvenor to undertake the development of a 94 acre residential led scheme to the North East of Oxford, Barton Park.

13.2.2 Planning permission has been secured for 885 homes (354 affordable) alongside a primary school, food store, community hub and park.

13.2.3 The authority has contracted to purchase the 354 affordable dwellings which it will transfer to its Housing Company.

### **13.3 Oxford Housing Company Ltd**

13.3.1 The City Council approved the establishment of a group of wholly owned housing companies in March 2016 and Oxford City Housing Limited (OCHL) (The Holding Company), Oxford City Housing (Investment) Limited (OCHIL) and Oxford City Housing (Development) Limited (OCHDL) were incorporated in 2016.

13.3.2 The Companies' business plan includes the purchase of the 354 Barton Park properties. There is the potential to expand this programme further to bring forward new sites, subject to additional funding capacity and project viability.

### **13.4 Oxpens West End Development Company Limited (OxWED)**

13.4.1 In January 2016 the Council entered into a joint venture with Nuffield College forming OXWED. The company acquired land from London and Continental Railways and following a period of master-planning will procure a development partner, complete land assembly, and bring forward a scheme of comprehensive development comprising a new mixed use neighbourhood with business space and affordable and market homes.

# Appendix A

13.4.2 The Council has also transferred its own related land holdings into the company at market value.

## 13.5 Oxford Direct Services

13.5.1 In 2017 the Council formed two wholly owned companies:

- Oxford Direct Services Limited, a Teckal company largely providing services back to the Council and
- Oxford Direct Service Trading Limited, a Trading Company which initially is limited to commercial waste collection but in future will expand to include all external trading activity

13.5.2 The two companies became operational on 1<sup>st</sup> April 2018.

13.5.3 The Council will remain the owner of all assets that the companies will utilise to deliver their services, including vehicles and depots. These assets will be leased to the company at commercial rates over the life of the assets.

## 13.6 Loans to the Companies

13.6.1 As at 1<sup>st</sup> April 2018 the Council had given the following loans to the companies:

- £1.05 million to OCHIL for the purchase of 7 properties from the Housing Revenue Account
- £6.50 million to OxWED for the purchase of land from London and Continental Railways
- £0.10 million to OxWED for working capital

13.6.2 The Council is due a payment for some land at Barton that it has made available to Barton LLP. This is valued at £1.17 million as at 1<sup>st</sup> April 2018 and increases in value at a rate of 5% per annum.

13.6.3 Further loans have been granted during 2018/19:

- £1.23 million to OCHIL for the purchase of Barton properties
- £4.16 million to OxWED for the purchase of land from the Council

13.6.4 There are plans for further loans to the Housing Company to the value of £48 million over financial years 2019/20 to 2023/24.

13.6.5 The Council either holds the land and property relating to the capital loans as collateral or has the ability to place a charge on the property. The Council ensures that due diligence is undertaken in all aspects of these new service delivery models and any commercial activities. The business plans of the Companies are monitored and if there is uncertainty over the repayment of these loans, the Council will make a charge for impairment to its revenue account. Currently the Council does not consider that there is any significant risk of non payment of these loans.

# Appendix A

Loans to companies in which the Council has an interest

13.6.6 Any loan for capital purposes to a company in which the Council has an interest is categorised as capital expenditure by the Council. This means that the Council can take out external borrowing to fund the loans as necessary. The Council could fund such loans from many sources; however, the majority will be funded from internal and external borrowing. The Council will not make any MRP provision in respect of loans to a Company in which it has an interest on the basis that the loan will be repaid in full on the agreed terms. The Council will undertake these loans under powers other than its Treasury Management investment powers.

13.6.7 Interest rates charged on the loans will be set with reference to:

- The level of collateral;
- An assessment of the credit worthiness of the company; and
- State Aid rules

13.6.8 Loan agreements will be put in place for any loans to Companies in which it has an interest. The agreements will detail:

- The general terms under which the loan is advanced;
- Loan repayment requirements;
- What security there is on the loan with reference to collateral; and
- Any loan covenants that must be adhered to.

## **14. Risk Management**

14.1 Risk is the threat that an event or action will adversely affect the Council's ability to achieve its desired outcomes and to execute its strategies successfully.

14.2 Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.

14.3 The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties. The corporate risk register sets out the key risks to the successful delivery of the Council's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities.

14.4 To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.

# Appendix A

- 14.5 It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in capital assets held primarily for financial returns. Under the CIPFA Prudential Code these are defined as investments and so the key principle applies of control of risk and optimising returns consistent with the level of risk.
- 14.6 The Council accepts there will be a certain amount of risk inherent in delivering the desired outcomes of the Oxford2050 Vision. The Council seeks to keep the risk of capital projects to a low level whilst making the most of opportunities for improvement. Where greater risks are identified as necessary to achieve desired outcomes, the Council seeks to mitigate or manage those risks to a tolerable level. All key risks identified as part of the capital planning process are considered for inclusion in the corporate risk register.
- 14.7 In producing its capital plans, the Council will ensure that its approach to commercial activities is proportional to its overall resources so that undue risk is not placed on the Council's future financial position.
- 14.8 The Following risks should be included in the Project Risk Assessment:
- **Credit Risk**  
This is the risk that the organisation with which the Council has invested capital monies becomes insolvent and cannot pay the investment returns or complete the agreed contract. Accordingly, the Council will need to ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.
  - **Liquidity Risk**  
This is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. This also includes the risk that the cash inflows will be less than expected.
  - **Legal and Regulatory Risk**  
This is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, the Council must understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations must be kept under review and factored into any capital bidding and programme monitoring processes.
  - **Interest Rate Risk**  
Interest rate risk must be considered at a project level where there are potential project level impacts, for instance through contractual conditions or through the effect on expected returns from the project.



# Appendix A

- **Inflation Risk**  
Inflation risk must be considered at a project level where there are potential project level impacts, for instance through contractual conditions or through the effect on expected returns from the project.
- **Fraud, Error and Corruption**  
This is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the Council's policies and procedures.

14.9 The Following risks are considered at a Corporate level as part of the overall capital and revenue budgeting process:

- **Interest Rate Risk**  
This is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Interest rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.
- **Exchange Rate Risk**  
This is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Where relevant, exchange rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.
- **Inflation Risk**  
This is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

