Agenda

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OXFORD CITY COUNCIL

Scrutiny Committee

This meeting will be held on:

Date: **Tuesday 6 February 2024**

Time: **6.00 pm**

Place: **Long Room - Oxford Town Hall**

For further information please contact:

Lucy Brown, Committee and Member Services Officer,

01865 252784 DemocraticServices@oxford.gov.uk

Members of the public can attend to observe this meeting and.

- may register in advance to speak to the committee in accordance with the committee's rules
- may record all or part of the meeting in accordance with the Council's protocol

Information about speaking and recording is set out in the agenda and on the website

Please contact the Committee Services Officer to register to speak; to discuss recording the meeting; or with any other queries.

Committee Membership

Councillors: Membership 12: Quorum 4 substitutes are permitted.

Councillor Lucy Pegg (Chair)

Councillor Mike Rowley (Vice-Chair)

Councillor Mohammed Altaf-Khan

Councillor Lubna Arshad

Councillor Shaista Aziz

Councillor Tiago Corais

Councillor Lizzy Diggins

Councillor Dr Sandy Douglas

Councillor James Fry

Councillor Chris Jarvis

Councillor Dr Christopher Smowton

Councillor Imogen Thomas

Apologies and notification of substitutes received before the publication are shown under *Apologies for absence* in the agenda. Those sent after publication will be reported at the meeting. Substitutes for the Chair and Vice-chair do not take on these roles.

Agenda

		Pages
1	**Apologies for absence**	
2	**Declarations of interest**	
3	**Chair's Announcements**	
4	**Minutes**	9 - 16

Minutes from 16 January 2024.

Recommendation: That the minutes of the meeting held on 16 January 2024 be APPROVED as a true and accurate record.

5	**Work Plan and Forward Plan**	17 - 22

The work plan is driven to a very large extent by the Cabinet Forward Plan, a summary of which is attached. The Scrutiny Committee agrees its priorities for items coming onto the Forward Plan, which then form part of its work plan.

The Committee is recommended to confirm its agreement to the work plan, or agree any amendments as required.

6	**Report back on recommendations and from Scrutiny Panel meetings**	23 - 62

At its meeting on 24 January 2024, Cabinet considered the following reports from Scrutiny and made responses to the recommendations:

- Leisure Services Contract Award
- Draft Corporate Strategy 2024-28 for Consultation
- Private Rented Sector Regulation Policies – Results of Consultation
- DAHA Accreditation and Domestic Abuse Review Group Update
- Biodiversity Action Plan for Oxford City Council Parks and Nature Areas – September 2023 Review
- Retrofit

Since the Scrutiny Committee's previous meeting on 16 January 2024, the following Panels have met:

- Finance and Performance Panel (22 January 2024)

The Committee is asked to:

1. Note Cabinet's responses to its recommendations
2. Note any updates from Panel meetings

7 Capital Strategy 2024/25 to 2027/28 — 63 - 110

Cabinet, at its meeting on 07 February 2024, will consider a report from the Head of Financial Services seeking a recommendation to Council for the approval of the Capital Strategy 2024/25 to 2027/28. Cllr Ed Turner, Deputy Leader (Statutory) and Cabinet Member for Finance and Asset Management, Nigel Kennedy, Head of Financial Services and Bill Lewis, Financial Accounting Manager, have been invited to present the report and answer questions. The Committee is asked to consider the report and agree any recommendations.

8 Treasury Management Strategy 2024/25 — 111 - 154

Cabinet, at its meeting on 07 February 2024, will consider a report from the Head of Financial Services seeking a recommendation to Council for the approval of the Treasury Management Strategy 2024/25, Borrowing Strategy 2024/25, Minimum Revenue Provision (MRP) Statement, Investment Strategy 2024/25 and Treasury Management Scheme of Delegation. Cllr Ed Turner, Deputy Leader (Statutory) and Cabinet Member for Finance and Asset Management and Nigel Kennedy, Head of Financial Services, have been invited to present the report and answer questions. The Committee is asked to consider the report and agree any recommendations.

9 Adult Exploitation — 155 - 166

Scrutiny Committee, at its meeting on 04 July 2023, requested a report on Adult Exploitation. Cllr Mark Lygo, Cabinet Member for Safer and Inclusive Communities and Nicola Bell, Anti-Slavery Coordinator Oxfordshire have been invited to present the report and answer questions. The Committee is asked to consider the report and agree any recommendations.

10 Reports for approval

Appendices B and C to this item include exempt information pursuant to Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. If the Scrutiny Committee wishes to discuss matters relating to the information set out in Appendices B and C to the report, it will be necessary for the Scrutiny Committee to pass a resolution to exclude the press and public from the meeting (as set out at agenda item 12).

The Committee is asked to approve the report and recommendations of the Budget Review Group 2024/25 for submission to Cabinet (report to follow).

11 Dates of future meetings

Scrutiny Committee

- 04 March 2024
- 11 April 2024

Standing Panels

Housing & Homelessness: 07 March 2024

Finance & Performance: 26 March 2024

Climate & Environment: 27 February 2024; 20 March 2024

Companies Scrutiny Panel will meet on the same dates as the Shareholder and Joint Venture Group (SJVG): 27 March 2024; 24 April 2024

All meetings start at 6.00 pm.

12 Matters exempt or part exempt from publication and exclusion of the public

If the Committee wishes to exclude the press and the public from the meeting during consideration of any aspects of the preceding or following agenda items it will be necessary for the Committee 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).

12a Reports for Approval - exempt appendices

Information for those attending

Recording and reporting on meetings held in public

Members of public and press can record, or report in other ways, the parts of the meeting open to the public. You are not required to indicate in advance but it helps if you notify the Committee Services Officer prior to the meeting so that they can inform the Chair and direct you to the best place to record.

The Council asks those recording the meeting:

- To follow the protocol which can be found on the Council's website
- Not to disturb or disrupt the meeting
- Not to edit the recording in a way that could lead to misinterpretation of the proceedings. This includes not editing an image or views expressed in a way that may ridicule or show a lack of respect towards those being recorded.
- To avoid recording members of the public present, even inadvertently, unless they are addressing the meeting.

Please be aware that you may be recorded during your speech and any follow-up. If you are attending please be aware that recording may take place and that you may be inadvertently included in these.

The Chair of the meeting has absolute discretion to suspend or terminate any activities that in his or her opinion are disruptive.

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". 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.

Members Code – Other Registrable Interests

Where a matter arises at a meeting which directly relates to the financial interest or wellbeing** of one of your Other Registerable Interests*** then you must declare an interest. You must not participate in discussion or voting on the item and you must withdraw from the meeting whilst the matter is discussed.

Members Code – Non Registrable Interests

Where a matter arises at a meeting which ***directly relates*** to your financial interest or wellbeing (and does not fall under disclosable pecuniary interests), or the financial interest or wellbeing of a relative or close associate, you must declare the interest.

Where a matter arises at a meeting which affects your own financial interest or wellbeing, a financial interest or wellbeing of a relative or close associate or a financial interest or wellbeing of a body included under Other Registrable Interests, then you must declare the interest.

You must not take part in any discussion or vote on the matter and must not remain in the room, if you answer in the affirmative to this test:

> "Where a matter affects the financial interest or well-being:
>
> a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
>
> b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest You may speak on the matter only if members of the public are also allowed to speak at the meeting."

Otherwise, you may stay in the room, take part in the discussion and vote.

*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.

** Wellbeing can be described as a condition of contentedness, healthiness and happiness; anything that could be said to affect a person's quality of life, either positively or negatively, is likely to affect their wellbeing.

*** Other Registrable Interests: a) any unpaid directorships b) any Body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority c) any Body (i) exercising functions of a public nature (ii) directed to charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management.

Minutes of a meeting of the Scrutiny Committee on Tuesday 16 January 2024

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OXFORD CITY COUNCIL

Committee members present:

Councillor Pegg (Chair)

Councillor Rowley (Vice-Chair)

Councillor Altaf-Khan

Councillor Arshad

Councillor Aziz

Councillor Corais

Councillor Diggins

Councillor Douglas

Councillor Fry

Councillor Jarvis

Councillor Smowton

Councillor Thomas

Officers present for all or part of the meeting:

Caroline Green, Chief Executive
Peter Matthew, Executive Director of People and Communities
Ian Brooke, Head of Community Services
Emma Jackman, Head of Law and Governance
David Butler, Head of Planning and Regulatory Services
Richard Adams, Community Safety Service Manager
Liz Jones, ASBIT Manager & Domestic Abuse Lead
Gail Siddall, Regulatory Services Manager
Lucy Cherry, Policy and Partnerships Officer
Clare Keen, Policy and Partnerships Officer

Also present:

Councillor Susan Brown, Leader of the Council and Cabinet Member for Inclusive Economy and Partnerships
Councillor Chewe Munkonge, Deputy Leader and Cabinet Member for Leisure and Parks
Councillor Linda Smith, Cabinet Member for Housing
Councillor Mark Lygo, Cabinet Member for Inclusive and Safer Communities

Apologies:

No apologies were received

68. Declarations of interest

There were no declarations of interest made.

69. Chair's Announcements

There were none.

70. Minutes

The Committee resolved to APPROVE the minutes of the meeting held on 04 December 2023 as a true and accurate record.

The Committee agreed to take agenda items 8, 7, 9 and 10 next on the agenda, and return to items 5, 6 and 11 to make the best use of officer and Cabinet Member time.

71. Private Rented Sector Regulation Policies - Results of Consultation

Cllr Linda Smith, Cabinet Member for Housing introduced the report from the Head of Planning and Regulatory Services which sought Cabinet approval of three key Private Rented Sector Regulation Policies (Fit and Proper Person Policy; Banning Orders and & Rogue Landlord Database Entry Policy; and Civil Penalties in Relation to Residential Enforcement Policy) following consultation.

Gail Siddall, Regulatory Services Manager highlighted that the report was being taken to Cabinet following the Cabinet meeting of September 2023, where it was agreed to undertake a 4-week public consultation to review the above policies that were required either by the Government or statutory guidance to assist the Council when making decisions in relation to private rented sector enforcement.

Cllr Linda Smith, Cabinet Member for Housing, David Butler, Head of Planning and Regulatory Services and Gail Siddall, Regulatory Services Manager attended the meeting to speak to the item and answer the Committee's questions.

During discussions, the Committee noted the following:

- Any monies resulting from civil penalties issued would be ringfenced against the private rented sector budget and could not be used in the General Fund for wider Council activity.
- If a landlord was judged to be a 'rogue landlord' it would be likely for them to lose their 'fit and proper' status as well.
- The application of a clearer policy would provide better support for using the rogue landlord database, which was quite restrictive in terms of criteria to include an individual on it. The Council had made representations on lowering the threshold for entry onto the database to Central Government.
- Draft legislation had been published regarding housing asylum seekers, which if enacted, would exempt housing being used for housing asylum seekers procured by the Home Office, from the Selective or HMO licensing schemes.
- Any contraventions or breaches of licences would be investigated if complaints were brought forward in line with the current legislation in place.

The Committee resolved to make the following recommendations on the report to Cabinet:

1. That the Council clarifies how the principles of its private rented sector regulation policies apply to social housing providers and housing for asylum seekers.
2. That the Council explores the ways in which domestic abuse and the Council's work towards achieving Domestic Abuse Housing Alliance (DAHA) Accreditation

can feed into its private rented sector regulation policies to ensure alignment across the organisation.

72. DAHA Accreditation and Domestic Abuse Review Group Update

Cllr Mark Lygo, Cabinet Member for Inclusive and Safer Communities presented the report on the Domestic Abuse Housing Alliance (DAHA) Accreditation and an update on the recommendations made by the Domestic Abuse Review Group. He highlighted that Cabinet had agreed with the majority of the 48 Domestic Abuse Review Group recommendations, which were endorsed by the Scrutiny Committee on 02 March 2021, and provided an update on progress made against these recommendations since the previous update to the Committee on 05 April 2022. The report also included an update on progress made towards the DAHA accreditation. Cllr Lygo thanked former Cabinet Member, Cllr Shaista Aziz, for her previous work to get to this stage.

Liz Jones, ASBIT Manager & Domestic Abuse Lead provided further detail on the recommendations that had been agreed in part and the Committee was advised that, of the recommendations that had not been agreed, the majority were not agreed as there were practices or policies already in place.

The Scrutiny Officer advised the Committee that advice had been provided by the Head of Law and Governance in relation to recommendation 40, which had been agreed by Cabinet at the time but did not appear to have been actioned. She advised that the Constitution was a Council matter rather than a Cabinet matter and that the inclusion of a requirement that Members did not perpetrate domestic abuse was not something that the Council could add to the Constitution or the Code of Conduct, as it did not relate to Members' role as a councillor and the Council did not have the power to set requirements related to Members' personal capacity. Consideration had been given to the matter, in line with the recommendation, but it could not be taken forward.

Richard Adams, Community Safety Service Manager also attended the meeting to speak to the item and answer the Committee's questions.

During discussions, the Committee noted the following:

- Regarding recommendation 20, the safe accommodation project included refuge provision, the Sanctuary Scheme and Places of Safety. It did not include Temporary Accommodation, and when anyone was placed in a hotel. Some support was provided to those in hotels with an aim to move them out as quickly as possible within the constraints of available Council accommodation, however this still needs improving.
- Domestic abuse training was delivered to all staff as part of mandatory Safeguarding training. Training for staff had been delivered in the past two years, additional sessions were being rolled out in 2024. Training specifically for managers would also be available. There were also 23 Domestic Abuse Champions across the Council to provide support if required.
- Support was provided in collaboration with voluntary sector agencies, and any cases where there were concerns about the provision of support would be investigated on an individual basis if escalated to the Community Safety Team and/or Cabinet Member for Inclusive and Safer Communities.
- It was anticipated that the DAHA accreditation would be achieved by March 2025, before the Department for Levelling Up, Housing and Communities funding came to an end, and would therefore not be affected by any funding restrictions. However,

there would be ongoing costs to retain the accreditation, so this could be impacted dependent on the availability of funding.

The Committee resolved to make the following recommendations on the report to Cabinet:

1. That the Council investigates and assesses the adequacy and clarity of the support and signposting provided to victims and survivors of domestic abuse housed in safe and/or temporary accommodation.
2. That the Council proactively lobbies Central Government based on the horrific lived experiences of Oxford residents, stressing the urgent need for additional resources to support the Council in meeting its new statutory obligations relating to domestic abuse.
3. That the Council ensures that the lived experiences of children are captured and addressed by the Council through its domestic abuse work.
4. That the Council delivers domestic abuse training annually to Members going forward and appoints a Member as Domestic Abuse Champion.

73. Draft Corporate Strategy 2024-28 for Consultation

Cllr Susan Brown, Leader of the Council, presented the report from the Chief Executive which sought approval to publicly consult on the Council's Draft Corporate Strategy 2024 to 2028. She provided an overview of the draft strategic priority aims currently set out within the document and outlined the process to be carried out developing the revised Corporate Strategy.

Caroline Green, Chief Executive, Lucy Cherry, Policy and Partnerships Officer and Clare Keen, Policy and Partnerships Officer attended the meeting to speak to the item and answer the Committee's questions.

During discussions, the Committee noted the following:

- Site allocations set out in the local Plan would not set an explicit goal that could influence the price of open market housing, due to the low number of housing sites available in the city, and would not set an achievable pledge to include as a strategic priority for the Corporate Strategy document.
- The number of priorities within each strategy area had been reduced to enable the Council to focus its work in each priority area. Much of the work included in previous versions of the Corporate Strategy would continue but would not be monitored at the same level as those presented in the new Strategy.
- A comparison between the current iteration of the Corporate Strategy (2020-24) priority aims, and those presented for this version could be undertaken.
- There was interaction between the priorities and areas of focus within the draft strategy, and whilst not connected within the document, it was recognised that there was focus across all the priorities working together and these could be addressed in the foreword to the document.
- Collaborative working practices were taking place with anchor institutions across the city.

The Committee resolved to make the following recommendations on the report to Cabinet:

1. That the Council undertakes a comparative analysis to clearly set out what has changed between the current Corporate Strategy 2020-24 and the draft Corporate Strategy 2024-28 as a result of prioritisation.
2. That the Council incorporates references to community wealth building, or appropriate alternative language which reflects the principles of community wealth building, within the draft Corporate Strategy 2024-28 – to include explicit use of the phrase 'shortened supply chains' within the 'Strong, Inclusive Economy' section.
3. That the Council includes wording under the priorities within the 'Zero Carbon Oxford' section along the lines of 'working in partnership with other institutions in Oxford to ensure a joined-up approach to tackling emissions'.
4. That the Council includes a glossary of key terms used throughout the Corporate Strategy 2024-28 in the final document.
5. That the Council draws out and emphasises the interaction and interconnectivity between the priorities of the Corporate Strategy 2024-28 within the foreword of the final document.

74. Leisure Management Contract

Cllr Chewe Munkonge, Cabinet Member for Leisure and Parks presented the report which sought Cabinet's authority for the award of a new leisure management contract. He highlighted that the contract with the current leisure service provider was due to expire on 29 March 2024, and that it was not feasible for the Council to deliver this service in-house, therefore a formal procurement process had commenced, of which the outcomes were provided within the report.

A member of the public made an oral address to the Committee and expressed their concerns regarding the preferred bidder. The Chair of the Scrutiny Committee thanked the member of the public on behalf of the Committee, and advised that the Committee would take their comments into account during consideration of the item.

Emma Jackman, Head of Law and Governance, provided legal advice to the Committee regarding procurement legislation and the procurement process undertaken by the Council in relation to the contract.

Cllr Munkonge, Cabinet Member for Leisure and Parks, Peter Matthew, Executive Director (Communities and People), Ian Brooke, Head of Community Services and Emma Jackman, Head of Law and Governance responded to comments and questions from the Committee as follows:

- As per procurement legislation, reputational damage could not be considered as grounds for disqualification of potential suppliers from entering or winning the bidding process. Information regarding the mandatory grounds for disqualification was provided to the Committee.
- There were no discretionary grounds for exclusion found as specified in procurement legislation.
- Due diligence had taken place as part of the procurement process and would continue throughout the pre-contract and negotiation discussions between the Council and the recommended supplier. No significant areas of concern had been found to date.
- The Council had used the Sport England leisure procurement framework as part of the procurement process.

- A strengthened client function would be implemented to support the contract, with default regimes that would trigger direct payments to the Council.
- As part of the negotiation process, fees and charges would be reviewed to ensure that Council residents were provided value for money and accessibility in relation to leisure services across the city.
- The obligation to pay management fees would be built into the contract, with legal recourse as stated in the confidential appendices. The bidders had been tested in their history of making those payments, of which the preferred bidder had been successful in that criteria.
- There were a number of schedules built into the contract, these include default and termination which enable the Council to break the contact if triggers were hit around poor performance.
- The future of the Ice Rink could not be specifically considered within the contract as it had not yet been decided, however there would be some flexibility in the contract to account for this.

Cllr Shaista Aziz raised concerns about a lack of information provided to the Committee by officers in response to questions and did not consider that the legal advice provided was sufficient to address concerns raised by Members in the meeting.

The Committee recorded its grave concerns about the award of the contract to the proposed provider, however noted that there was no viable alternative option given the risk of legal challenge and associated financial risk if the Council did not award the contract to the winning bidder.

The Committee resolved to make the following recommendations on the report to Cabinet:

1. That the Council publishes, in the public domain, a more detailed breakdown of the higher costs in relation to the in-house proposal, particularly in respect of expenditure and staffing.
2. That the Council reports back to the Scrutiny Committee as soon as possible with an update on the arrangements established for the effective commissioning, delivery and management of the leisure services contract – including the arrangements established to ensure a smooth transition to the new provider.
3. That the Council takes account of lessons learned through the leisure services contract procurement process and takes measures to ensure that future procurement exercises for large-scale tenders are started sufficiently in advance so as to allow for adequate, meaningful and timely Member involvement and to allow the Council time to pause and reassess its options if required – including the option to abandon the process and re-tender.
4. That the Council makes representations to Central Government expressing the need for greater transparency in local authority procurement processes for Members, to better enable them to act in the best interests of the communities and residents that they represent.
5. That the Council publishes indicative evaluation matrices for future procurement exercises on the Council website, setting out what the Council is looking for from prospective bids.
6. That the Council publishes the principles of social value weightings in procurement exercises on the Council website.

7. That the Cabinet requests that Serco Leisure Ltd, if awarded the leisure services contract, attends a Q&A meeting with Members to explicitly respond to the concerns raised by the Scrutiny Committee; and follows this up in writing to be circulated to all Members for information.
8. That the Cabinet provides a written response to the public address delivered at the Scrutiny Committee meeting in relation to the report, which can be shared with the public speaker and the Scrutiny Committee.

Cllrs James Fry, Lizzy Diggins, Mike Rowley, Lubna Arshad and Mohammed Altaf-Khan left the meeting and did not return.

75. Work Plan and Forward Plan

The Committee noted the Forward Plan.

The Committee reviewed the Work Plan and confirmed its agreement to consider the following reports at the February meeting:

- Treasury Management Strategy 2024/25
- Capital Strategy 2024/25 to 2027/28
- Request for Exceptional Circumstances Relief from the Community Infrastructure Levy

The Scrutiny Officer informed the Committee that the Covered Market Roof Refurbishment item listed on the Forward Plan summary in the agenda pack had slipped to the March 2024 Cabinet meeting, and all items for the March Committee meeting would be agreed at the next Scrutiny Committee meeting in February.

76. Report back on recommendations and from Scrutiny Panel meetings

The Chair presented the report on recommendations.

The Committee noted that on 13 December 2023, Cabinet considered recommendations related to seven reports, responses to which were set out in the agenda pack:

- Authority Monitoring Report and Infrastructure Funding Statement 2022/23
- Equalities Update
- LGA Corporate Peer Review – Council Action Plan
- Review of Glyphosate Use by Oxford Direct Services to Manage Weeds on Behalf of Oxford City Council
- City of Sanctuary Accreditation
- Integrated Performance Report Q2 2023/24
- Treasury Management Mid-Year Report

The Scrutiny Officer advised that the Housing and Homelessness Panel met on 05 December 2023 and considered a number of reports including Building Safety and

Compliance within HRA Stock, Housing Performance Monitoring, Housing Complaint Handling Performance Q1 & Q2 2023-24 and the City of Sanctuary Accreditation. The Panel made one recommendation to Cabinet on the City of Sanctuary Accreditation.

The Finance and Performance Panel had met on 06 December 2023 and considered a large number of reports and prepared for the Budget Review process. The Panel made two recommendations on the Integrated Performance Q2 2023/24 Report, and one recommendation on the Treasury Management Mid-Year Report.

The Committee noted the updates from the Panel meetings.

77. Dates of future meetings

The dates of future meetings were noted.

The meeting started at 6.00 pm and ended at 8.50 pm

Chair ………………………….. **Date: Tuesday 6 February 2024**

When decisions take effect:
Cabinet: after the call-in and review period has expired
Planning Committees: after the call-in and review period has expired and the formal decision notice is issued
All other committees: immediately.
Details are in the Council's Constitution.

Forward Plan

January 2024 to April 2024

Published on 02/01/24

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OXFORD CITY COUNCIL

Cabinet - 7 February 2024

ITEM 53: **ID: I035541**	**Medium Term Financial Strategy 2025/26 to 2026/27 and 2024/25 Budget**
To propose a Medium Term Financial Strategy and the 2024/25 Budget following consultation.	

ITEM 54: **ID: I035542**	**Treasury Management Strategy 2024/25**
This report will recommend a Treasury Management Strategy for 2024/25.	

ITEM 55: **ID: I035543**	**Capital Strategy 2024/25 to 2027/28**
To seek approval for the Capital Strategy for 2024/25.	

ITEM 57: **ID: I036030**	**Request for Exceptional Circumstances Relief from the Community Infrastructure Levy**
To consider a request for Exceptional Circumstances Relief from the Community Infrastructure Levy.	

Cabinet - 13 March 2024

ITEM 51: **ID: I034756**	**Bertie Place Affordable Housing Scheme**
Cabinet, on 9 August 2023, resolved to: 2. Subject to the completion of the statutory procedure to appropriate the land at Site A and the subsequent decision of the Cabinet to appropriate the land, to: (a) **Grant project approval** for the build and acquisition of affordable homes	

	developed by OCHL for which budgetary provision has been made in the Council's Housing Revenue Account in respect of Bertie Place; and (b) **Delegate authority** to the Head of Housing in consultation with the Head of Law and Governance and the Head of Financial Services / S151 Officer to enter into a Development Agreement with OCHL to facilitate the development, secure the purchase of the completed affordable homes, to be held in the HRA, and to enter into any related agreements and contracts to facilitate the development within this project approval and budget for Bertie Place. Acquisition costs are specified within the confidential appendix.

ITEM 56: **ID: I036011**	**Amendments to the 2011 Traffic Order**
To seek Cabinet approval to vary the 2011 Traffic Order.	

ITEM 59: **ID: I035979**	**Drawdown of Additional Funding for Oxwed**
To seek agreement to allow Oxwed to drawdown an additional loan from pre-allocated budget.	

ITEM 60: **ID: I034283**	**Allocation of Preventing Homelessness Grant 2024/25**
A report to recommend the allocation of funds to homelessness services for the prevention and alleviation of rough sleeping.	

ITEM 61: **ID: I035286**	**Thriving Communities Strategy Update**
Cabinet, at its meeting on 14 December 2022, resolved that an annual progress update be provided to Cabinet on the Oxford Thriving Communities Strategy 2023-2027. This will be the first annual update.	

ITEM 62: **ID: I035873**	**Integrated Performance Report for Q3 2023/24**
To receive an update on finance, risk and corporate performance matters as at 31 December 2023.	

ITEM 64:	**Oxfordshire Food Strategy Action Plan**

ID: I035242	
Following approval of the Oxfordshire Food Strategy at the Cabinet meeting on 15 June 2022, to approve the associated action plan to meet the ambitions of the Strategy.	

ITEM 65: ID: I036057	Regeneration of 38-40 George Street
To update Cabinet on progress to maximise the benefits of the regeneration of the council-owned asset at 38-40 George St, Oxford and to recommend to Council the inclusion of an additional budget to cover delivery costs of the maximum scheme parameters that may be approved through the planning process.	

Council - 18 March 2024

ITEM 66: ID: I033443	Pay Policy Statement 2024
To approve the annual Pay Policy Statement.	

Cabinet - 17 April 2024

ITEM 71: ID: I032290	Joint Venture LLP for South Oxford Science Village
The report will update and seek approval for the proposed Joint Venture LLP and options arrangements for land allocated for development known as South Oxford Science Village.	

ITEM 63: ID: I033291	Integrated Performance Report for Q4 2022/23
To update Cabinet on finance, risk and corporate performance matters as at 31 March 2023.	

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OXFORD CITY COUNCIL

Proposed Scrutiny Work Schedule

February 2024 to April 2024

February 2024 – confirmed reports

Committee/Panel	Meeting date	Reports
Scrutiny Committee	06 February	Adult Exploitation Treasury Management Strategy 2024/25 Capital Strategy 2024/25 to 2027/28 Request for Exceptional Circumstances Relief from the Community Infrastructure Levy Budget 2024/25 (Budget Review Group report)
Climate and Environment	27 February	Net Zero Masterplan Energy Generation/Solar Potential on Council Buildings [presentation]

March 2024 – provisional reports

Committee/Panel	Meeting date	Reports
Scrutiny Committee	04 March	Tourism Review Group Update Thriving Communities Strategy Update Oxfordshire Food Strategy Action Plan Pay Policy Statement
Housing and Homelessness	07 March	Landlord Services Transformation (Social Housing (Regulation) Act Compliance) [presentation] Implementation of Selective

		Licensing Housing Ombudsman Complaint Handling Code Self-Assessment Tenant Satisfaction (STAR) Survey Allocation of Preventing Homelessness Grant 2024/25
Climate and Environment	20 March	Net Zero Masterplan
Finance and Performance	26 March	Scrutiny Performance Monitoring Integrated Performance Report Q3 2023/24 (*post Cabinet*) Social Value/Impact in Procurement Exempt Treasury Management Matters [discussion item]
Companies Scrutiny Panel	27 March	Business of the Shareholder and Joint Venture Group (members of the Companies Scrutiny Panel are invited to attend and participate)

April 2024 – provisional reports

Committee/Panel	Meeting date	Reports
Scrutiny Committee	11 April	Joint Venture LLP for South Oxford Science Village Integrated Performance Report for Q4 2022/23
Companies Scrutiny Panel	24 April	Business of the Shareholder and Joint Venture Group (members of the Companies Scrutiny Panel are invited to attend and participate)

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OXFORD CITY COUNCIL

To:	**Cabinet**
Date:	**24 January 2024**
Report of:	**Scrutiny Committee**
Title of Report:	**Leisure Services Contract Award**

Summary and recommendations	
Purpose of report:	To present Scrutiny Committee recommendations for Cabinet consideration and decision
Key decision:	No
Scrutiny Lead Member:	Councillor Lucy Pegg, Scrutiny Committee Chair
Cabinet Member:	Councillor Chewe Munkonge, Cabinet Member for Leisure and Parks
Corporate Priority:	Support Thriving Communities
Policy Framework:	Thriving Communities Strategy
Recommendation: That the Cabinet states whether it agrees or disagrees with the recommendations in the body of this report.	