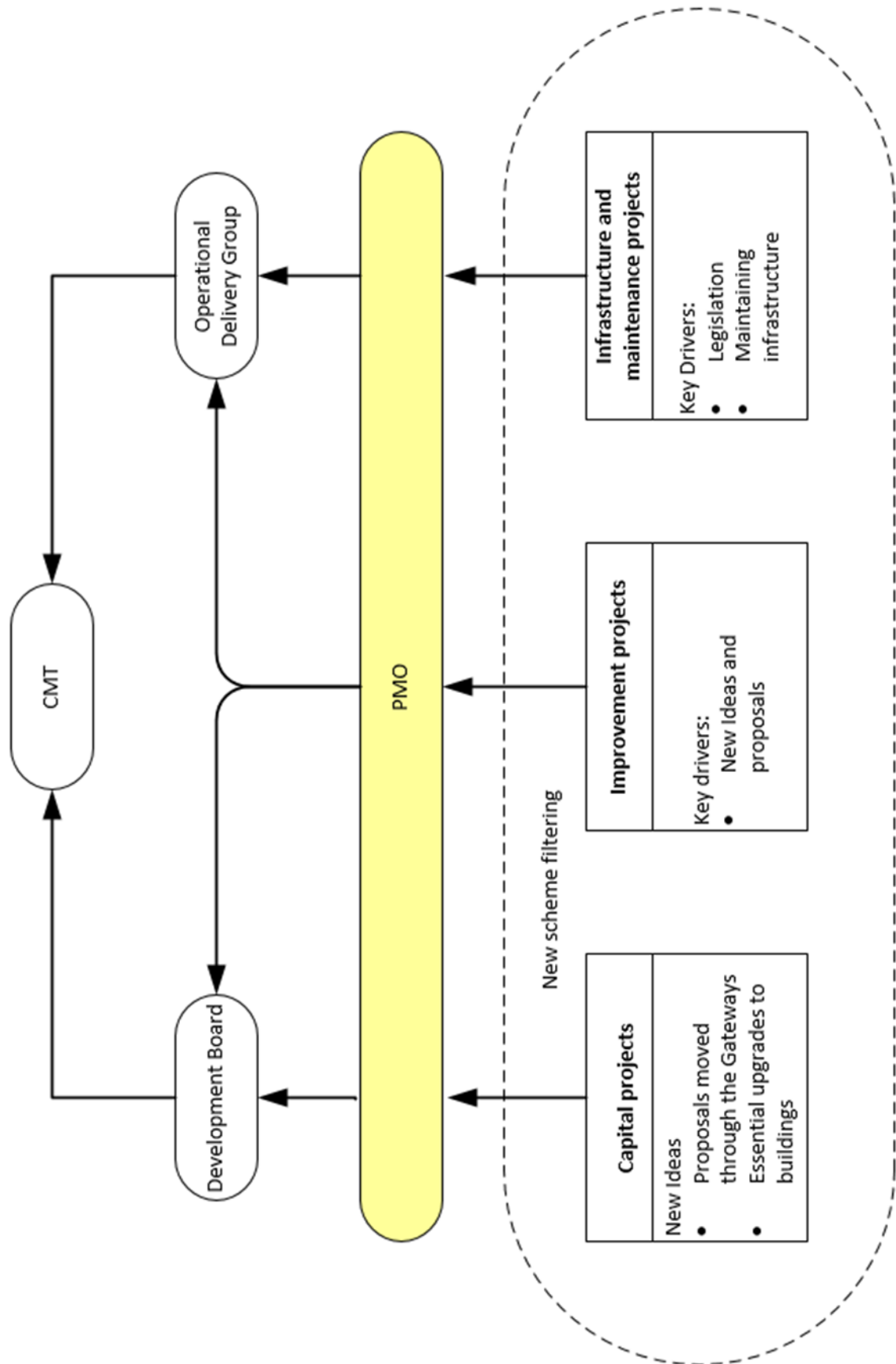
## 15. **Other Considerations**

Capital Schemes must comply with legislation, such as the Disability Discrimination Act, the General Data Protection Regulations (GDPR), building regulations etc.

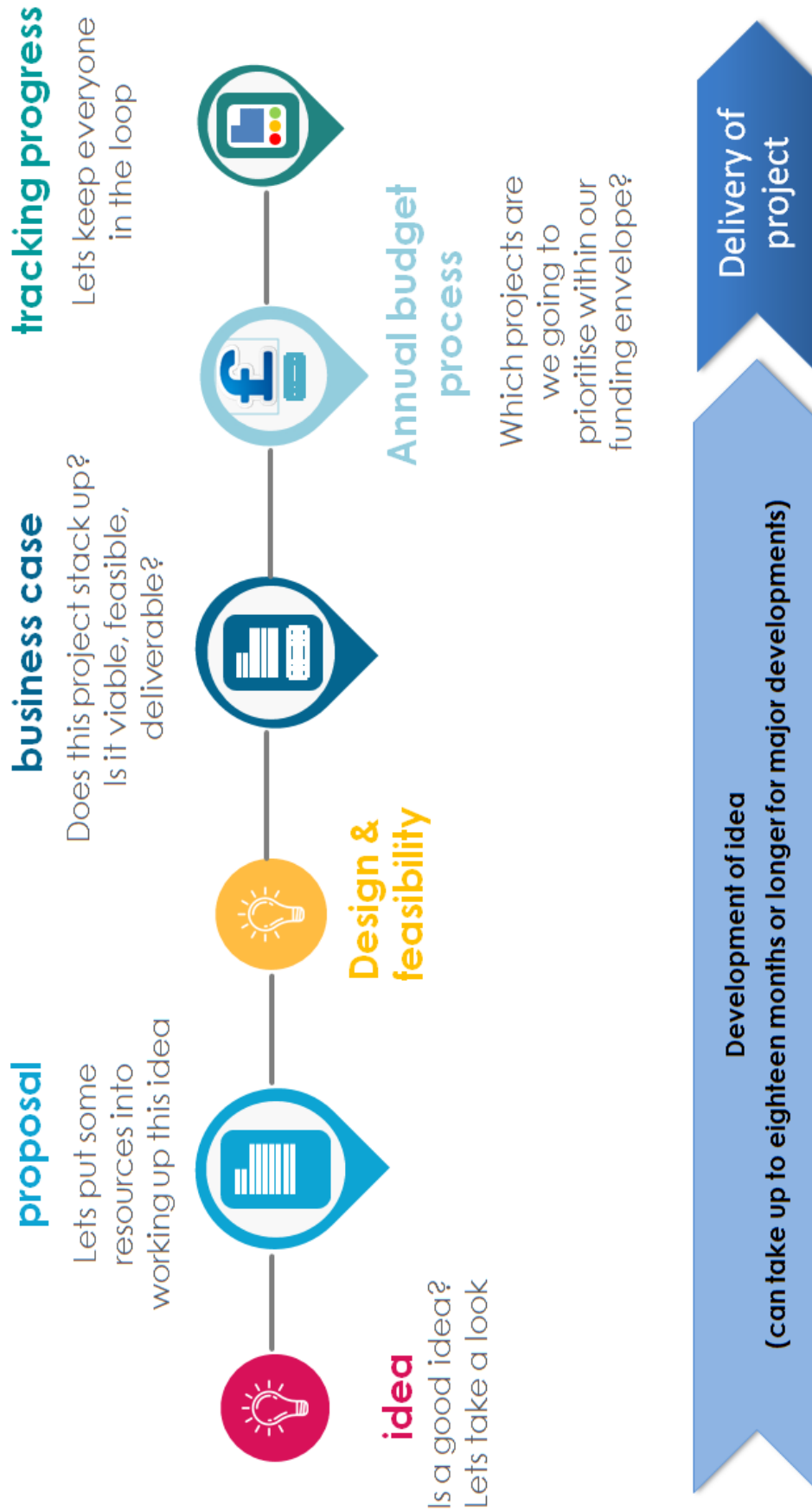
# Appendix A

## Appendix 1

### Capital Scheme and Major Projects Appraisal Structure



### Capital Scheme and Major Projects Appraisal Process





# Appendix A

## Ideas and Proposals

Ideas come from different places – team plans, members, strategies, service/action plans, people in the community, reviews and audits

The purpose of this stage is to:

- Set out what the idea is
- Provide supporting information on why this should be prioritised
- Identify resources needed to take it forward into feasibility or delivery (small projects)

Ideas are put forward using a Proposal template.

A proposal document will outline the scheme in just enough detail to enable the Development Board or Operational Delivery Group (ODG) to make a recommendation to the Corporate Management Team (CMT) to make the decision to proceed.

A proposed scheme may require feasibility funding (controlled by the Development Board) – and move to the Feasibility stage – or may move directly to the Design & Specification stage where feasibility funding is not required.

In some instances, the scheme may be rejected outright or may be added to the pipeline of ideas for future consideration or deliver

- Note: A Proposal form should be used where 'match funding' financing is required. Using this template and submitting the information to the Development Board will enable the idea and budget to be considered and approved. Where there are short deadlines for funding, rather than wait for the next Review Group or Development Board meeting, 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 Proposal 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.

## Summary

<b>Output:</b>	proposal with funding requirements for feasibility identified as well as who will be involved
<b>Support:</b>	PMO
<b>Approval route:</b>	Development Board or ODG with sign off by CMT
<b>Evaluation:</b>	Does the proposed project meet corporate priorities? Is it essential work? Will it generate income or lead to service improvement? Does it make a difference to local communities?

# Appendix A

## **Feasibility & Options Appraisal and Design & Specification**

This stage is about developing the idea/proposal and identifying any issues that need to be overcome or may prevent your project progressing

### **Large capital projects**

#### **Phase 1: Feasibility and initial design**

This stage will require the consideration of Construction Design and Management (CDM).

Collaborative working to develop the idea (cross-functional teams)

Feasibility outputs are described using a Business Case template. Supporting feasibility reports and documentation should be submitted along with the Business Case.

Feasibility work undertaken will enable the 'Development Board' to understand if a project is feasible and viable and whether the project should progress into detailed design.

In order to do so may take many weeks or months and may require assistance from Oxford Direct Services or externally procured professional services.

External funding sources may be identified at this stage

An outline Business Case is to be produced at the end of this stage.

Smartsheet 'Project Updates' will be issued during this stage

#### **Summary**

<b>Output:</b>	Outline Business Case
<b>Support:</b>	PMO
<b>Approval route:</b>	Development Board with sign off by CMT
<b>Evaluation:</b>	Is the proposed project feasible, viable and deliverable? Does the proposed project continue to meet corporate priorities? Is it still essential work? Will it still generate income or lead to service improvement? Does it still look like it will make a difference to local communities?

# Appendix A

## **Phase 2:** Planning, final Design & Technical Specification

Design and specification will develop the business case and establish the requirements and full costs to enable successful delivery of the project.

The full business case will enable the 'Development Board' to determine whether funding commitment should be recommended and contracts awarded or whether the project should be held back in favour of another project that better achieves the organisation's key priorities. Supporting reports and documentation should be submitted along with the Business Case.

A full Business Case is to be produced

Smartsheet 'Project Updates' will be issued during this stage

**Funding:** The Council has a defined process for agreeing the budget for the next financial year.

### **Summary**

<b>Output:</b>	Full Business Case
<b>Support:</b>	PMO
<b>Approval route:</b>	Development Board with sign off by CMT
<b>Evaluation:</b>	Is the proposed project still viable and deliverable? Does the proposed project continue to meet corporate priorities? Is it still essential work? Will it still generate income or lead to service improvement? Does it still look like it will make a difference to local communities?

# Appendix A

## Smaller scale and ICT projects

For ICT projects:

- Infrastructure improvement
- Data security
- Audit requirement
- Support service improvement (joint business case from ICT and service)

Design and specification will develop the business case and establish the requirements and full costs to enable successful delivery of the project.

The full business case will enable the 'Operational Delivery Group' to determine whether funding commitment should be recommended and contracts awarded or whether the project should be held back in favour of another project that better achieves the organisation's key priorities.

A full Business Case is to be produced

Smartsheet 'Project Updates' will be issued during this stage

### Summary

<b>Output:</b>	Full Business Case
<b>Support:</b>	PMO
<b>Approval route:</b>	Operational Delivery Group with sign off by CMT
<b>Evaluation:</b>	Is the proposed project viable and deliverable. Does the proposed project meet corporate priorities? Is it essential work? Will it generate income or lead to service improvement? Does it look like it will make a difference to local communities?

### Delivery

The project is being delivered against the full business case. Periodic update reports will enable the 'Development Board', 'Operational Delivery Group' and 'Corporate Management Team' to monitor costs, current status, risks, and issues relating to delivery.

Using a more agile approach, projects will be delivered on time and within budget.

Smartsheet 'Project Updates' will be issued during this stage



# Appendix A

## Closure

On completion, the project will be reviewed to assess what went well, what we could have done differently, what were the challenges and to capture key learning.

Lessons learned may result in changes to the process for new and existing projects.

A Closure report is to be produced.

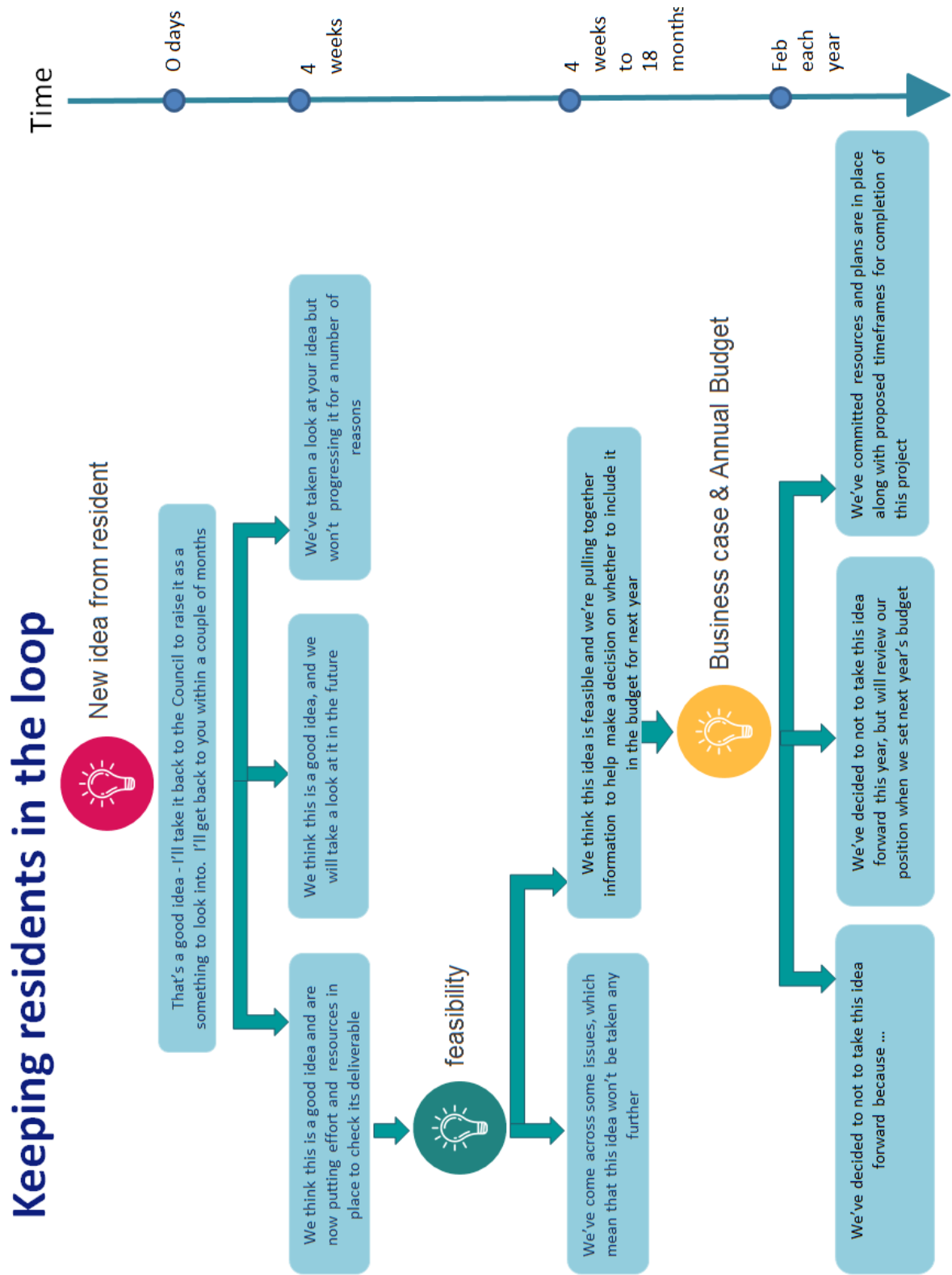
Supporting reports and documentation should be submitted along with the Closure Report.

## Summary

<b>Output:</b>	Closure Report
<b>Support:</b>	PMO
<b>Approval route:</b>	Development Board or Operational Delivery Group with sign off by CMT
<b>Evaluation:</b>	What lessons have we learned and what should we now put in place?

All other 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, three 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 fourth document will be required.