Appendices	
Appendix A	Draft Cabinet response to recommendations of the Scrutiny Committee

Introduction and overview

1. The Scrutiny Committee met on 16 January 2024 to consider a report concerning the Leisure Services Contract Award. The report, which is due for Cabinet consideration on 24 January 2024, recommends that Cabinet awards a 10-year contract (with 5-year extension option) for managing and developing the Council's three leisure centres, Hinksey Outdoor Pool and the Oxford Ice Rink to Serco Leisure Ltd, subject to officers completing necessary due diligence and pre-contract negotiations; makes various delegations of authority to facilitate the contract award and smooth transition period; and agrees to receive annual reports on the performance of the leisure services and the contractor and to agree the business plan priorities for the following year.

2. The Committee would like to thank Councillor Munkonge (Cabinet Member for Leisure and Parks), Peter Matthew (Executive Director (Communities and People)),

Ian Brooke (Head of Community Services) and Emma Jackman (Head of Law and Governance) for attending the meeting to answer questions.

3. The Committee would also like to thank Jamie Slagel (public speaker) for attending to address the Committee on this item.

Summary and recommendations

4. Cllr Chewe Munkonge, Cabinet Member for Leisure and Parks introduced the report and outlined the procurement process which had been undertaken prior to the recommendation for Cabinet to award the contract to Serco Leisure Ltd. It was noted that other local authorities across the country were in the position of having to close their leisure centres and swimming pools, but Oxford was fortunately not in that position. There were a number of actions which were required to be taken following the award of the contract to ensure a smooth transition to the new provider. The Leisure Services Contract was a key deliverable within the Thriving Communities Strategy.

5. A request to speak on this item was submitted to the Scrutiny Committee in advance of the meeting. Jamie Slagel attended the meeting and highlighted a number of concerns in relation to the award of the contract to the proposed provider. The concerns shared with the Committee spanned a number of years and sectors (including the leisure sector) and particularly related to concerns regarding Serco Leisure Ltd's parent company. The Committee was urged to consider the financial, legal and reputational risk to the Council of awarding the contract to the recommended supplier, alongside the risks to residents in terms of health and safety. The Committee took the public address into consideration during deliberation on the item.

6. Overall, the Committee wished to record the fact that it had grave concerns about the award of the contract to the proposed provider. However, the Committee noted that there was no real alternative option given the risk of legal challenge (and associated financial risk) if the Council did not award the contract to the winning bidder without gathering significant and concrete evidence through due diligence that the proposed provider was not suitable; and due to the fact that the in-house proposal was not financially viable.

7. The Committee asked a range of questions, including questions relating to why the Council's in-house proposals for the provision of leisure services was exempt from publication; the Council's process for assessing reputational risk; the opportunities for input afforded to Members during the procurement process; the arrangements which would be established to manage and monitor the contract; proposed fees and charges for leisure services; the contractual implications in the case of any under-performance by the provider; the impact of the management fee on the Council's Medium Term Financial Strategy; social value; and the financial viability of the Council providing leisure services in-house.

8. In particular, the Committee discussed the reference in the report to the high costs of the in-house proposal for leisure services (*paragraph 21 in the Cabinet report*) and queried why there was additional information included in the exempt appendix setting out the in-house proposal which was relevant to the high costs, but had not been made public. The Committee was advised that consideration could be given to publishing more explicit and detailed information relating to the costs of the in-house

proposal. The reason why the in-house proposal was exempt from publication was to help with futureproofing, as the proposal contained commercially sensitive information and publishing it could disadvantage the Council if it wished to revisit the proposal at a future point in time. Every effort had been made to pull out the key parts of the proposal into the main Cabinet report without compromising commercially sensitive information, but further consideration could be given to this to ensure the maximum amount of information that could be made public was published.

Recommendation 1: That the Council publishes, in the public domain, a more detailed breakdown of the higher costs in relation to the in-house proposal, particularly in respect of expenditure and staffing.

9. The Committee noted the references in the report to arrangements being established to ensure the effective commissioning, delivery and management of the leisure services contract. Noting concerns and issues raised during the life of the current contract, the Committee was keen to receive further information on what these arrangements looked like as soon as possible. The Committee agreed it would also be beneficial for the Committee to understand the arrangements in place to ensure a smooth transition to the new contract.

Recommendation 2: That the Council reports back to the Scrutiny Committee as soon as possible with an update on the arrangements established for the effective commissioning, delivery and management of the leisure services contract – including the arrangements established to ensure a smooth transition to the new provider.

10. During discussion, the Committee raised concerns about the way in which the process around procuring a new leisure services provider had been managed in terms of Member engagement. Members did not feel that they had been given sufficient opportunity to input and highlighted that they had not received enough information, nor had it been received in a timely manner. As a result, the Committee agreed that lessons learned should be taken into account and applied to future large-scale procurement exercises to ensure the Council got Member engagement right.

11. It was also noted that the procurement exercise for the contract had started very close to the end date of the existing contract given the length of time required to run the whole process to award a new contract. This meant that the option to abandon the process and re-tender was not a viable one, as it would have risked the existing contract coming to an end before the process to award and mobilise the new contract had concluded. The Committee agreed it was vital that future procurement processes were started sufficiently in advance that the Council had the option to pause and reassess its options if required, including the option to abandon the process and re-tender.

Recommendation 3: That the Council takes account of lessons learned through the leisure services contract procurement process and takes measures to ensure that future procurement exercises for large-scale tenders are started sufficiently in advance so as to allow for adequate, meaningful and timely Member involvement and to allow the Council time to pause and

reassess its options if required – including the option to abandon the process and re-tender.

12. The Committee noted that there were restrictions on the level of information that Members could access during procurement processes – in particular that Members were unable to access individual bid submissions. The Committee was of the view that enhanced Member access to information during procurement processes would better enable Members to act in the best interests of the communities and residents they served.

Recommendation 4: That the Council makes representations to Central Government expressing the need for greater transparency in local authority procurement processes for Members, to better enable them to act in the best interests of the communities and residents that they represent.

13. Reference was made to the social value weightings placed on bid criteria and questions were raised as to why the social value weighting could not be increased from 10%. In response, the Committee was informed that this particular procurement exercise had a weighting of 60% for quality – which included aspects such as social value, equality, accessibility and inclusion – versus a 40% weighting for cost. The Committee reflected on comments made in relation to the importance of social value in previous years and agreed that it would be helpful if the Council published indicative evaluation matrices on its website so that Members and the public more widely could see what the Council was looking for from prospective bids.

14. In addition, it was noted that the Council was permitted to provide guidance to prospective bidders on what themes it wanted to see addressed within the social value criteria, however it was bidders' decision as to what to include in their bid in response to that guidance. The Committee agreed that it would be helpful if the principles of social value weightings were published on the Council's website, setting out the themes that the Council would like to see addressed in bid submissions – this would enable greater transparency for Members and the wider public.

Recommendation 5: That the Council publishes indicative evaluation matrices for future procurement exercises on the Council website, setting out what the Council is looking for from prospective bids.

Recommendation 6: That the Council publishes the principles of social value weightings in procurement exercises on the Council website.

15. Throughout the course of the meeting, the Committee expressed grave concerns in relation to the proposed provider of the leisure services contract. These largely related to reputational risk to the Council arising from the track-record of the company and its parent company, particularly when considering the Council's position as a Council of Sanctuary. Should Serco Leisure Ltd be awarded the contract by Cabinet on 24 January 2024, the Committee agreed that the Cabinet

should request that the company attends a Q&A session open to all Members to directly address and allay the concerns raised by the Scrutiny Committee. The Committee agreed that it would be prudent to seek a written response to the concerns in addition to the Q&A.

Recommendation 7: That the Cabinet requests that Serco Leisure Ltd, if awarded the leisure services contract, attends a Q&A meeting with Members to explicitly respond to the concerns raised by the Scrutiny Committee; and follows this up in writing to be circulated to all Members for information.

16. The Committee expressed its thanks to Jamie Slagel for attending to address the Committee and make his concerns known. As Cabinet was the ultimate decision-maker in relation to the leisure services contract, the Committee agreed it would be appropriate for the Cabinet to provide a written response to the public address made at the Scrutiny Committee, which could be shared with both the public speaker and the Scrutiny Committee.

Recommendation 8: That the Cabinet provides a written response to the public address delivered at the Scrutiny Committee meeting in relation to the report, which can be shared with the public speaker and the Scrutiny Committee.

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Appendix A
Draft Cabinet response to recommendations of the Scrutiny Committee

The document sets out the draft response of the Cabinet Member to recommendations made by the Scrutiny Committee on 16 January 2024 concerning the Leisure Services Contract Award report. The Cabinet is asked to amend and agree a formal response as appropriate.

Recommendation	***Agree?***	***Comment***
1) That the Council publishes, in the public domain, a more detailed breakdown of the higher costs in relation to the in-house proposal, particularly in respect of expenditure and staffing.	Yes	The total staffing cost for the in-house bid over 10 years is £35,710 million.
2) That the Council reports back to the Scrutiny Committee as soon as possible with an update on the arrangements established for the effective commissioning, delivery and management of the leisure services contract – including the arrangements established to ensure a smooth transition to the new provider.	Yes	Subject to Cabinet approval, we will engage with Serco to effect its detailed mobilisation plan to ensure smooth transition from Fusion. Council is also preparing detailed arrangements for effectively managing and clienting the effective delivery of the contract, including regular monitoring and reporting to appropriate Programme Board, CMT and lead members.
3) That the Council takes account of lessons learned through the leisure services contract procurement process and takes measures to ensure that future procurement exercises for large-scale tenders are started sufficiently in advance so as to allow for adequate, meaningful and timely Member involvement and to allow the Council time to pause and reassess its options if required – including the option to abandon the process and re-tender.	Yes	We will review the procurement exercise with a view to accommodating these recommendations in the future. It must be noted that complex procurements such as the leisure tender often take well over a year, and trying to design in the option to abandon from the start would lead to a longer process and risk value for money.
4) That the Council makes representations to Central Government expressing the need for greater transparency in local authority procurement processes for Members, to better enable them to act in the best interests of the communities and residents that they represent.	No	The Local Government Association (LGA) guidance provides that members should not be involved in the evaluation of bids. A combination of rules and laws means that members do not have an automatic right to information (see for example the Council's access to information rules which broadly set out what Members

		are entitled to see). Confidentiality is a key concern for bidders and contracting authorities in a procurement context. As members do not evaluate bids there is no basis for disclosure of the tenders to them.
5) That the Council publishes indicative evaluation matrices for future procurement exercises on the Council website, setting out what the Council is looking for from prospective bids.	Yes	
6) That the Council publishes the principles of social value weightings in procurement exercises on the Council website.	n/a	The Council already publishes the principles of social value weightings in procurement exercises on the Council website – see here.
7) That the Cabinet requests that Serco Leisure Ltd, if awarded the leisure services contract, attends a Q&A meeting with Members to explicitly respond to the concerns raised by the Scrutiny Committee; and follows this up in writing to be circulated to all Members for information.	Yes	Subject to the Cabinet decision, we will make these requests to Serco and work with officers to arrange a Q&A session with Scrutiny Committee.
8) That the Cabinet provides a written response to the public address delivered at the Scrutiny Committee meeting in relation to the report, which can be shared with the public speaker and the Scrutiny Committee.	Yes	

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OXFORD CITY COUNCIL

To:	**Cabinet**
Date:	**24 January 2024**
Report of:	**Scrutiny Committee**
Title of Report:	**Draft Corporate Strategy 2024-28 for Consultation**

Summary and recommendations	
Purpose of report:	To present Scrutiny Committee recommendations for Cabinet consideration and decision
Key decision:	No
Scrutiny Lead Member:	Councillor Lucy Pegg, Scrutiny Committee Chair
Cabinet Member:	Councillor Susan Brown, Leader of the Council
Corporate Priority:	All
Policy Framework:	Council Strategy
Recommendation: That the Cabinet states whether it agrees or disagrees with the recommendations in the body of this report.	

Appendices	
Appendix A	Draft Cabinet response to recommendations of the Scrutiny Committee

Introduction and overview

1. The Scrutiny Committee met on 16 January 2024 to consider a report concerning the Council's Draft Corporate Strategy 2024-28 for Consultation. The report, which is due for Cabinet consideration on 24 January 2024, recommends that Cabinet delegates authority to the Head of Corporate Strategy, in consultation with the Leader of the Council, to make any changes to the draft Corporate Strategy 2024-28 as may be required following its consideration by the Scrutiny Committee and then publish the draft Corporate Strategy 2024-28 for public consultation.

2. The Committee would like to thank Councillor Brown (Leader of the Council), Caroline Green (Chief Executive), Lucy Cherry (Policy and Partnerships Officer) and Clare Keen (Policy and Partnerships Officer) for attending the meeting to answer questions.

Summary and recommendations

3. Cllr Susan Brown, Leader of the Council introduced the report. This was a new version of the Council's Corporate Strategy and conversations had been held with a large number of partners and groups across the City to get as broad a range of views as possible. The intention was for the draft document to go out to public consultation to understand whether the Council had the current draft and proposed priorities right and whether the Council's ambitions reflected those of the City and its residents. The priority areas of focus outlined in the document were broadly similar to previous Corporate Strategies, with the main addition being a priority reflecting the efficiency and stability which was the foundation upon which the Council did everything else ('Well Run Council'). To complement the Corporate Strategy there was a separate, but related, piece of work being undertaken across the Council to develop a series of corporate key performance indicators (KPIs) to monitor progress in relation to the Council's priorities.

4. The Committee asked a range of questions, including questions relating to whether the Council's targets around housing were ambitious enough; prioritisation; how the different priorities interconnected; community wealth building; and the Council's work with anchor institutions.

5. In particular, the Committee discussed the prioritisation work being undertaken by the Council following feedback from the recent Local Government Association Corporate Peer Review and wanted to understand how that prioritisation was reflected in the draft Corporate Strategy 2024-28 compared to the Corporate Strategy 2020-24. While no work had been done to date to consider the changes between the two documents, the Committee was advised that this would likely be a useful exercise.

Recommendation 1: That the Council undertakes a comparative analysis to clearly set out what has changed between the current Corporate Strategy 2020-24 and the draft Corporate Strategy 2024-28 as a result of prioritisation.

6. The Committee held further discussion relating to the absence of the phrase 'community wealth building' within the draft Corporate Strategy 2024-28. While the Committee noted that the intention was to produce a jargon-free document for public consumption, it agreed that the principles of community wealth building were important and encompassed a wide variety of elements. The Committee agreed that, at the very least, language that reflected the principles of community wealth being should be incorporated into the document – and this should include a specific reference to 'shortened supply chains' within the 'Strong, Inclusive Economy' section.

Recommendation 2: That the Council incorporates references to community wealth building, or appropriate alternative language which reflects the principles of community wealth building, within the draft Corporate Strategy 2024-28 – to include explicit use of the phrase 'shortened supply chains' within the 'Strong, Inclusive Economy' section.

7. During discussion on the areas of focus set out on the first page of the draft Corporate Strategy 2024-28, the Committee noted that the reference to ‘facilitating more electric vehicle infrastructure’ under the climate action bullet point did not appear to be sufficiently high-level for that part of the document. It transpired that this was a drafting error and the Committee was satisfied that the alternative wording which had been omitted in error was much more suitable and high-level. However, the Committee was of the view that there was not enough emphasis within the ‘Zero Carbon Oxford’ section on working with partners across Oxford – particularly around understanding how different institutions’ decisions in relation to reducing emissions might impact other institutions and serve to just shift emissions from one organisation or area of the City to another. The Committee agreed that the draft strategy would benefit from the inclusion of wording to reflect a commitment to working holistically with partners in the interests of the City as a whole.

Recommendation 3: That the Council includes wording under the priorities within the ‘Zero Carbon Oxford’ section along the lines of ‘working in partnership with other institutions in Oxford to ensure a joined-up approach to tackling emissions’.

8. The Committee held further discussion in relation to the ambition to produce a jargon-free document. While the Committee agreed with the reasoning behind this, in the interests of making the document publicly accessible and digestible, there was some concern that the effort to exclude specific terms could lead to the strategy not actually making any defined commitments. As a compromise, the Committee suggested that the Council could include a glossary within the final document which would help to demystify key terms used within the strategy.

Recommendation 4: That the Council includes a glossary of key terms used throughout the Corporate Strategy 2024-28 in the final document.

9. It was important to the Committee that the priorities set out within the draft strategy were not considered in isolation and that the importance of the interaction and interconnectivity between them was recognised and clearly drawn out. Following discussion, it was noted that this could be done in the foreword of the final document.

Recommendation 5: That the Council draws out and emphasises the interaction and interconnectivity between the priorities of the Corporate Strategy 2024-28 within the foreword of the final document.

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Appendix A
Draft Cabinet response to recommendations of the Scrutiny Committee

The document sets out the draft response of the Cabinet Member to recommendations made by the Scrutiny Committee on 16 January 2024 concerning the Draft Corporate Strategy 2024-28 for Consultation. The Cabinet is asked to amend and agree a formal response as appropriate.

Recommendation	***Agree?***	***Comment***
1) That the Council undertakes a comparative analysis to clearly set out what has changed between the current Corporate Strategy 2020-24 and the draft Corporate Strategy 2024-28 as a result of prioritisation.		This work will be done as part of our response to the LGA peer review.
2) That the Council incorporates references to community wealth building, or appropriate alternative language which reflects the principles of community wealth building, within the draft Corporate Strategy 2024-28 – to include explicit use of the phrase ‘shortened supply chains’ within the ‘Strong, Inclusive Economy’ section.		The Corporate Strategy has been drafted to avoid the use of jargon or terms that are not widely understood by a general audience. We believe our commitments reflect some of the key principles of community wealth building in appropriate alternative language, in particular on the Oxford Living Wage, local economic development in disadvantaged areas, and using our procurement power to support local businesses, apprenticeships and better public spaces. We have consulted with the procurement team on including a reference to ‘shortened supply chains’. We believe that this is already implicit in our commitment to strengthening local supply chains, but we are unable to mandate or enforce shortened supply chains in our procurement. As part of strengthening our work with local businesses, we hold ‘meet the buyer’ events and ‘how to tender’ workshops primarily targeted at local businesses. On high-value contracts we ask bidders to detail their reliance on sub-contractors and name them.
3) That the Council includes wording under the priorities within the ‘Zero Carbon Oxford’ section along the lines of		We believe the commitments to work with partners to reduce building emissions across the city, and the

'working in partnership with other institutions in Oxford to ensure a joined-up approach to tackling emissions'.		commitment to work with partners on a Local Area Energy Plan to reduce emissions, amount to a commitment to a joined-up approach to tackling emissions while also giving more concrete and measurable actions.
4) That the Council includes a glossary of key terms used throughout the Corporate Strategy 2024-28 in the final document.		This will be included in the final published documents in June 2024.
5) That the Council draws out and emphasises the interaction and interconnectivity between the priorities of the Corporate Strategy 2024-28 within the foreword of the final document.		That was always the intention and will be included in the final published documents in June 2024.

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OXFORD CITY COUNCIL

To:	**Cabinet**
Date:	**24 January 2024**
Report of:	**Scrutiny Committee**
Title of Report:	**Private Rented Sector Regulation Policies – Results of Consultation**

Summary and recommendations	
Purpose of report:	To present Scrutiny Committee recommendations for Cabinet consideration and decision
Key decision:	No
Scrutiny Lead Member:	Councillor Lucy Pegg, Scrutiny Committee Chair
Cabinet Member:	Councillor Linda Smith, Cabinet Member for Housing
Corporate Priority:	All
Policy Framework:	Council Strategy 2020-24
Recommendation: That the Cabinet states whether it agrees or disagrees with the recommendations in the body of this report.	

Appendices	
Appendix A	Draft Cabinet response to recommendations of the Scrutiny Committee

Introduction and overview

1. The Scrutiny Committee met on 16 January 2024 to consider a report concerning Private Rented Sector Regulation Policies – Results of Consultation. The report, which is due for Cabinet consideration on 24 January 2024, recommends that Cabinet notes the results of the public consultation; approves the amended policies (Fit and Proper Person; Banning Orders & Rogue Landlord Database Entry; and Civil Penalties in Relation to Residential Enforcement); and delegates authority to the Head of Planning and Regulatory Services to review and update the policies in consultation with the Head of Law and Governance in the event that new legislation is enacted to give the Council powers to issue fines for private rented homes.

2. The Committee would like to thank Councillor Linda Smith (Cabinet Member for Housing), David Butler (Head of Planning and Regulatory Services) and Gail Siddall (Regulatory Services Manager) for attending the meeting to answer questions.

Summary and recommendations

3. Gail Siddall, Regulatory Services Manager introduced the report. The report sought to formalise policies and procedures which were already in use by the Council in relation to private rented sector regulation. Due to the nature of situations where the policies would be used, in that they would be used in very adverse situations where other options were not appropriate or had failed, it was important that the policies were transparent and that there had been the opportunity for feedback via the public consultation. Overall, 55 responses were received to the consultation which had demonstrated significant interest in the policies. Respondents had welcomed the opportunity to provide feedback on the policies and had confirmed that the policies were clear and transparent.

4. The Committee asked a range of questions, including questions relating to what happened to money received by the Council in respect of Civil Penalties; whether an individual could be on the Rogue Landlord Database without having a Banning Order as the policy seemed to suggest; whether the national Rogue Landlord Database was being properly utilised and working in the way it was intended; the Council's plans to ensure proper scrutiny of housing for asylum seekers; and whether the Council could include any requirements relating to domestic abuse within its private sector regulation policies.

5. In particular, the Committee discussed recent media announcements that asylum accommodation was to be excluded from the Regulator of Social Housing requirements. The requirements, introduced by the Social Housing (Regulation) Act 2023, would only apply to registered providers of social housing and only if the accommodation was leased as social housing; asylum accommodation did not normally fall under this category, which was why the Regulator's requirements would not apply to that type of accommodation. The Committee was informed that there were some anomalies in the national guidance in relation to the housing of asylum seekers and the Council could not apply Selective Licensing or HMO Licensing to asylum seeker accommodation.

6. However, where the Council received complaints in relation to asylum accommodation it did undertake reactive work to address them using appropriate legislation, which was not always housing-related legislation. It was very difficult for the Council to undertake proactive work in relation to asylum accommodation as it was not part of a licensing scheme. The Committee was assured that, although the Council had no legal powers in relation to asylum accommodation, it still took an active role as far as it possibly could in ensuring asylum seekers' needs were being addressed. The Committee agreed that the policies would benefit from clarification as to how their principles applied to social housing providers and asylum accommodation.

Recommendation 1: That the Council clarifies how the principles of its private rented sector regulation policies apply to social housing providers and housing for asylum seekers.

7. In addition, the Committee explored the Council's current role in ensuring issues around domestic abuse were addressed and incorporated into the policies, alongside ensuring they were joined up with other Council policies and the Council's

work towards achieving the Domestic Abuse Housing Alliance (DAHA) Accreditation. The Committee was advised that joined-up working could be explored in relation to domestic abuse if the legislation allowed for it, including taking action where the Council found contraventions or breaches of regulation.

Recommendation 2: That the Council explores the ways in which domestic abuse and the Council's work towards achieving Domestic Abuse Housing Alliance (DAHA) Accreditation can feed into its private rented sector regulation policies to ensure alignment across the organisation.

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Appendix A
Draft Cabinet response to recommendations of the Scrutiny Committee

The document sets out the draft response of the Cabinet Member to recommendations made by the Scrutiny Committee on 16 January 2024 concerning the Private Rented Sector Regulation Policies – Results of Consultation report. The Cabinet is asked to amend and agree a formal response as appropriate.

Recommendation	***Agree?***	***Comment***
1) That the Council clarifies how the principles of its private rented sector regulation policies apply to social housing providers and housing for asylum seekers.	Yes	This will be clarified when the policies are published, where the legislation and policies apply to such accommodation and providers.
2) That the Council explores the ways in which domestic abuse and the Council's work towards achieving Domestic Abuse Housing Alliance (DAHA) Accreditation can feed into its private rented sector regulation policies to ensure alignment across the organisation.	Yes	We will explore how these policies can align with the DAHA accreditation work area and update procedures where appropriate.

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OXFORD CITY COUNCIL

To:	**Cabinet**
Date:	**24 January 2024**
Report of:	**Scrutiny Committee**
Title of Report:	**DAHA Accreditation and Domestic Abuse Review Group Update**

Summary and recommendations	
Purpose of report:	To present Scrutiny Committee recommendations for Cabinet consideration and decision
Key decision:	No
Scrutiny Lead Member:	Councillor Lucy Pegg, Scrutiny Committee Chair
Cabinet Member:	Councillor Mark Lygo, Cabinet Member for Safer and Inclusive Communities
Corporate Priority:	Support Thriving Communities
Policy Framework:	Council Strategy 2020-24
Recommendation: That the Cabinet states whether it agrees or disagrees with the recommendations in the body of this report.	

Appendices	
Appendix A	Draft Cabinet response to recommendations of the Scrutiny Committee

Introduction and overview

1. The Scrutiny Committee met on 16 January 2024 to consider a report concerning the Council's progress towards the Domestic Abuse Housing Alliance (DAHA) Accreditation and progress made against the recommendations arising from the Domestic Abuse Review Group made in 2021.

2. The Committee would like to thank Councillor Lygo (Cabinet Member for Safer and Inclusive Communities), Richard Adams (Community Safety Service Manager) and Liz Jones (ASBIT Manager & Domestic Abuse Lead) for attending the meeting to answer questions.

Summary and recommendations

3. Cllr Mark Lygo, Cabinet Member for Safer and Inclusive Communities introduced the report. Of the 48 recommendations made by the Domestic Abuse Review Group and endorsed by the Scrutiny Committee in 2021, Cabinet had agreed 26, agreed 13 in part and not agreed 9. An update on each of the recommendations agreed or agreed in part was included in Appendix A to the report. The Committee had also requested an update on the Council's progress towards achieving the DAHA Accreditation, which was set out in the report.

4. The Committee asked a range of questions, including questions relating to the condition and suitability of safe accommodation; the Council's statutory duty to provide safe accommodation; housing needs; Temporary Accommodation; support for those fleeing domestic abuse; domestic abuse training; and funding for the DAHA Accreditation.

5. In particular, the Committee discussed reports received by Members in their capacity as ward councillors from distressed residents who had fled domestic abuse and were housed in safe and/or temporary accommodation. There were concerns that the accommodation provided was not always suitable (e.g. hotel accommodation), but it was noted that there was unprecedented housing demand in Oxford which was difficult to manage; proposals would be brought forward in due course to address the surge in demand, but the situation would not change overnight and the Council was doing all it could in the meantime to address a variety of complex housing needs, including those related to domestic abuse.

6. The Committee had specific concerns in relation to the inadequacy of cooking facilities in hotel accommodation, particularly where there were children involved in domestic abuse cases. In addition, concerns were raised about the adequacy of support provided to those housed in safe and/or temporary accommodation at such a traumatic time and the Committee queried the Council's ability to ensure the provision of more dedicated and intensive 1:1 support. The Committee was assured that this type of 1:1 support was provided, and Members were requested to escalate any cases that they were aware of where adequate support was not being provided, but the Committee was not satisfied that adequate support was being delivered on the ground and urged investigation into this matter to ensure victims and survivors of domestic abuse were supported.

Recommendation 1: That the Council investigates and assesses the adequacy and clarity of the support and signposting provided to victims and survivors of domestic abuse housed in safe and/or temporary accommodation.