### Customer Involvement in Capital Schemes and Major Projects



# Appendix A

## Appendix 4

Budget Prioritisation – Scoring Guidance for Capital Bids		
Criteria	Scoring Method	
Contribution to Corporate Priorities including ICT related priorities	Score each one out of 10 based on the contribution made to each of the Council's corporate objectives, where:	
	10 =	Very High (Major contribution to 2 or more key outcomes)
	8 =	Medium to High (Major contribution to 1 key outcome)
	6 =	Medium (Some contribution to 2 or more key outcomes)
	4 =	Low to Medium (Some contribution to 1 key outcome)
	2 =	Low (Indirectly supports at least 1 key outcome)
	0 =	None (No contribution to key outcomes)
Maintenance existing infrastructure in terms of security and functionality	10	Essential to councils core business - council cant function without it
	5	Loss of efficiencies/revenue or increased costs
	0	Doesn't effect existing infrastructure of council
Statutory / Non-Statutory/ Health and Safety	This score adds a weighting to services/bids which have a statutory element:	
	<ul style="list-style-type: none"> <li>10 Points – Project has a statutory requirement</li> </ul>	
	<ul style="list-style-type: none"> <li>5 Points– Services that are based on statutory/health and safety duties but where there is some degree of discretion about how the function is carried out</li> </ul>	
	<ul style="list-style-type: none"> <li>0 Points – Services where the Council can exercise complete discretion</li> </ul>	
Small Scheme Weighting	This score adds weighting to lower value bids:	
	<ul style="list-style-type: none"> <li>4 Points – for schemes under £50,000</li> </ul>	
	<ul style="list-style-type: none"> <li>2 Points – for schemes between £50,000 - £99,000</li> </ul>	
	<ul style="list-style-type: none"> <li>0 Points – for schemes in excess of £100,000</li> </ul>	
Funding Available	This score adds a weighting for schemes that have earmarked funding available and/or have an ability to attract external funding e.g. grant aid or generate capital receipts:	
	<ul style="list-style-type: none"> <li>10 Points -100% external funding is available</li> </ul>	
	<ul style="list-style-type: none"> <li>4 Points – 51% - 99% external funding is available</li> </ul>	
	<ul style="list-style-type: none"> <li>2 Points – Up to 50% external funding is available</li> </ul>	
	<ul style="list-style-type: none"> <li>0 Points – No funding has been identified</li> </ul>	
Revenue Implications	This score assesses the Capital Bids in regard to whether there are any resulting revenue implications:	
	<ul style="list-style-type: none"> <li>10 Points – Income is generated or revenue savings achieved</li> </ul>	
	<ul style="list-style-type: none"> <li>4 Points – There are no additional revenue implications</li> </ul>	
	<ul style="list-style-type: none"> <li>2 Points – There are revenue costs but funding is already in place</li> </ul>	
	<ul style="list-style-type: none"> <li>0 Points – There are revenue costs with no funding identified</li> </ul>	
Risk Factor	This score adds a weighting to Capital Bids based on a risk assessment of not undertaking the capital scheme:	
	10 =	Very High Risk (Complete loss of statutory service)
	8 =	High Risk (Partial loss of statutory service, complete loss of discretionary service)
	6 =	Medium Risk (Partial loss of discretionary service, worsening statutory service)
	4 =	Low Risk (Deterioration in services, more complaints)
	2 =	Very Low Risk (No improvement in customer satisfaction levels)
	0 =	No Risk (No discernible impact foreseen, low levels of complaint continue)
Priority Level	This is the total score across all criteria	

# Appendix A

## Appendix 5

### Investment Properties

Nature of asset	Gross Book Value	2018/19 rent	Rent as % of Capital Value	Headline Risk of Void (%)	2018/19 rent at risk	% of Total annual rent at risk
	£	£	%	%	£	%
Cultural (hall / cinema / theatre)	3,762,500	314,250	8.35%	30.42%	95,600	1.03%
Farm /Agricultural & Grazing Land	1,993,500	16,163	0.81%	4.15%	670	0.01%
Hotels & Hostels	7,727,651	578,650	7.49%	7.38%	42,725	0.46%
Housing Estate Shops	5,375,189	677,810	12.61%	20.32%	137,749	1.48%
Land	10,088,005	288,596	2.86%	4.09%	11,806	0.13%
Market Stalls	8,805,467	1,375,335	15.62%	19.69%	270,776	2.91%
Offices	16,418,147	1,358,876	8.28%	9.63%	130,879	1.41%
Public House	2,320,000	157,875	6.80%	9.95%	15,714	0.17%
Residential Properties	4,269,491	164,120	3.84%	30.19%	49,555	0.53%
Restaurants	21,039,183	1,537,350	7.31%	19.57%	300,865	3.24%
Retail Units	41,549,732	2,715,155	6.53%	24.69%	670,360	7.21%
Warehouse / Workshop	1,554,553	116,000	7.46%	56.29%	65,300	0.70%
Total	124,903,419	9,300,179	7.45%	19.27%	1,791,998	19.27%

**To:** Council

**Date:** 13 February 2019

**Report of:** Electoral Registration Officer

**Title of Report:** Community Governance Review – Headington area

Summary and recommendations	
<b>Purpose of report:</b>	To brief Council on the request to create a community council in the area covered by the 2017 Headington neighbourhood plan referendum.
<b>Key decision:</b>	Yes
<b>Executive Board Member:</b>	Councillor Susan Brown, Leader of the Council
<b>Corporate Priority:</b>	None
<b>Policy Framework:</b>	None
<b>Recommendation(s): That the Council resolves to:</b>	
<b>Agree</b> the terms of reference for the community governance review for the Headington area.	

Appendix	
Appendix 1	Terms of reference for the review

## Introduction

1. As Council will be aware a neighbourhood plan referendum (NPR) took place in May 2017. It covered all of Headington ward and parts of Barton and Sandhills, Headington Hill and Northway, Quarry and Risinghurst and Churchill wards.

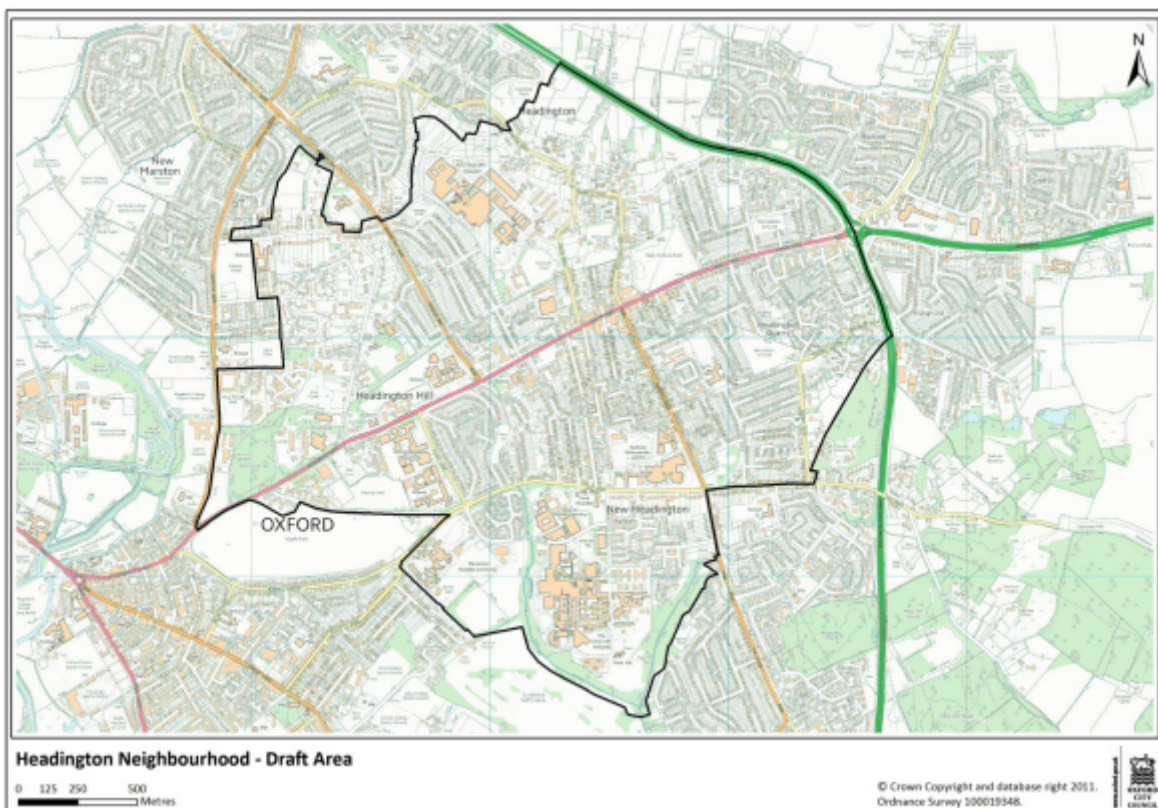
The neighbourhood plan was approved: 86% in favour and 14% against.