7. In addition, the Committee noted that the funding from the Department for Levelling Up, Housing and Communities (DLUHC) which was being used to support the Council's work toward the DAHA Accreditation was currently expected to come to an end at the end of March 2025. There was an ongoing annual cost associated with maintaining the DAHA Accreditation once achieved; following questions, it was confirmed that maintaining Accreditation on an ongoing basis could be put at risk if no new funding streams were announced. The Committee also acknowledged that the Council had been given new statutory duties by Central Government without the

provision of additional resources to enable it to meet these new obligations, which put additional pressure on the Council's already limited resources.

Recommendation 2: That the Council proactively lobbies Central Government based on the horrific lived experiences of Oxford residents, stressing the urgent need for additional resources to support the Council in meeting its new statutory obligations relating to domestic abuse.

8. During further discussion in relation to the Council's additional statutory duties, it was noted that the legislation also covered the lived experiences of children. The Committee noted the importance of ensuring children's experiences were captured and addressed by the Council through its domestic abuse work.

   Recommendation 3: That the Council ensures that the lived experiences of children are captured and addressed by the Council through its domestic abuse work.

9. The Committee held a brief discussion in relation to domestic abuse training for Members. It was noted that there were plans to deliver training, but they had not yet been finalised; the Committee noted the importance of the training being delivered annually to ensure Members had adequate knowledge of domestic abuse and how they could support victims and survivors through their role as councillors. In addition, the Committee noted that the Council currently had a number of officer Domestic Abuse Champions. The Council currently had a number of Member Champions, but the Committee was not aware that there was a Member Champion specifically for Domestic Abuse. The Committee agreed that it would be useful for a Member Domestic Abuse Champion to be appointed.

   Recommendation 4: That the Council delivers domestic abuse training annually to Members going forward and appoints a Member as Domestic Abuse Champion.

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Appendix A
Draft Cabinet response to recommendations of the Scrutiny Committee

The document sets out the draft response of the Cabinet Member to recommendations made by the Scrutiny Committee on 16 January 2024 concerning the DAHA Accreditation and Domestic Abuse Review Group Update. The Cabinet is asked to amend and agree a formal response as appropriate.

Recommendation	***Agree?***	***Comment***
1) That the Council investigates and assesses the adequacy and clarity of the support and signposting provided to victims and survivors of domestic abuse housed in safe and/or temporary accommodation.	In Part	Concerns were raised about the safety of people fleeing domestic abuse in temporary accommodation and hotel settings. This area will be investigated but not sanctuary or refuge accommodation.
2) That the Council proactively lobbies Central Government based on the horrific lived experiences of Oxford residents, stressing the urgent need for additional resources to support the Council in meeting its new statutory obligations relating to domestic abuse.	Agree	This is a Member-led activity.
3) That the Council ensures that the lived experiences of children are captured and addressed by the Council through its domestic abuse work.	Agree	Data on children is captured through HClick, which includes those temporarily housed in bed/breakfast and our temporary housing stock.
4) That the Council delivers domestic abuse training annually to Members going forward and appoints a Member as Domestic Abuse Champion.	In Part	A wide range of domestic abuse training courses are available through the Oxfordshire Safeguarding Children Board (OSCB) website. Officers will review if a Member course is also needed and the addition of a Member Domestic Abuse Champion.

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OXFORD CITY COUNCIL

To:	**Cabinet**
Date:	**24 January 2024**
Report of:	**Climate and Environment Panel**
Title of Report:	**Biodiversity Action Plan for Oxford City Council Parks and Nature Areas – September 2023 Review**

Summary and recommendations	
Purpose of report:	To present Panel of the Scrutiny Committee recommendations for Cabinet consideration and decision
Key decision:	No
Scrutiny Lead Member:	Councillor Alex Hollingsworth, Panel Chair
Cabinet Member:	Cllr Chewe Munkonge, Deputy Leader (Non-Statutory) and Cabinet Member for Leisure and Parks
Corporate Priority:	Pursue a Zero Carbon Oxford
Policy Framework:	Council Strategy 2020-24
Recommendation: That the Cabinet states whether it agrees or disagrees with the recommendations in the body of this report.	

Appendices	
Appendix A	Draft Cabinet response to recommendations of the Scrutiny Committee

Introduction and overview

1. The Climate and Environment Panel met on 29 November 2023 to consider a review of the Biodiversity Action Plan for Oxford City Council Parks and Nature Areas undertaken in September 2023. The Action Plan was developed in 2020 when the initial Biodiversity Review for parks and nature areas was carried out; and set out a site-specific five-year action plan comprised of:

    - Top twelve priority projects (for the larger parks and nature areas).
    - Smaller urban parks.

2. The review of the Action Plan undertaken in September 2023 sought to assess progress against the actions. It was recommended that the Panel note and comment on the report and agree any recommendations.

3. The Panel would like to thank Councillor Chewe Munkonge (Deputy Leader (Non-Statutory) and Cabinet Member for Leisure and Parks) and Chris Bell (Green and Blue Spaces Development Manager) for attending the meeting to answer questions.

Summary and recommendations

4. Councillor Chewe Munkonge, Deputy Leader (Non-Statutory) and Cabinet Member for Leisure and Parks introduced the report, highlighting that there were only a small number of actions which had not been progressed and this was largely as a result of lack of available funding. Chris Bell, Green and Blue Spaces Development Manager added that the Biodiversity Review of Oxford City Council Parks and Nature Areas had been developed in 2020 to set out the Council's current progress and demonstrate what it was doing to promote and support biodiversity in Council parks and nature areas. He added that there was a lot of aspiration within the Council and highlighted the importance of identifying specific sites and projects where this aspiration could be delivered on the ground. There had been good progress made against the Action Plan, but there was still work to be done across the City.

5. The Panel asked a range of questions, including questions relating to the actions delivered which had been the most impactful; key areas where the Council still had more work to do; tree planting – specifically planting the right tree in the right place; ensuring the Action Plan was mainstreamed and not seen as an 'add-on'; the client-contractor relationship between the Council and Oxford Direct Services; data accessibility and mapping of sites/projects; and funding opportunities.

6. During discussion, the Panel noted that a Geographic Information System (GIS) project was underway at the Council and it would be useful if, as part of that project, consideration was given to collaborating with partners who hold relevant data and including an information layer within the GIS that identified particular landscapes and/or habits (e.g. peatland) alongside specific sites or projects which required funding – providing a centralised information asset. The Panel was of the view that, if this mapped information was made accessible to Members and the public then there would be opportunities for Members, community groups and the public more generally to locate projects near to them that they could support.

   Recommendation 1: That the Council, in collaboration with partners who hold relevant data, maps data relating to landscape and habitat type onto a centralised system (e.g. GIS) and populates with information about particular sites or projects which require funding; and makes this publicly accessible so that Members, community groups and the general public can find and support local projects near to them.

7. The Panel also discussed the important role of volunteers in biodiversity work and the importance of volunteer coordination, however noted the lack of resource capacity to facilitate volunteer coordination. There was agreement among the Panel that a recommendation around obtaining additional resource for volunteer coordination would not be helpful. Instead, the Panel agreed to frame a recommendation around how volunteer coordination could be delivered

with existing resource and become part of core ‘business as usual’ rather than ’add-on’ work which was nice to have.

Recommendation 2: That the Council explores how volunteer coordination could be delivered within existing resource as part of the Council’s core ‘business as usual’.

8. When considering the client-contractor relationship between the Council and Oxford Direct Services (ODS) in relation to the management of parks and green spaces, the Panel was interested in how the management contracts were structured. In particular, questions were raised around whether contracts were prescriptive in terms of undertaking a certain amount of work over a defined period of time, or whether they were more flexible and based on an output of supporting, protecting and enhancing biodiversity. The Panel was advised that contracts were not prescriptive, ODS held a lot of expertise and site-specific knowledge and the client-contractor relationship worked well.

9. The Panel noted minor concerns that, should there be a complete change of personnel within ODS, significant institutional memory could be lost in relation to site-specific knowledge and expertise, and in order to protect its interests it would be prudent for the Council to review the structure of contracts to ensure they are clear on whether the management of parks and green spaces is centred on prescriptive inputs (certain amount of work over a defined period of time) or outputs (supporting, protecting and enhancing biodiversity). Concerns around the loss of site-specific knowledge and expertise were noted as low likelihood but potentially large impact; the overall risk was deemed by the Panel to be low, therefore it agreed to recommend this as a longer-term piece of work.

Recommendation 3: That the Council reviews the structure of its contracts with Oxford Direct Services in relation to parks and green space management in the longer-term, to ensure that there is clarity within those contracts as to whether the management of parks and green spaces is led by prescriptive inputs (certain amount of work over a defined period of time) or outputs (supporting, protecting and enhancing biodiversity).

10. The Panel further discussed diverse landscapes and habitats and the different approaches required to support, protect and enhance biodiversity. The Green and Blue Spaces Development Manager advised that there had been a narrow focus on trees for some time, which had led to the planting of trees in environments which were not necessarily the most suited to trees (e.g. meadows, areas with peat deposits etc.); he further added that there was significant opportunity within Oxford to ‘green-up’ boundaries and thus enhance biodiversity, through the planting of hedgerows for example. The Panel agreed that there should be a focus on ensuring the right approach in the right place.

Recommendation 4: That the Council ensures the most appropriate approach for enhancing biodiversity is taken in its parks and nature areas according to environment on a site-by-site basis – with a focus on the right approach in the right place, rather than a uniform approach across all sites.

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Appendix A
Draft Cabinet response to recommendations of the Climate and Environment Panel of the Scrutiny Committee

The document sets out the draft response of the Cabinet Member to recommendations made by the Climate and Environment Panel on 29 November 2023 concerning the Biodiversity Action Plan for Oxford City Council Parks and Nature Areas – September 2023 Review. The Cabinet is asked to amend and agree a formal response as appropriate.

Recommendation	***Agree?***	***Comment***
1) That the Council, in collaboration with partners who hold relevant data, maps data relating to landscape and habitat type onto a centralised system (e.g. GIS) and populates with information about particular sites or projects which require funding; and makes this publicly accessible so that Members, community groups and the general public can find and support local projects near to them.	No	We recognise the benefits of this in line with the Scrutiny recommendation, however it would unfortunately require a significant amount of specialist officer time to coordinate, design, deliver and for ongoing review which is currently not budgeted or has identified officer capacity for. An option might be linked to the recent introduction of Biodiversity Net Gain (BNG) and this might be able to provide funding for much of the habitat enhancement projects required in future years.
2) That the Council explores how volunteer coordination could be delivered within existing resource as part of the Council's core 'business as usual'.	In Part	There will be ongoing work by the ODS Countryside Team to facilitate volunteering opportunities where possible as part of their day-to-day work, and also through the City Council's Green Spaces team with Friends of park groups. It would be challenging to expand this further without additional resource as the majority of people tend to volunteer at the weekends when there isn't dedicated resource. Officers would be able to continue to explore external funding opportunities that may link to this.

3) That the Council reviews the structure of its contracts with Oxford Direct Services in relation to parks and green space management in the longer-term, to ensure that there is clarity within those contracts as to whether the management of parks and green spaces is led by prescriptive inputs (certain amount of work over a defined period of time) or outputs (supporting, protecting and enhancing biodiversity).	No	There is a high level of commitment and expertise within ODS around the management of the green spaces for biodiversity. The OCC Biodiversity Review for its green spaces provides the Council's agreed approach and highlights the many habitat improvement projects and other conservation work successfully delivered over recent years. Whilst creating or completely renewing detailed specification contracts requires a significant amount of resource which isn't currently in place, the Council does have an OCC/ODS Client officer review meeting which might be appropriate to discuss key strategic areas within this.
4) That the Council ensures the most appropriate approach for enhancing biodiversity is taken in its parks and nature areas according to environment on a site-by-site basis – with a focus on the right approach in the right place, rather than a uniform approach across all sites.	Yes	This is very much already in place for the many habitats and other non-recreation and sports areas in OCC's parks and nature areas. This is particularly important in a location like Oxford where there is a significant variation in geology, hydrology and soil types. If managed empathetically these different topographies develop their own distinct habitats, flora and fauna, and thereby increase the overall range of biodiversity.

To:	**Cabinet**
Date:	**24 January 2024**
Report of:	**Climate and Environment Panel**
Title of Report:	**Retrofit**

Summary and recommendations	
Purpose of report:	To present Panel of the Scrutiny Committee recommendations for Cabinet consideration and decision
Key decision:	No
Scrutiny Lead Member:	Councillor Alex Hollingsworth, Panel Chair
Cabinet Member:	Cllr Anna Railton, Cabinet Member for Zero Carbon Oxford and Climate Justice
Corporate Priority:	Pursue a Zero Carbon Oxford
Policy Framework:	Council Strategy 2020-24
Recommendation: That the Cabinet states whether it agrees or disagrees with the recommendations in the body of this report.	

Appendices	
Appendix A	Draft Cabinet response to recommendations of the Scrutiny Committee

Introduction and overview

1. The Climate and Environment Panel met on 29 November 2023 to consider a Scrutiny-commissioned item on Retrofit. It was recommended that the Panel receive a presentation followed by an opportunity for discussion; and agree any recommendations.

2. The Panel would like to thank Councillor Anna Railton (Cabinet Member for Zero Carbon Oxford and Climate Justice) and Tina Mould (Head of Sustainability) for attending the meeting to present and answer questions.

Summary and recommendations

3. Councillor Anna Railton, Cabinet Member for Zero Carbon Oxford and Climate Justice delivered a presentation which set out an overview of issues including

FutureFit Oxford and Pioneering Places, on which the Council was anticipating a decision on grant funding imminently; Clean Heat Streets; Planning (permitted development) and Air Source Heat Pumps; the Council's Retrofit campaign; Social Housing Decarbonisation Fund; and retrofit of the Council's property portfolio.

4. The Panel asked a range of questions, including questions relating to the technical complexity of retrofit and how it could be demystified to encourage public engagement and uptake; promotion of and response to the Council's Retrofit campaign; community retrofit schemes; lessons learned from retrofit undertaken by the universities on listed buildings; and use of solar tiles.

5. During discussion, the Panel noted that the aim of the Council's Retrofit campaign was to make the topic of retrofit and the options available more easily digestible by the public; the Panel was interested in how information could be disseminated simply at scale to encourage retrofit uptake at scale. The Panel also recognised the importance of two-way communication in relation to retrofit; and that it would be useful for the Council to maintain a list of community groups and areas in the city where residents were interested in community retrofit measures, so that opportunities could be shared.

   Recommendation 1: That the Council, through its current Retrofit campaign and any future initiatives, ensures a focus on simplification and demystification of retrofit so that the options and processes are easily digestible by the public – thus encouraging uptake at scale.

   Recommendation 2: That the Council ensures an emphasis on two-way communication in relation to retrofit and maintains a list of interested community groups and areas of the city where residents are interested in community retrofit schemes, so that relevant information, intelligence and opportunities can be shared.

6. The Panel also discussed the possibility of the Council sharing a list of suppliers and/or installers of retrofit with residents via its communication channels. The Panel was clear that any list should not act as an accreditation or 'stamp of approval' from the Council for various suppliers, as this was outside the remit of the Council and any supplier issues could damage the Council's reputation, but simply sharing information about which suppliers are in the market (as other councils such as Cambridge and Bath had done).

   Recommendation 3: That the Council compiles a list of local retrofit suppliers/installers to share publicly so that residents can see which suppliers are in the retrofit market.

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Appendix A
Draft Cabinet response to recommendations of the Climate and Environment Panel of the Scrutiny Committee

The document sets out the draft response of the Cabinet Member to recommendations made by the Climate and Environment Panel on 29 November 2023 concerning the Retrofit item presented at the meeting. The Cabinet is asked to amend and agree a formal response as appropriate.

Recommendation	***Agree?***	***Comment***
1) That the Council, through its current Retrofit campaign and any future initiatives, ensures a focus on simplification and demystification of retrofit so that the options and processes are easily digestible by the public – thus encouraging uptake at scale.	Yes	The Council is delivering projects that aim to test retrofit solutions and give the public the opportunity to experience ‘living examples’ via open house events to see heat pumps and other retrofit solutions in situ. Two particular projects of note are: • The **Clean Heat Streets** project seeks to install up to 90 Air Source Heat Pumps in Rose Hill and Iffley. The project offers residents the opportunity to see heat pump installations and interact with heat pump ‘champions’ in the local community. The project also works with a ‘local convenor’ who offers one-on-one support for residents through their retrofit journey, and provides clear, simple advice. • The **House Like Mine** Project focusses on supporting residents, those on low income, and both Council and private tenants. The project also supports private landlords who house 32.2% of those that live in Oxford and therefore are a key

		stakeholder group to encourage retrofit solutions. The Council has created a webpage specifically to help these groups access advice and support for different types of retrofitting and grant opportunities, short films showcasing work already completed and actionable support to find an installer. The Council joint funds the Better Housing Better Health (BHBH) service with Oxfordshire County Council and the other districts. BHBH is a one-stop shop for energy advice. BHBH help us to administer and promote energy efficiency upgrade grants such as the Energy Company Obligation (ECO) scheme and the Great British Insulation Scheme (GBIS). We work together as a partnership to create useful materials on how to access grant funding and they offer support to residents with the grant application process. The Council is severely constrained in terms of funding and resource to offer deeper engagement in these areas. To combat these limitations, the Council leverages information and advice compiled by others via national entities such as the Energy Saving Trust, and at a local level, groups such as Low Carbon Hub, and other likeminded groups to disseminate information and offer support and advice.
2) That the Council ensures an emphasis on two-way communication in relation to retrofit and maintains a list of interested community groups and areas of the city where residents are interested in community retrofit schemes, so that relevant information, intelligence and opportunities can be shared.	Yes	Community engagement does take place via project work and in our work with several community groups who have an interest in community retrofit schemes. These groups include: • Communities for Zero Carbon • Oxford Local Carbon • Low Carbon Oxford North

		• Local Environmental Action Florence Park • Rose Hill & Iffley Low Carbon • Low Carbon Oxford South • Low Carbon West Oxford • Friends of the Earth Oxfordshire The Council has engaged with these groups and provided advice and support to community-based retrofit initiatives in the following ways: • Helped secure funding for community-based retrofit projects - e.g. Eco Open Doors event, which allows people to find and visit their neighbours to see what retrofit means in a local context. • Assisted with promotion of community-based events and projects that focus on retrofit. • Assisted with dissemination of the Housewarming Guides – simplified and easy to use handbooks for retrofitting in Oxford, produced by Low Carbon Oxford North. Clean Heat Streets has worked closely with the Rose Hill and Iffley Low Carbon Group to provide a targeted community-based approach and keep retrofit knowledge at the centre of the community. Engagement work to promote grant funding is ongoing and includes staff presentations at community outreach events such as the 50+ Network event and the Community Links Oxfordshire event. Staff also work in partnership with BBC Radio Oxford on their cost-of-living clinics in-person at Templars Square and attend food larders to talk to

		residents about grants.
3) That the Council compiles a list of local retrofit suppliers/installers to share publicly so that residents can see which suppliers are in the retrofit market.	No	The Council works with Low Carbon Hub who in turn work with CosyHomes who offer a number of retrofit services in Oxfordshire. More information is available here. Additionally, the Council's website gives signposted service to organisations who assess installers such as TrustMark, and the MCS certified installers list, where one can search via one's region to locate a suitable installer. Oxford City Council works in partnership with Better Housing Better Health to provide energy efficiency advice and access to grant funding for retrofit works. BHBH is run by the National Energy Foundation (NEF). NEF has a supplier network where TrustMark registered installers can be linked up to residents who qualify for funding such as ECO. The Council works with NEF to encourage suppliers to work with NEF and has requested NEF make this list public. A countywide source is the Climate Action Oxfordshire website offering a range of carbon cutting solutions including retrofit – it too signposts visitors to the site to local suppliers/organisations – e.g. this webpage for loft insulation or this webpage for energy assessments. The main energy homepage offers other options too.

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OXFORD CITY COUNCIL

To:	**Cabinet**
Date:	**7 February 2024**
Report of:	**Head of Financial Services**
Title of Report:	**Capital Strategy 2024/25 – 2027/28**

Summary and recommendations	
Purpose of report:	To present the Capital Strategy 2024/25 to 2027/28 for approval
Key decision:	No
Executive Board Member:	Councillor Ed Turner, Deputy Leader (Statutory) – Finance and Asset Management
Corporate Priority:	All
Policy Framework:	Council Strategy 2020-24
Recommendations: That Cabinet resolves to:	
1. **Recommend to Council** the approval of the Capital Strategy 2024/25 – 2027/28 attached at Appendix A.	

Appendices	
Appendix A	Capital Strategy 2024/25 – 2027/28

Introduction and background

1. Paragraph 18.11 of the Council's Constitution requires that a Capital Strategy is prepared and reviewed by Cabinet annually which includes:
   a. The principles the Council will follow in its capital planning and management;
   b. The methodology for inclusion of schemes within the Capital Programme; and
   c. The arrangements for the effective management of capital schemes.

   The details of capital schemes to be undertaken over the following four financial years are contained in the budget report and financing of these is detailed in the Treasury Management Strategy which are both considered elsewhere on this agenda.

2. The CIPFA 2021 Prudential Code includes 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.

3. There is a link between the Capital Strategy and the Treasury Strategy through cashflow implications and borrowing strategies and the Medium Term Financial Strategy in respect of the approval of the capital programme. 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, although will refer to the Treasury Management Strategy when appropriate.
4. The Council continues to have a significant capital investment programme and has adopted a methodology for identifying, selecting and monitoring capital projects. The Council believes that capital programme delivery is essential to support the services that the Council provides to its customers but must be affordable within the context of overall Council finances.
5. 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. The processes (as detailed in the Strategy) set out a clear path for approving a scheme for inclusion in the capital programme. Its aim is to ensure greater clarity about schemes in the programme and strong monitoring, in order to improve delivery and assist in prioritisation.
6. The Strategy also sets out the various types of 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.
7. The Capital Strategy at Appendix A includes some changes to bring figures and references up to date and some minor changes to ease understanding. Otherwise the strategy is fundamentally unchanged from last year.

Financial implications

8. 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.
9. The Head of Financial Service in his capacity as Chief Finance Officer believes that the Capital Strategy is deliverable and affordable within the parameters of the section 25 report on the robustness of the Council's budget and bears acceptable risks within that context.

Legal issues

10. Local authorities have powers to invest under section 12 Local Government act 2003 and s.1 Localism Act 2011
11. Local authorities also have Powers to acquire sell, appropriate and develop land under various legislation including section 120-123 Local Government Act 2003 section 277 and section 233 Town and Country Planning Act 1990.

Level of risk

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

Equalities impact

13. 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. The Equality Act 2010 Section 149 places a duty on public authorities to have due regard to equality impact and equality of opportunity considerations. No adverse impacts on any part of the community have been identified at this stage in relation to the capital strategy, however Oxford City Council will continue to consult with appropriate council officers to ensure all projects have due regard to the public sector equality duty.

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Background Papers:
The Treasury Management Strategy

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Appendix A

CAPITAL STRATEGY
2024/25 – 2027/28

January 2024

Index Page

Appendices

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. 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.

1.4 The latest Prudential Code includes a few requirements relating to the contents of the Treasury and Capital Strategies. These include:
a) Updates to the prudential indicators required (included in the Treasury Strategy);
b) Management Practices relating to non-Treasury capital expenditure. These are referenced through this capital strategy;
c) Separate consideration of treasury investments, commercial investments and service investments (the latter two being encompassed by the Council's capital expenditure).

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, associated revenue provisions and all required prudential indicators.

3. Capital Expenditure and Investment

3.1 Capital Expenditure, for the purpose of this strategy, can be defined as:
"The acquisition, construction or enhancement of fixed assets (non-current assets) (tangible and intangible) "

3.2 Expenditure can be capitalised where it relates to the:
- Acquisition, reclamation, enhancement or laying out of land.
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures.
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus vehicles or vessels.
- Expenditure incurred on works to any land or building in which the local authority has no future direct control or benefit from the resultant assets, which would be capital expenditure if the local authority had an interest in that land or building
- Loans or grants which will be used for one of these purposes

Enhancement of an existing fixed asset means:
1. To lengthen the useful life of the asset ;
2. To increase substantially the open market value of the asset ; or
3. To increase substantially the extent to which the asset can be used for the purposes of or in connection with the functions of Oxford City Council.

Over-riding all of this is a minimum amount of £5,000 that the Council has set under which value a project or scheme will not be treated as capital.

3.3 There are two additional situations where expenditure may be capitalised:
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure. These directions are only issued in exceptional or specific circumstances; and
- There is specific legislation that directs that certain expenditure or activity must be capitalised.

3.4 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 and can generate an income stream to the Council.

3.5 Expenditure incurred in relation to repairs and maintenance of existing assets, irrespective of the amount, is not classified as capital expenditure; it must be charged to the Revenue Account. Revenue

Expenditure is any expenditure which does not meet the definition of capital expenditure.

3.6 Where Council officers spend time on capital projects, the costs of this time can be capitalised where set criteria are met. Costs of Programme Manager employment are attributable to capital when it relates to work directly incurred though bringing an asset to the location & condition necessary for it be capable of operating in the manner intended by management, is only incurred because of the asset and would not otherwise have been needed in the ordinary course of business). Any costs of time spent on tasks which are administrative in nature, i.e. budget monitoring, project costing and project reporting, cannot be counted as capital expenditure.

3.7 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.

4.4 The Council's Corporate Plan 2020-2024 sets out the following four strategic priorities:

- **Foster an inclusive economy**
  Oxford needs a more inclusive economy in which wealth is distributed across our communities and where all residents can share the benefits of growth.
- **Deliver more affordable housing**
  Intervention is needed to address Oxford's housing crisis where existing homes are unaffordable for many and demand for good quality homes outstrips what is available.
- **Support flourishing communities**
  Oxford's diverse communities should be equipped, supported and enabled to ensure everyone is able to play a full part in the life of our city.
- **Pursue a zero carbon Oxford**
  The clear message from Oxford's Citizens' Assembly on Climate Change is that citizens want the city to continue to take a lead in reducing emissions and increasing biodiversity.

A fifth priority is proposed with a draft title of "Fit for the Future" but this has not as yet been adopted.

4.5 The Council's Business Plan for 2023/24 also includes a priority to ensure that the Council is fit for the future through being a well-run and efficient Council.

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

- Medium Term Financial Strategy
- Oxford Economic Growth Strategy
- Oxford Growth Strategy
- Regeneration Framework
- Asset Management Strategy and Action Plan
- Treasury Management Strategy
- Housing Strategies
- 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. Asset Management Strategy and Action Plan

5.1 The current Asset Management Strategy was adopted in 2021 and runs for a period of 10 years. It sets out the Councils strategy and approach to managing not only the operational property but also the investment portfolio. The strategy sets out the Councils ambition to maximise returns from the investment portfolio in order to support funding of vital Council services. This includes identifying, not only opportunities to generate a capital receipt but also opportunities for regeneration.

6. Commercial Investments and Service Investments

6.1 Pooled investment Funds (property funds and multi-asset funds) are classified as Commercial Investments in the Prudential Code. Whether this definition is appropriate is debateable, however in order to comply with the Prudential Code these are separated out in the Prudential Indicators included in the Treasury Management Strategy. The Council is not intending to take out any Commercial Investments. The Council has not and does not intend to borrow to invest primarily for financial return.

6.2 The Capital Programme includes all major projects of a capital nature. These projects relate to the delivery of Council services or responsibilities either directly or through another party. The Prudential Code refers to these as Service Investments. Consequently, this Capital Strategy outlines the processes and controls in relation to “Service Investments”.

6.3 “Service Investments” that involve loans to other parties to enable service delivery are shown separately in the Prudential Indicators included in the Treasury Management Strategy.

6.4 The main requirements of the Prudential Code relating to service and commercial investments are: -

a) The risks associated with service and commercial investments should be proportionate to financial capacity;
b) An authority must not borrow to invest for the primary purpose of commercial return;
c) It is not prudent for local authorities to make any investment or spending decision that will increase the Capital Financing Requirement (CFR) i.e. the underlying need to borrow to finance capital expenditure, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
d) An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;

7. External Drivers

7.1 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.

8. Setting the Capital Budget (Capital Management Practice 5)

8.1 Identifying Capital Expenditure / Investment Need

The need for a capital project may be identified through one or more of the following processes (with the exception of the final point which has to be in conjunction with another need):

- 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;
- Property management processes and condition surveys 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 (when in conjunction with another need).

8.2 Assessing Capital Expenditure / Investment Need

8.2.1 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

8.2.2 For capital expenditure in relation to loans to Council companies to provide services in line with the Council's strategic priorities and also other loans to support service initiatives, these are assessed on the ability to repay the initial loans and as a secondary consideration to provide an income return to the Council, not necessarily from the loan itself but from a future dividend return. This is assessed on a risk based approach compared to financial return.