## Request for a community governance review (CGR)

2. In October 2017 the neighbourhood forum made an application to the Council to carry out a community governance review with a view to setting up a new community council for the area covered by the neighbourhood plan. They were able to make this request under the Legislative Reform (Community Governance Reviews) Order 2015 (“the Order”) which introduced Section 80A to the Local

Government and Public Involvement in Health Act 2007 ("the Act"). Section 80A of the Act provides that neighbourhood forums can, following a successful NPR, request a council to carry out a CGR without needing petition (as is usually the case). Parish councils can now style themselves as "community council" rather than a "parish council". The Headington Neighbourhood Forum has requested that any new council be named "Headington Community Council"

3. The CGR is governed by the provisions in the Local Government and Public Involvement in Health Act 2007. The Ministry of Housing, Communities and Local Government has issued detailed guidance, which can be found at <https://www.gov.uk/government/publications/community-governance-reviews-guidance> .
4. Principal councils are given a wide discretion on how to carry out reviews and ultimately it is the Council's decision whether a parish is created or not. The Council must consult widely and consider any responses in making its decision.
5. It is proposed that a pamphlet will be sent to every household in the affected area, explaining the proposals and what setting up a community council might mean, using the existing parish councils in Oxford as examples. There will be various methods for residents and interested parties to submit comments. Other groups and organisations in the area will also be consulted and anyone with an interest will be allowed to comment.
6. Terms of reference are attached at Appendix 1.
7. The extent of the area under review is shown in the map:



8. An indicative timetable is shown below:

Stage	Timing	Function
Stage One	13 February 2019	Agreement by Council to the terms of reference
Stage Two	February 2019	Drawing up the pamphlet
Stage Three	April-June 2019	Distribution of pamphlet and an eight-week period for replies
Stage Four	July-August 2019	Reviewing replies and preparing to report to Council
Stage Five	7 October 2019	Report to Council on consultation outcomes
Stage Six	April 2020	(if approved) Creation of community council
Stage Seven	May 2020	(if approved) First elections to the new council

### Financial implications

9. There are financial implications insofar as there will be a need for Finance to do significant preparatory work to enable the community council to be funded.  
If a new council is created the City Council would set a precept for it this autumn, to provide for basic things like employing a clerk and provide a small budget. Any new community council would then decide its priorities and set an appropriate precept for 2021/22.
10. The City Council would provide clerking services for the first few months of the new council's existence, until the newly elected council can go through a recruitment process.
11. Also, there is a cost to the review itself. These are mainly for printing and postage. The costs are estimated at £5000 and should be contained within electoral services budgets in 2018/19 and 2019/20.

### Legal issues

12. There are legal implications insofar as the Council must ensure that it makes its decision, whatever that might be, in accordance with the Local Government and Public Involvement in Health Act 2007 and associated regulations and guidance.

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**Background Papers:** None

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## **Terms of Reference – Community Governance Review of Headington**

### **Introduction**

Oxford City Council is carrying out a community governance review in the Headington area in accordance with Part 4, Chapter 3 of the Local Government and Public Involvement in Health Act 2007.

The Council is required to have regard for the guidance on community governance reviews issued by the Secretary of State for Housing, Communities and Local Government. This guidance has been considered in drawing up these terms of reference.

### **Why are we carrying out a Community Governance Review in Headington**

The Council has received a valid request asking for the formation of a community council for the area in Headington covered by the neighbourhood planning referendum undertaken in May 2017.

### **What is a Community Governance Review?**

The community governance review is the process used to consider whether a community council should be created. The request styles the proposed new council as “community”, this type of council is often known as “parish”.

There are two outcomes of the review, depending on the results of the consultation. The review could recommend to Council that:

- a) there should be no change to the existing arrangements;
- b) a community council be created;

### **Who carries out the Review?**

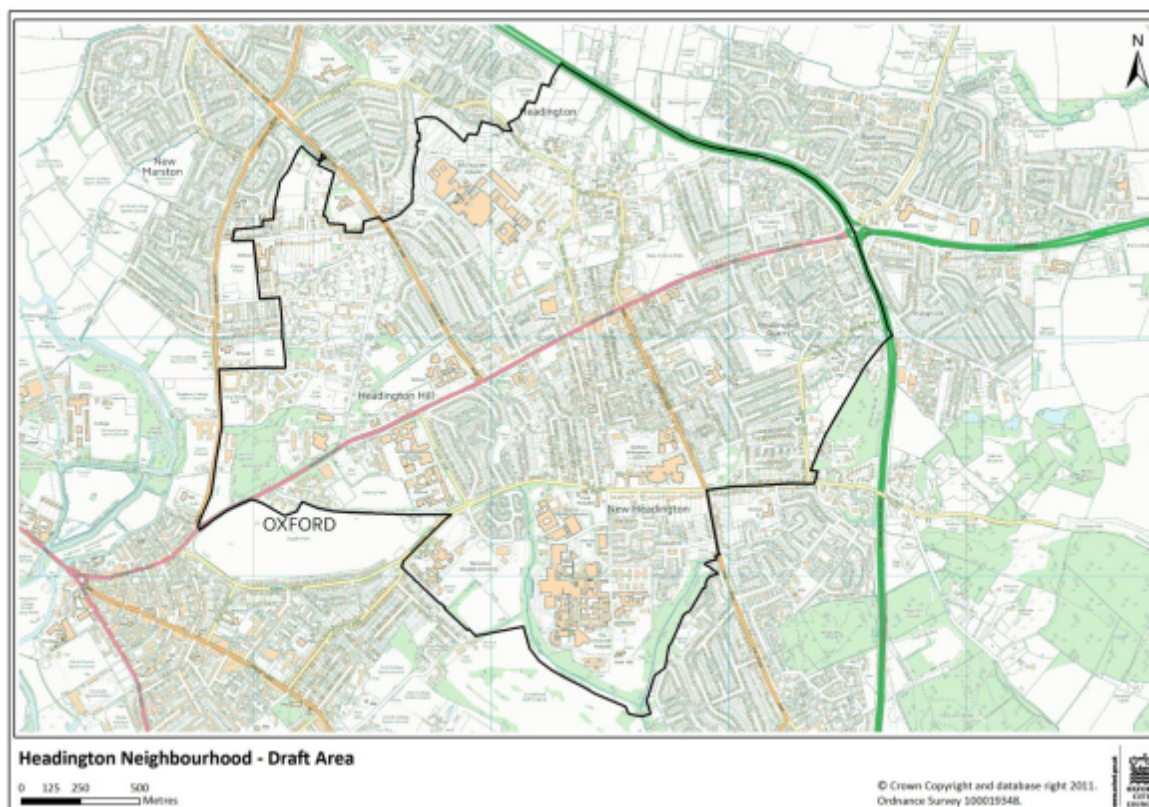
The City Council is responsible for conducting the review. A decision on whether or not to create a new community council will be taken by city councillors at a meeting of Council in September 2019.

A cross-party member working group will be created to consider the responses to the review, along with officers, to inform the final report to Council later in 2019.

### **What area is being reviewed?**

The area under review is the Headington area covered by the neighbourhood planning referendum in 2017. This is made up of the whole of Headington ward and parts of Barton & Sandhills, Quarry & Risinghurst, Churchill and Headington Hill & Northway wards.

An indicative map of the area covered is below:



As part of the review the Council has to provide the number of electors in the area. If the Council recommends that a community council should be set up, this information will be used to decide on the electoral arrangements, e.g. how many councillors on the community council.

The Council has used the register of electors of 1 January 2019 in providing the electorate figures which are:

City ward	Current electors	Estimated electors in 2023
Headington	4223	4545
Headington Hill & Northway (part)	739	1158
Barton & Sandhills (part)	955	970
Churchill (part)	2174	2354
Quarry & Risinghurst (part)	2615	2711
<b>TOTALS</b>	<b>10708</b>	<b>11738</b>

The 2023 estimates take into account proposed developments in the area covered by the CGR.

### **Who will we consult?**

A full consultation process will form part of the Review to take full account of the views of local people. The Act requires the Council to consult the local government electors for the area under review and any other person or body who appears to have an interest in the review and to take the representations that are received into account.

The Council will also identify any other person or body who it feels may have an interest in the review and write to them inviting them to submit their views at both stages of consultation.

This will include but are not restricted to:

- city councillors
- tenants and residents' associations
- groups and societies
- schools and colleges
- Member of Parliament
- Oxfordshire Association of Local Councils
- local political parties
- the County Council and county councillors for the area

The Council will also be pleased to receive comments from any other person or body that wishes to make representations.

As required by Section 79(3) of the Local Government and Public Involvement in Health Act 2007, the Council will notify Oxfordshire County Council that a review is to be undertaken, provide it with a copy of the terms of reference for the review and will consult it on the matters under review.

The Council intends to clearly publish all decisions taken and the reasons for taking those decisions and will work towards the Government's view that "Community Governance Reviews should be conducted transparently so that local people and other stakeholders who may have an interest are made aware of the outcome of the decisions taken on them and the reasons behind these decisions."

### **What matters will the review focus on?**

The recommendations made in a community governance review have two main objectives:

- 1) to improve community engagement and better local democracy; and
- 2) more effective and convenient delivery of local services.

The review must ensure that community governance within the area under review reflects the identities and interests of the community in that area and is effective and

convenient. It must also take into account any existing arrangements such as community or residents' associations.

### **Timetable for the Review**

Publication of these Terms of Reference formally begins the review, and the review must be completed within twelve months.

Stage	Timing	Function
Stage One	13 February 2019	Agreement by Council to the terms of reference
Stage Two	February 2019	Drawing up the pamphlet
Stage Three	April-June 2019	Distribution of pamphlet and a eight-week period for replies
Stage Four	July-August 2019	Reviewing replies and preparing to report to Council
Stage Five	7 October 2019	Report to Council on consultation results
Stage Six	April 2020	(if approved) Creation of community council
Stage Seven	May 2020	(if approved) First elections to the new council

### **How to submit your views**

You can submit your views by:

Going to: \*tbc\*

Writing to:

Community Governance Review (Electoral Services)  
Oxford City Council  
Town Hall  
St. Aldate's  
Oxford  
OX1 1BX

Emailing: [headingtonCGR@oxford.gov.uk](mailto:headingtonCGR@oxford.gov.uk)

### **When will the review begin?**

The review will begin in April 2019.

**To:** General Purposes Licensing Committee  
**Date:** 23 January 2019  
**Report of:** Head of Community Services  
**Title of Report:** Licensed Vehicles Emission Standards

Summary and recommendations	
<b>Purpose of report:</b>	To recommend introduction of emission standards for Hackney Carriage Vehicles and amend the vehicle age limit for Private Hire Vehicles licensed by this Authority
<b>Corporate Priority</b>	Vibrant Sustainable Economy, A Clean and Green Oxford
<b>Policy Framework</b>	Air Quality Action Plan, Low Emission Strategy, Sustainability Strategy
<b>Recommendations:</b> That the General Purposes Licensing Committee resolves to:	
<ol style="list-style-type: none"> <li>1. <b>Approve</b> the recommended option for introduction of new emission standards for Hackney Carriage Vehicles licensed by this Authority;</li> <li>2. <b>Approve</b> the recommended amendment to vehicle age criteria for licensing of new Low and Ultra Low Emission Private Hire Vehicles; and</li> <li>3. <b>Agree</b> that such proposals be recommended to Council for adoption.</li> </ol>	

Appendices	
Appendix 1	Supporting Measures
Appendix 2	Full Analysis

## Introduction and background

1. Oxford City centre currently has high levels of toxic nitrogen dioxide, which contribute to diseases including cancer, asthma, stroke and heart disease; and, to around 40,000 deaths in the UK every year. Emissions from licensed vehicles contribute to these high levels.
2. Oxford has the potential for a great offer to its visitors, residents and businesses: a world class, clean, modern fleet of Hackney Carriage and Private Hire Vehicles.
3. Currently Oxford licensed Hackney Carriage fleet has an old age, polluting profile - the fleet consists 100% of diesel vehicles: 51% are older than 15 years, with the six oldest vehicles being 19 years old. Over half of the fleet are Euro standard 3 and lower.

4. 81% of the fleet would not meet the current Oxford Low Emission Zone standards (Euro 5 for buses), if it were extended to include taxis.
5. Trip patterns indicate that taxi emissions are largely generated within the central areas of Oxford.
6. None of the existing licensed vehicles are zero-emissions capable and none meet the proposed Zero Emission Zone (ZEZ) standards. Reducing emissions in the taxi fleet presents an opportunity not only to improve air quality, but to showcase electric vehicles to our residents, businesses and visitors.
7. Oxford is not alone in taking these steps. For example: Coventry already require all newly licensed vehicles to be EURO 6 and will have a fully ULEV fleet by 2024; London have required all new applicants to be ULEV since January 2018; and, Dundee already has 94 pure electric (private hire) taxis operating in the city.
8. The overarching goals of the proposals in this report are:
  - That the economic impact on the Hackney Carriage trade respects their livelihood and builds resilience to global trends in mobility.
  - Achieving the urgent air quality improvement needed to meet Council targets for clean, safe air.
  - That Oxford City Council be a leader in sustainability, helping to attract investment and funding.

### **Go Ultra Low Oxford: Taxi scheme**

9. The Hackney Carriage trade provides an important service, within our wider transport system, to meet the diverse needs of the residents, businesses and visitors to Oxford.
10. The global trend in mobility is towards rapid adoption of electric vehicles, especially in cities where new forms of mobility are concentrated and infrastructure investment is needed. Oxford City Council has been working to support the trade to build capacity and resilience to the forthcoming changes to our mobility to ensure the valuable services it provides are preserved for the future.
11. These measures include raising awareness of the benefits of low emissions vehicles, bringing the manufacturers to Oxford, capacity building workshops, financial incentives and investigation of the local investment case for ultra-low emissions purpose-built taxis. The summary of those measures can be found in **Appendix 1**. The Council continues to actively explore other sources of finance and support for the local trade.

### **Recommended option of emission standards for Hackney Carriage Vehicles (HCV) licensed by this Authority**

12. To help address the high levels of toxic nitrogen dioxide in some city centre streets, options for an emissions standard were developed in consultation with the City of Oxford Licensed Taxi Association (COLTA) and feedback from drivers and owners that have attended the Council's capacity building workshops.

13. The proposals are based on the latest study of real world emissions by taxis<sup>1</sup> which show that EURO 5<sup>2</sup> models perform worse than EURO 4 and EURO 3 models, and are comparable to EURO 2 models. The proposals are therefore designed to avoid new EURO 5 vehicles applications, in order to ensure a real world emissions improvement is achieved in the journey towards a fully zero emissions capable fleet. **Appendix 2** describes and assesses the options, accounting for the overarching goals described above.

14. The recommended requirement:

- A. From 1<sup>st</sup> January 2020 remove the current requirement for new Hackney Carriage Vehicle (HCV) applications where the maximum age for a new vehicle to obtain a licence is “less than five years of age”
- B. From 1<sup>st</sup> January 2020 all renewal HCV applications must meet the EURO 4 standard as minimum; and, all new HCV applications must meet either the EURO 4, EURO 6 or ULEV standard as a minimum (EURO 5 vehicles are not considered to meet that standard);
- C. From 1<sup>st</sup> January 2022 all new HCV applications must meet ULEV standard or at least Euro 4 if replacing an existing Euro 4, Euro 5 or Euro 6 due to the vehicle being written off by an insurance company or is a temporary courtesy vehicle due to repairs;
- D. From 1<sup>st</sup> January 2025 all new and renewal HCV applications must meet the Ultra-Low Emissions Vehicle standard

Date From	<u>Renewal</u> HCV Applications	<u>New</u> HCV Applications:
1 <sup>st</sup> January 2020	All HCV must meet EURO 4 emission standard	All HCV must meet EURO4, EURO 6 or ULEV emission standard (EURO 5 vehicles will not be considered to meet this standard)
1 <sup>st</sup> January 2022	All HCV must meet EURO 4 emission standard	All HCV must meet ULEV standard, or at least Euro 4 if replacing an existing Euro 4, Euro 5 or Euro 6 due to the vehicle being written off by an insurance company or is a temporary courtesy vehicle due to repairs
1 <sup>st</sup> January 2025	All HCV must meet ULEV standard	All HCV must meet ULEV standard

15. The dates that EURO standards come into effect can vary: e.g. a manufacturer may be producing EURO 4 qualifying vehicles for a “transition period” before the official date that the standard comes into effect. For the purposes of this emission standard the following table describes how the emission standard of a vehicle will be assessed. Where there are “transition periods” the table assumes the highest Euro standard possible.