8.3 Environmental Considerations in Capital Decision Making

8.3.1 There are many benefits to including sustainability or environmental criteria in the decision-making process when it comes to allocating capital resources.

8.3.2 “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.

8.3.3 One of the Council’s key priorities is for a reduction of 10% carbon emissions on installed measures following adoption of the “Zero Carbon Council by 2030: 4th Carbon Management Plan, 2021/22 to 2029/30” policy in February 2021. Project Managers are 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. The Council has a target of becoming a net zero Council by 2030 and also has a target of becoming a net zero carbon city by 2040 or earlier.

8.3.4 The Council’s internal business cases procedure for all major (>£500k) capital projects considers and costs for zero carbon (shadow cost) to allow it to make informed investment decisions and to go beyond policy and building regulations where possible and where appropriate, and where budget is available. This applies to all new projects that come forward. It is important to recognise that projects being built today have been in planning for several years and therefore some that will be built now predate this commitment. In some cases the additional costs of construction for zero carbon, especially at present given the inflationary pressures, may make the scheme uneconomic for the Council to progress with despite local need. This is accentuated for projects that do not generate income. This is especially relevant given the significant financial pressures faced by the council in the coming years. Where zero-carbon is not possible the working assumption is that the Council will future proof all new builds to ensure they are capable of becoming net zero (regulated energy) in the future as technologies improve.

8.3.5 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.

8.4 Key Questions

8.4.1 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

8.4.2 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).

8.4.3 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.

8.4.4 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.

Affordability

8.4.5 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-commissioning costs	Utilities 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	Business Rates

8.4.7 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.

8.4.8 Affordability in respect of investments in property will be a judgement as to whether the return, both financial and service benefit, after taking account of the cost of capital is sufficient.

8.4.9 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

8.4.10 The third question the Code poses relates to sustainability. In assessing whether a capital 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

8.5 Assessing the Impact of Capital Investment on Overall Finances

8.5.1 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.

8.5.2 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.

8.5.3 Projects can be considered during the year outside the normal budget process. These will take account of the prudential indicators set by the Council to ensure that there will be no breach of the indicators set by Council at the beginning of the year.

8.6 Prioritising Investment

8.6.1 The Capital Strategy plays an important role in the Council's service planning and budget process. Capital Expenditure projects are assessed and monitored using a comprehensive project management 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.

8.6.2 Capital Investments projects such as Loans to companies and purchase of property are assessed differently. When considering loans to companies the Council will consider any Business Plans available to ensure that the loans are sound and that the Councils money is secure. Purchase of property is assessed to ensure that there are no adverse financial impacts on the Council and that the property is being purchased to fulfil a policy objective of the council including for regeneration, optimisation of use, or for positive impacts to the Oxford economy. This may include purchase of property outside the City boundary where there is an impact on the City through its inclusion in the City's area of economic impact.

8.7 How Schemes Get Included in the Capital Programme – Large Projects

8.7.1 The Council believes that capital programme delivery is essential to support the services that the Council provides to its customers. To this end a Project Management Office and associated Project Development Team are in place and resourced.

8.7.2 The Development Board structure, supported by the Project Management Office has been set up oversee the assessment and review of most capital projects, and support and advice decision makers in line with the constitution and the Scheme of Delegation.

8.7.3 Once schemes have been developed to the business case stage and are no longer waiting as a pipeline project they may be presented to Cabinet for inclusion into the draft capital programme which is considered and recommended to full Council by Cabinet alongside the draft Medium Term Financial Plan. Full Council will approve the capital programme as part of the budget setting process at the February meeting each year.

8.7.4 Where capital projects are developed in year, i.e. after the approval at full Council in February of the budget and Capital Programme, Cabinet may approve any capital project for which there is funds within the approved capital budget as approved by full Council.

8.7.5 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.

8.7.6 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 Capital Project Process
- Approval from Cabinet to recommend the capital budget increase to Council and approve (conditionally) the capital project
- Approval from Council to allocate the in year addition to the capital budget .

8.7.7 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. Where the Council is involved in developing community assets, the projects incorporate community engagement. There is also consultation through the planning process.

8.8 How Schemes Get Included in the Capital Programme –ICT projects

8.8.1 ICT change requests for ICT schemes are considered by the Organisational Change Board.

8.8.2 Most projects will follow the route of capital requests going into the prioritisation process for draft capital budget inclusion, however a number of the schemes appearing before the Organisational Change Board will inevitably have a more urgent requirement and have an in-year capital requirement. This is intended to be the exception.

8.8.3 Where an approval of a new or additional capital budget is needed, the process for that approval is as explained in 8.7 above.

8.8.4 Organisational Change Board operates a benefits tracker which considers high level impacts. More detailed benefits tracking is being considered.

9. Performance Monitoring (Capital Management Practices 2 and 6)

Council in-house Capital Schemes.

9.1 Capital expenditure is reviewed for its legitimacy in meeting the definition of a capital purpose and is 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.

9.2 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.

9.3 Performance of the Council's Capital Programme is reported to the Cabinet via the Quarterly Integrated Report plus the out-turn report prepared by the Councils Section 151 Officer. The Integrated Reports to Cabinet also summarise the risk profile of the schemes in the capital programme. The Cabinet Member for Finance and Asset Management receives a detailed update on scheme progress and reports to Cabinet show the stage that each project is at and which projects are still subject to feasibility.

9.4 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 (Section 151 Officer) has authority to reschedule 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

9.5 This relates to capital expenditure on capital loans to Council owned or jointly owned companies. These schemes are included within the Council's capital programme and as such are reported on in the same way as other capital projects.

9.6 Loans to Companies will require the monitoring of the operations of the borrower with terms of the loan agreed by the Councils Section 151 Officer. This will take the form of performance and financial monitoring reports to Shareholders. The Shareholder can comment on any issue of concerns with a recommendation for corrective action where appropriate, with the ultimate sanction of loan call in. In addition to this, more regular monitoring of the performance of companies is undertaken by the Head of Financial Services (Section 151 Officer).

9.7 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. This is in line with the Council's Minimum Revenue Provision (MRP) statement.

10. Outline of the Capital Project Review Process (Capital Management Practices 5 and 6)

10.1 Projects and Capital funding bids will pass through a series of stages unless they are specifically exempted from this process (see 10.3). The process is designed to ensure that the bids and a project's progress are monitored and assessed through a robust process aligned to the Capital Strategy.

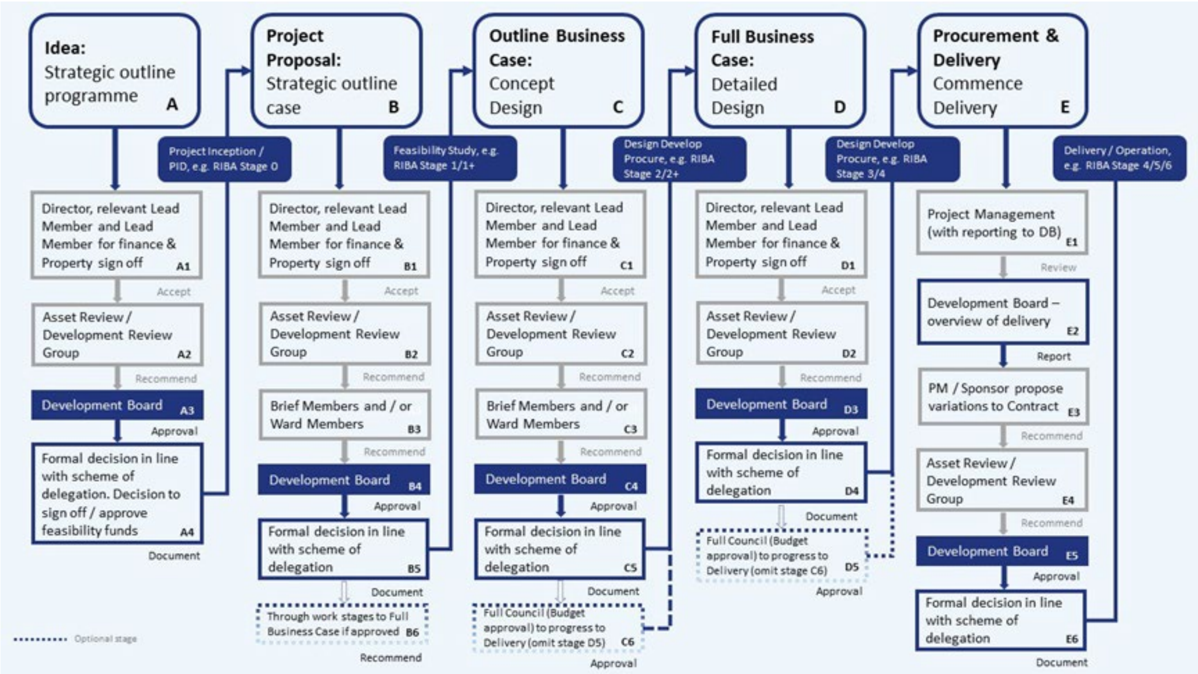
10.2 The process will require specific documentation to be completed and submitted for review and challenge at various stages. Capital funding bids are to be submitted by September of any year, and funding is approved, ready for release during the new Financial Year (beginning April); the documentation 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.

10.3 Some schemes will not need to go through the full process. 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.

10.4 A high level outline of the process is as follows:

- A project is proposed
- The proposal is reviewed and normally recommended to go through feasibility
- Projects in feasibility, as well all projects fully in the capital programme, are reported to Cabinet
- A business case, based on the feasibility outcome, is produced
- Agreed business cases go into the project pipeline
- Projects in the pipeline are put forward at relevant times for approval by Cabinet and entry into the capital programme where funding is allocated
- Capital Monitoring reports are incorporated into the quarterly integrated report and include the status of all schemes alongside financial information
- Project closure and lessons learnt.

The process to commencement of a project is outlined in the diagram below:



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

10.5 Governance arrangements for a project are to be proposed to the Development Board, who will revise or ratify the arrangements. Monitoring reports regarding the Capital Bid and Projects will continue to be submitted for review by the Development Board irrespective of whether authority has been delegated or not.

10.6 The six stages of the process are listed below and detailed in Appendix 1. The financial appraisal of capital projects, which will be summarised within the business case document, is detailed in Section 11.

- Ideas and proposals

- Feasibility and options appraisal
- Design and specification
- Pipeline
- Delivery
- Closure

11. Capital Funding

11.1 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.

11.2 The Council's Capital Programme is currently funded from the following sources:

- Capital Receipts
- Prudential Borrowing
- 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

11.3 Capital Receipts

11.3.1 The Council can recycle capital receipts generated from the disposal of assets back to fund both General Fund and HRA capital projects. Prior to financing, as at the 31 March 2023 the Council had £26.9 million of usable capital receipts available to fund capital spend of which £12.3 million is ringfenced to schemes that increase the supply of affordable housing with the balance being available to finance any other capital schemes.

11.3.2 The City Council owns many assets and 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 them and generate a capital receipt for funding the Capital Programme.

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

11.3.3 The Council has entered into an agreement with the Department for Levelling Up, Housing and Communities (DLUHC) 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 2023 the Council had £12.3 million of these receipts prior to financing.

11.4 Prudential Borrowing

11.4.1 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.

11.4.2 There is approximately £538.63 million of Prudential Borrowing anticipated from 2024/25 up to and including 2027/28. Of this, £197.76 million relates to General Fund financing and £340.87 million relates to HRA financing. These figures are assuming full funding of the capital programme without the application of an optimism bias. This is to fund the costs of social housing provision, repairs to Council properties, funding loans to Council companies plus some operational capital schemes.

11.4.3 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.

11.4.4 Prudential borrowing to fund capital projects brings the project into the scope of Minimum Revenue Provision (MRP) and will, 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 (with only a few exceptions). The basis for this MRP charge 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.

11.4.5 Prudential borrowing for property fund investments in the National Homelessness Property Fund and the making of loans to companies does not currently require an MRP since the loan will ultimately be repaid to the Council and within an agreed timescale. 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.

11.4.6 It is the view of both CIPFA and the Government that borrowing should not be used to finance commercial investments (investments intended primarily for financial gain). In the prudential code and treasury management code, there is a requirement to review whether any existing commercial investments are still appropriate to hold prior to using any additional borrowing to finance capital expenditure on them.

This is done on a case by case basis as and when any major works are needed on an investment (asset).

11.5 S106 Developer Contributions/Community Infrastructure Levy (CIL)

11.5.1 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.

11.5.2 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.

11.5.3 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 are needed. Links with Community organisations may need to be established and enhanced over time.

11.6 Revenue Contributions

11.6.1 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.

11.7 External funding

11.7.1 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.

11.8 Housing Revenue Account Specific Funding

11.8.1 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%. Under the Government Rent Standard, since 1/4/2020 rents may only be increased by CPI +1% for a period of 5 years for local authority and housing association social rents. Due to the high level of inflation the overall increase for 2023/24 was limited to 7% by the Government. This in turn limits the amount of funding available to finance capital expenditure because that reduced rent rise has impacts into the future. For 2024-25 the rent rise has been limited again to CPI in September 2023 i.e. 7.7% which the council is recommended to agree.

11.8.2 The HRA can utilise prudential borrowing. The HRA originally had a debt cap from 2012 but this cap has now been abolished by Central Government. The overall caveat now is that the borrowing is prudent and affordable. As a control mechanism on the amount of borrowing the council makes reference to the Interest Cover Rate (ICR) i.e. the number of times surpluses cover interest charges. The benchmark for this rate is 1.25 times. The HRA budget is set at a level that this level is at least achieved unless some temporary breach of this limit is specifically agreed with the Head of Financial Services (Section 151 Officer)

11.8.3 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.

11.8.4 The resulting HRA Capital Programme provides for renovation and improvement of existing housing stock and limited estate regeneration. Since the lifting of the HRA debt cap in 2018 there is now scope for purchasing or developing properties in the HRA. The Council makes use of this relaxation by purchasing social housing developed by the Councils Housing development company Oxford City Housing (Development) Ltd (OCHDL)

12. Financial Assessment of Business Cases (Capital Management Practice 5)

12.1 General

12.1.1 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.

12.1.2 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 must be agreed by the Chief Finance Officer prior to applying for grant funding**.

12.1.3 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.

12.2 Financial Analysis

12.2.1 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

12.2.2 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.