<sup>1</sup> Dallmann et al (2018). Available from: <https://www.trueinitiative.org/media/597524/true-london-rs-report-fv-20181214.pdf>

<sup>2</sup> Euro Standards are increasingly stringent exhaust pollution limits for new car models, introduced by the European Union in the early 1990s, starting with Euro 1. The current Euro Standard is Euro 6.

First DVLA Vehicle Registration Date	Standard assumed
From 1 <sup>st</sup> July 1992	Euro 1
From 1 <sup>st</sup> January 1996	Euro 2
From 1 <sup>st</sup> January 2000	Euro 3
From 1 <sup>st</sup> January 2005	Euro 4
From 1 <sup>st</sup> September 2009	Euro 5
From 1 <sup>st</sup> September 2014	Euro 6

16. A vehicle will be considered to meet the Ultra Low Emissions Vehicle standard if it meets the UK government's definition of an Ultra Low Emission Taxi (as of November 2018) "Taxis - These vehicles are purpose-built taxis and have CO2 emissions of less than 50g/km and can travel at least 112km (70 miles) without any emissions at all."<sup>2</sup>
17. Any applicant who believes that their vehicle meets a higher emissions standard than indicated by the requirements, as set out in the table above, may submit evidence to the Council. Where reasonable evidence is provided, officers may agree the appropriate emissions standard for that vehicle and issue a licence.

### **Amendment of vehicle age limit for first licensing of new Low and Ultra Low Emission Private Hire Vehicles**

18. Oxford City Council licensed Private Hire fleet is currently considerably younger and less polluting than licensed Hackney Carriage fleet. However, the Authority desires to further encourage licensed Private Hire trade in supporting the Council vision in improving the air quality.
19. Current licensing age limit criteria for all new Private Hire Vehicles to obtain a licence are *"The maximum age for a new vehicle to obtain a licence is "less than five years of age" when it is licensed"*.
20. To support the trade further in investing and switching to Low and Ultra Low Emission Vehicles it is proposed to amend the current criteria to the following *"The maximum age for a new Private Hire Vehicle to obtain a license is "less than five years of age" or "less than seven years of age for Alternative Fuel Type Vehicles (Tax Code TC59 definition), OR petrol vehicles (TC 48 definition) OR diesel vehicles (TC 49 definition AND meeting the RDE2 standard), that also produce CO2 emission figures of 110g/km or less as displayed in the DVLA V5 Vehicle Registration Certificate."*

### **Financial implications**

21. A study of local Hackney Carriage duty cycles was carried out. The study modelled the payback on investments in ultra-low emissions purpose-built taxis. It showed that ultra-low emissions purpose-built taxis, including the LEVC eTX and the Dynamo models, are a viable investment in Oxford due to the lower running costs compared to conventional vehicles. This is particularly pronounced for the Dynamo,

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<sup>2</sup>See <https://www.gov.uk/plug-in-car-van-grants> - eligible taxis. Government ULEV definitions are expected to adapt to a developing market. Updated definitions might be considered for NEW applications post 2025.



which could generate a saving of £19,000 over 6 years of ownership at an average mileage of 25,000 per year. In comparison the LEVC eTX could generate a saving of £1,500 after six years based on the same mileage.

22. Access to capital may be a challenge for potential investors in the vehicles and is a key concern for the trade. The council has committed to subsidising the Certificate of Compliance test and Licensing Application fees for the first ten “early adopters” to invest in and license an ultra-low emissions Hackney Carriage Vehicle in Oxford.
23. It is expected that over the five year period of transition to the ULEV standard that the cost of new vehicles and models will become more affordable and that a second hand market will develop. As above, the Council continues to actively explore other sources of finance and support for the local trade.

### **Legal issues**

24. In order to be enforceable the application of new emission standards and amendment of age limits would require the attachment of additional conditions to vehicles licences. The Local Government (Miscellaneous Provisions) Act 1976 at sections 47, 48 and 51 allows the Licensing Authority to attach to vehicle licences such conditions as it considers ‘reasonably necessary’. Improving standards in vehicle safety and air quality are relevant factors in this respect.
25. Improving air quality is in the interests of all persons and therefore no separate equalities assessment is considered necessary.

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## Supporting measures

Measure	Description and progress to date
Information and awareness of ultra-low emissions vehicles on/coming to the market	<p>Awareness raising engagement workshops.</p> <p>February 2017 - London Electric Vehicle Company presentation and test drive/ride event</p> <p>July 2017 – Dynamo presentation and vehicle showcase</p>
Financing	Oxford City Council commissioned a project to model the pay back on investment in an ultra-low emissions vehicles based on our live data of local duty cycles.
Financing	Oxford City Council has been engaging with companies that offer leasing and/or financing packages for ultra-low emissions hackney carriage vehicles and has shared these offers with the trade. The Council plans to invite these companies to the next workshop for the trade in Oxford.
Provision of charging infrastructure	<p>Oxford City Council secured £373,000 of Government funding for provision of 19 rapid electric vehicle chargers in the city.</p> <p>Location planning has been based upon a survey of both hackney carriage and private hire drivers in Oxford. The first four chargers are on course for installation by end March 2019.</p>
Early-adopters group	Council officers have engaged on a one to one basis with vehicle owners who are actively considering purchasing an ultra-low emissions vehicle in order to understand the particular challenges and barriers that they face.
Local maintenance	<p>A key concern raised by the trade was that new technology may have teething problems and that the risk of being off the road for up to a week while a vehicle was taken to e.g. Birmingham for repair was a significant barrier.</p> <p>Oxford Direct Services are the sole licensed provider of maintenance for London Electric Vehicle Company. They offer local maintenance of older models as well as the new eTX.</p>

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### Full Analysis

In developing this recommendation a number of options have been assessed. These are presented below. Further details on the rationale behind the recommendation can be found in the tables on the following page.

Options	2020	2022	2023	2024	2025	2026	2027	2028
Option 1	All Renewals to be EURO 5 standard as minimum							All Renewals to be ULEV
Option 2	All Renewals to be EURO 5 standard as minimum				All Renewals to be ULEV			
Option 3 (RECOMMENDED) 157	Newly licensed vehicles to be EURO 4, EURO 6 or ULEV standard as minimum (not EURO 5). All Renewals to be EURO 4 standard as minimum	Newly licensed to be ULEV or at least Euro 4 if replacing an existing Euro 4, Euro 5 or Euro 6 due to the vehicle being written off by an insurance company or is a temporary courtesy car due to repairs			All Renewals to be ULEV			

### Impact on fleet profile

Options	2020	2022	2023	2024	2025	2026	2027	2028
Option 1	78% fleet upgrade to at least EURO 5							ALL ULEV
Option 2	78% fleet upgrade to at least EURO 5				ALL ULEV			
Option 3 (RECOMMENDED)	52% fleet upgrade from EURO 1,2,3 to 4, 6 or ULEV				ALL ULEV			

## Rationale for choice of milestone year for 100% ULEV fleet:

Options	Pros	Cons
<b>2028</b>	<p>9 years for an owner to invest in a EURO 5 now and recoup investment before moving to a ULEV</p> <p>Allows time before enforcing ULEV standard for teething problems with vehicles to be resolved.</p> <p>By 2028 there may be a second hand market for ULEV taxis</p> <p>Less ambitious than the County Council aspirations and the second phase of the Zero Emissions Zone roll out.</p>	<p>Does not provide certainty of ULEV adoption to the commercial operator of the taxi charging points that the city council is installing as part of the Go Ultra Low Oxford: Taxi Scheme. May impact Council's ability to secure the lowest charging tariff for drivers when tendering for this service.</p> <p>Is less ambitious than leading cities' emissions standard requirements. This is a reputational risk given Oxford's ambitious to move towards a zero emissions city. There may also be an impact on credibility with funding bodies.</p> <p>Relies on supporting measures to incentivise early adoption of ULEVs and achieve the desired outcome for emissions levels</p>
<b>2025</b> <b>(RECOMMENDED)</b>	<p>Emissions levels, and associated health benefits, improve three years earlier than the 2028 option.</p> <p>Offers certainty of ULEV adoption for the commercial operator of the taxi charging points. So the Council will have greater leverage to secure a low tariff for charging when selecting an infrastructure partner, which in turn benefits the taxi trade through lower running costs.</p> <p>A fully ULEV fleet three years earlier than the 2028 option – the co-benefits from showcasing ULEVs to customers are achieved earlier too.</p> <p>Owners who wish to invest in a EURO 4 or EURO 6 before the move to ULEV can do so now and are incentivised to do so asap – in order to maximise the payback. Thus incentivising improvement in emissions of fleet faster than a 2028 target year.</p> <p>Allows time before enforcing ULEV standard for teething problems with vehicles to be resolved.</p> <p>Aligns with the aspirations of Oxfordshire County Council, supported by Oxford City Council, phasing in of the Zero Emissions Zone.</p>	<p>This proposal just matches the timelines for fully ULEV fleet in Nottingham, Cambridge and Slough: it is not more ambitious. Coventry will bring in a full ULEV fleet earlier, in 2024.</p> <p>Relies on supporting measures to incentivise early adoption of ULEVs</p> <p>Impacts on the trade sooner regarding vehicle investments.</p>

## Rationale for introducing an interim emissions standard milestone:

Options	Pros	Cons
<b>No interim milestone – just a year by which all are ULEV</b>  159	A simple policy that allows a market-led approach to adopting ULEV technology	<p>Emissions levels will take longer to achieve – the oldest vehicles on the fleet could still be there up to 2025</p> <p>Is less ambitious than leading cities' emissions standard requirements. This would undermine Oxford's claim to lead the way and is a reputational risk. There may also be an impact on credibility with funding bodies in future project bids.</p> <p>By not triggering early upgrades of the worst vehicles we may miss opportunities to encourage and support early adoption in a targeted manner.</p> <p>Feedback from the local trade was broadly in favour of an achievable 2020 milestone.</p>
<b>Include one or more interim milestones (RECOMMENDED)</b>	<p>By triggering upgrade of part of the fleet, we can target and work with the willing to support early adoption of ULEV. Prioritising the poorest performing vehicles first.</p> <p>Feedback from the local trade was broadly in favour of an achievable 2020 milestone.</p> <p>This option recognises that not all owners are early adopters of new technology like ULEVs, but ensures that all must modernise and deliver improved emissions.</p>	A slightly more complex policy to implement and communicate – though the owners do know the licensing policy in detail already.

## Rationale for choice of interim milestones:

Options	Pros	Cons
<p><b>All vehicles at least Euro 5 from January 1 2020</b></p>	<p>Based upon feedback from the local trade.</p> <p>78% or 83 vehicles of the fleet will upgrade by 2020 – those currently EURO 1,2,3,4 standard</p>	<p>The most common Oxford Euro 5 Hackney carriage, the Euro 5 LTI TX4, has been found to produce 50% more NOx emissions than the LTI Euro 4 taxi, and 25 %more carbon. This means that a policy encouraging Euro 5 would have a negative impact on fleet emissions.</p> <p>Such a large number of upgrades may mean that the council isn't able to identify and support potential ULEV early-adopters as effectively due to lack of resource.</p> <p>EURO 5 is not a high standard for emissions. This standard in particular is evidenced to be very poor performing for real-life emissions compared to vehicle testing emissions. There is a reputational risk that it is associated with the emissions scandals of recent years.</p>
<p><b>Phased start</b></p> <p><b>(RECOMMENDED)</b></p> <p>From Jan 1<sup>st</sup> 2020. renewals must be vehicles at least Euro 4 New applications must be EURO 4, Euro 6 or ULEV standard</p> <p>All newly licensed vehicles must be ULEV standard from Jan 1<sup>st</sup> 2022, unless an exemption applies.</p>	<p>This is less stringent than the suggestion from the local trade.</p> <p>It allows owners of EURO 4 vehicles to continue to operate these models until 2025 and make the transition directly to the ULEV standard. This, in combination with ensuring all newly licensing vehicles are either EURO 4, EURO 6 or ULEV, we avoid increasing the number of poorer performing EURO 5 vehicles on the fleet.</p> <p>52%, or 56, vehicles of the fleet will upgraded by 2020 – those currently EURO 1, 2, 3 standard.</p>	<p>A slightly more complex policy to implement and communicate.</p> <p>EURO 4 may not appear to be a high minimum standard for emissions. However implementing a EURO 5 standard would incentivise owners to move from EURO 4 to EURO 5 and a recent study has shown that EURO 5 taxis are significantly worse in terms of emissions performance than EURO 4 models. A EURO 6 minimum standard for renewals is not consistent with a phased approach that allows the trade to thrive while making the journey to zero.</p>



## Environmental and health benefits

The proposed measures will lead to a phased improvement of the hackney fleet, beginning with the worst performing vehicles.

In the “fast take up” scenario it is assumed that all vehicles triggered for replacement are replaced by ultra-low emissions vehicles (even if a lower standard is allowed). In the “slow take up scenario” it is assumed that vehicles triggered for replacement are replaced with a vehicle meeting only the minimum permissible emissions standard.

In addition, as taxis are used by visitors and local residents we may expect an additional benefit due to the normalisation of electric vehicles accelerating uptake by other stakeholders.

## Fleet nitrogen oxides emissions

Take up	From 1 <sup>st</sup> Jan 2020	From 1 <sup>st</sup> Jan 2025
Fast	45% reduction NO <sub>x</sub>	93% reduction NO <sub>x</sub>
Slow	7 % reduction NO <sub>x</sub>	93% reduction NO <sub>x</sub>

Take up	Number taxis From 1 <sup>st</sup> Jan 2020				From 1 <sup>st</sup> Jan 2025
	EURO 4	EURO 5	EURO 6	ULEV	ULEV
Fast	27	20	4	56	107
Slow	27	48	32	0	107

## **Background: Measures in leading cities in the UK**

### **Coventry**

- From 1<sup>st</sup> January 2019 only EURO 3 or better will be renewed and new applicants must meet the EURO 6 standard
- From 1<sup>st</sup> January 2020 only EURO 4 or better will be renewed and new applicants must meet the ULEV standard
- From 1<sup>st</sup> January 2022 only EURO 5 or better will be renewed and new applicants must meet the ULEV standard
- From 1<sup>st</sup> January 2024 only ULEV or better will be renewed and new applicants must meet the ULEV standard

### **London**

- From 1 January 2018, new applicants will need to be Zero Emissions Capable (ZEC).
- A 1<sup>st</sup>-time vehicle licence will no longer be granted to a diesel taxi. ZEC taxis with petrol engines must meet the most recent emissions standard
- The existing 15 year age limit on renewals means that without further change, the fleet will be fully ULEV by 2032

### **Nottingham**

- From 2020: Vehicles over 10 years old must be Euro 6 or a ULEV. Vehicles over 14 years old will be refused a licence.
- From 2025: Newly licensed vehicles must meet the ULEV standard
- From 2030: No vehicle will be licensed unless it meets the ULEV standard



### **Birmingham**

- From December 31, 2019, vehicles must be either Euro 4 (petrol) or Euro 6 (diesel) standards, as a minimum.
- Ultra Low Emission Vehicles (eg hybrids), Zero Emissions Vehicles or Zero Emission Capable Vehicles will also be licensed.
- Licences for vehicles that don't comply with these standards can be renewed in the 12 months before this deadline, but will expire December 31, 2019.
- Drivers who have acquired a compliant vehicle before the deadline will not have to do anything as their vehicles will be licenced for 12 months.

### **Manchester**

- When a vehicle is first licensed (including a replacement vehicle) it is expected to meet (and maintain) the current (\*currently Euro 6) or immediate previous Euro emission standard (\*currently Euro 5). This standard must be maintained throughout the period that the specified vehicle is licensed.  
\*These will change as Euro emissions change.