12.2.3 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, corporation tax and Stamp Duty Land 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.

12.2.4 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. 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.

12.2.5 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.

12.2.6 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.

12.2.7 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.

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

12.2.9 The following indicators can 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. The effect on the revenue position must be assessed end explained using whatever measures are appropriate for the project. (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.)

12.3 **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 16.

12.4 **Sensitivity Analysis**

12.4.1 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.

12.4.2 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 costs need to increase / savings need to reduce by to make the project unviable

12.5 **Business Case Financial Assessment**

12.5.1 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.

12.5.2 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.

12.5.3 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.

12.5.4 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).

12.6 **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.

12.7 **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

13. Existing Property Investments

13.1 First it would be helpful to consider the definition of commercial investments from the Prudential Code. ‘Commercial’ in this context refers to the purpose of the investment, not its nature. Investments for commercial purposes are undertaken as a commercial business activity seeking profit. Treasury management investments will be made on fully commercial terms, but they result from the organisation’s cash flows or treasury risk management activity; service investments may not always have fully commercial terms, and may involve some element of subsidy in order to support service objectives and in any case, the primary purpose of the loan is to enable the delivery of policy objectives as the key motivator. What distinguishes commercial investments from treasury management investments is the purpose of, and need for, the investment. The Prudential Code defines commercial investments as “taken or held primarily for financial return [and] not linked to treasury management activity”. “Primarily for financial return” means that the main reason for entering into the investment – or holding it – is to earn money. “Primarily” means “for the most part;

mainly", so that if the investment objectives were weighted, the weighting to financial return would have to be over 50% for it to be the primary purpose.

13.2 The intention behind the focus on commercial property is to ensure that Councils who have been purchasing commercial property for rent and, in many cases, have been borrowing to finance that purchase, have proper controls, skills and management systems in place.

13.3 The Council holds a number of properties which are classified for accounting purposes as investment properties. The definition of investment properties is:

- property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.

i.e. the property is held for capital or revenue gain rather than for service reasons.

13.4 However, although much of the property is classified as investment property, this is really only true in the shorter term. Over the longer term, the properties allow the Council to control the purpose and strategic direction of the city centre and, where necessary, to use influence on the local economy and to undertake regeneration from time to time. This can be seen in recent and ongoing activity of the council in the city centre.

13.5 In respect of Oxford City, the property rented out is largely historic in nature and certainly has not been purchased during the period where purchase of commercial properties in local government has come under the spotlight.

13.6 The Council has a substantial portfolio of properties that fall into the category under consideration here. The gross book value of these properties as at 31st March 2023 was £117.7 million. Estimated rent due to be received in 2023/24 was £10.2 million.

13.7 It is recognised that lease and covenant strength is a key factor in relation to the maintenance of property rental income levels and therefore potential tenants and lease agreements are assessed for:

- Tenancy Strength – the ability of the tenant to pay rent on time and in full.
- Lease length – the unexpired term of the lease and any break clauses in the lease
- The risk associated with a tenant vacating and the potential to attract good quality replacements tenants at acceptable rental levels
- Repairing and other terms within the lease agreement

13.8 The existing property portfolio is monitored on an ongoing basis by the Council's Property Team and is normally focussed on the risks associated with each tenancy, taking into account a number of factors including tenant those bullet pointed above. The focus has shifted to a shorter view because of the pandemic followed on by the general economic pressures as a result of energy and inflation. A tracker has been implemented which considers current arrears positions and records a summary of the latest position and contacts with tenants. The level of failures and voids is running much lower than had been anticipated early in the pandemic perhaps only 10-15% of where it was anticipated to be, noting that the initial impact was a significant rise in arrears impacting over a third of the rent roll.

13.9 Wherever voids have been experienced, there has been sufficient demand to re let these in the main albeit that rents are perhaps down around 30% on their pre-pandemic peaks. Conditions are expected to remain difficult over the next year or so but overall it is felt that void risk in the portfolio is perhaps two to three times its pre-pandemic level with the trend remaining flat before starting to reduce towards end of 2023.

14. Skills, Training and Qualifications (Capital Management Practice 10)

14.1 This is a new section that outlines skills, training and qualifications of those involved in capital projects (non-treasury investments). Capital expenditure is undertaken relating to most of the areas of the Council from time to time. This section therefore covers this issue at a high level.

14.2 Staff throughout departments have skills and qualifications relating to their service. These will therefore be transferable to delivering the service-based aspects of a capital scheme. These skills do not directly translate into project management skills. There is therefore a joined-up approach to delivering a capital scheme with technical service-based skills being provided by the relevant service areas, financial analysis being provided by accountancy staff as needed and project management, where necessary, being assigned to staff with skills in that area.

14.3 In respect of the Council's rental properties throughout the City, managing these requires a special skill-set. Staff within the Council's property team have experience dealing with commercial property both from within the public sector and also the private sector.

14.4 It is considered that the knowledge and skills available to the authority and confirmation that these are commensurate with the authority's risk appetite and activities.

15. Loans to Companies

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

15.2 Barton Oxford LLP

15.2.1 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.

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

15.2.3 The authority has contracted to purchase the 354 affordable dwellings which it will transfer to its Housing Company or to its Housing Revenue Account.

15.2.4 There is no loan as such to the Barton Oxford LLP, however the Council did transfer some of its land which it was expecting to receive a payment plus interest. Due in the main to adverse market conditions, it is no longer expected that the Council will receive payment for this land and so the long term debtor was fully impaired in 2018/19.

15.3 Oxford City Housing Ltd (OCHL) trading as OX Place

15.3.1 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 September 2016.

15.3.2 The Companies' business plan includes the purchase of Barton Park properties plus the development of multiple development sites resulting in social dwellings plus additional market and shared ownership dwellings. The social dwellings are planned to be purchased by the Council's Housing Revenue Account.

15.4 Oxwed LLP

15.4.1 In January 2016 the Council entered into a joint venture with Nuffield College forming OXWED Limited. 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.

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

15.4.3 The company has now been converted into a Limited Liability Partnership (LLP) with the partners being the Council and Nuffield College Developments 1 Ltd.

15.5 Oxford Direct Services

15.5.1 In 2017 the Council formed two wholly owned companies:

- Oxford Direct Services Limited, (ODSL) a Teckal company largely providing services back to the Council and
- Oxford Direct Service Trading Limited, (ODSTL) a Trading Company which initially was limited to commercial waste collection but has now been expanded to include all external trading activity

15.5.2 The two companies became operational on 1st April 2018.

15.5.3 The Council is and will remain the owner and purchaser 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.

15.6 **Loans to the Companies**

15.6.1 Over the four year life of the Council's Medium Term Financial Strategy to 2027/28 it is assumed that the Council will give additional loans to the Council's Housing Company to the value of around £110.7 million. During this period some existing loans will be repaid with the maximum year end outstanding housing company loans being expected to be £125.2 million. Whereas these are not treasury investments, there is however a positive impact on the Council's net investment income due to a mark-up being charged on the loans of 3.2% on all new loans awarded to the development company and 1.5% on all new loans awarded to the investment company. This markup is charged in order for the loan terms to be compliant with subsidy control measures which seek to ensure that loans are given at a market rate so that public subsidy does not provide competitive advantage to the borrower. The markup is assessed as the rate that needs to be added to the Public Works Loans Board rate in order to approximate a market rate which would take account of credit rating, risk and collateral.

15.6.2 As at the end of December 2023 the Council have given loans to Oxwed LLP to the value of £13.29 million with accrued interest novated to the LLP from OxWED Ltd of £3.79 million. Cumulative interest on both principal and novated interest elements to 31st March 2023 was £1.38 million with ongoing interest of £1.16 million upwards per annum.

15.6.2 As at 1st April 2023 the following loans that the Council had given to the companies were outstanding:

- £17.80 million to OCHIL for the purchase of properties from the Housing Revenue Account and at Barton Park
- £27.50 million to OCHDL for the purchase of land and development costs
- £13.04 million to OxWED for the purchase of land and working capital

15.6.3 Further loans have been granted during 2023/24:

- £3.30 million to OCHIL for the purchase of Barton properties

- £0.25 million to OXWED for working capital

15.6.4 There are plans for further capital loans to the Housing Company to the value of £30.7 million for OCHIL, and £70 million for OCHDL up to and including 2027/28.

15.6.5 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 their 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.

15.6.6 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. Under current rules, 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 provides these loans under service powers rather than its Treasury Management investment powers.

15.6.7 Interest rates charged on the loans are set with reference to:

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

15.6.8 Loan agreements are 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.

15.7 **Other Considerations**

15.7.1 Where the Council provides loans to another organisation to enable service delivery, there are protections that are included in legal agreements / arrangements and other considerations to consider. These are:

a) Provision of collateral – ensuring that it can be legally enforced – or other means of ensuring that the Council’s funds are protected
b) Interest rate to be charged to ensure that the charge is at a commercial rate or otherwise does not adversely affect the market (this links to subsidy control)

c) Risk of the loan, both in respect of additional liabilities that may fall on the Council and also potential loss of investment
d) Legal agreements that cover responsibilities of the Council and the other party under the arrangement
e) Ensuring that the arrangement does not breach subsidy control rules and that any public subsidy that is in place is properly documented and recorded

16. Transformation Funding Strategy

16.1 As a general rule it is not lawful to use capital resources to finance revenue expenditure; this is based on legislation applying to local authorities. DCLG issued the Statutory Guidance on the Flexible Use of Capital Receipts in March 2016. The Local Government Act 2003 ("the Act"), section 15(1) requires a local authority "… to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify …". The guidance on use of capital receipts flexibility is issued under section 15(1) of the Act and authorities are therefore required to have regard to it. A Direction made under section 16(2)(b) of the Act was also published to give the actual statutory powers to apply this flexibility. A new Secretary of State direction was issued in August 2022 allowing capitalisation of transformation costs up to an including the financial year 2024/25.

16.2 Oxford Direct Services Limited has undertaken a transformation project. The overall intention of the Transformation project is to transform the operations of Oxford Direct Services (ODS), increase their competitiveness and therefore increase the dividend paid back to the Council. The increase in the dividend would therefore need to be assessed under these regulations in respect of the success of the transformation. The project consisted of a number of elements including the replacement of assets, restructuring the workforce and improving the ICT systems used by the Company.

16.3 The costs of the ODS transformation related to technology, project management, consultancy and voluntary redundancy were revenue in nature. The revenue costs relating to the were funded by the Council using a £1.25 million grant which the Council capitalised using these directions which was formally approved by the Council to fund this after considering the projected returns from the capitalised revenue aspects of the project. The capital grant was approved to be paid to ODS on the condition that it is repayable if the increased efficiencies and the increased dividend to the Council are not achieved.

16.4 Local authorities cannot borrow to finance the revenue costs of service reform and transformation. Local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered. Local authorities may not use their existing stock of capital receipts to finance the revenue costs of reform. There are sufficient capital receipts both from general sales and from the repayment of the vehicle leases in place between the Council and Oxford Direct Services Limited to finance the capitalisation of the Oxford Direct Services transformation costs.

16.5 The progress and delivery of the capitalised revenue cost element must be reported on an annual basis within the Capital Strategy or another document or report which is considered by the Full Council. Due to the effects of the Covid-19 pandemic and delays in the implementation of the QL computer system, the planned savings to ODS have been understandably delayed. ODS remains confident that the expected efficiencies can still be achieved, although in later years than originally anticipated.

17. Risk Management (Capital Strategy Management Practice 1)

17.1 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. Risks relating to capital schemes should be proportionate to the Council's capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;

17.2 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.

17.3 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.

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

17.5 It is important to identify the appetite for risk by each scheme and for the capital programme as a whole.

17.6 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.

17.7 In producing its capital plans, the Council will ensure that its approach to activities is proportional to its overall resources so that undue risk is not placed on the Council's future financial position.

17.8 The Following risks should be considered 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.

- 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.

17.9 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.

18. <u>Other Considerations</u>

Capital Schemes must comply with legislation, such as the Equality Act 2010, the General Data Protection Regulations (GDPR), building regulations etc.

Appendix 1

Capital Scheme and Major Projects Process (Capital Management Practice 5)

Introduction

This is an indication of the processes which are undertaken based on the processes in place at the time of writing, although these processes may change at any time.

Overview

A capital project involves the acquisition, construction or enhancement of a fixed asset such as a building, physical infrastructure, or vehicles, plant and machinery. Capital expenditure can also include loans and grants for capital purposes, and also spending on intangible assets such as ICT systems.

The Council has a significant capital programme of projects that support its priorities. An overview of the Council's capital programme by project type is included on the Spending Plans pages on the Council's website (https://www.oxford.gov.uk/info/20157/our_spending/352/spending_plans).

Projects range from major redevelopment schemes in the city through to rolling programmes of works to maintain and enhance existing assets in order to best meet the needs of residents. Examples of on-going and recently completed capital projects can be found on the Building Projects pages on the Council's website.

A new capital project idea requires approval via a number of controlled gateway stages in order to be included in the capital programme and proceed to delivery. This process follows the Council's Capital Strategy and is overseen by Development Board.

Change projects, which look to improve how the Council works or provide its services, are overseen by Organisation Change Board.

Development Board is an officer group is in place to ensure:

- Strategic alignment of all developments
- Support delivery of corporate targets for housing, jobs and community
- Manage Council assets to deliver improved outcomes for residents and/or maximise return on investment
- Ensure resources are in place at all stages of project development from concept to delivery for successful delivery of projects
- Escalation point for exceptions reporting including feeder groups Development Review Group, Asset Review Groups and also Housing Supply Board.

Development Review Group (DRG) reviews proposals and business cases for new capital projects and makes recommendations to Development Board. DRG provides challenge, advice and support on capital projects at all stages to support their development or delivery.

Asset Review Group (ARG) provides strategic alignment of all property asset matters, and is responsible for Health and Safety and CDM compliance for General Fund assets. ARG also monitors progress on maintenance programmes. Project proposals responding to compliance requirements or repairs and maintenance therefore typically go through ARG in the first instance.

Projects will be worked up through a number of controlled stages. On completion of a stage, the enabling body will approve the project to continue to the next stage or may prematurely close the project.

The process aims that all projects should:
- Maximise our resource
- Work collaboratively
- Not be afraid to fail

The council's project delivery process is made up of six stages:
1. **Ideas and proposals** – identifying a concept, providing more information and identifying resources needed
2. **Feasibility and options appraisal** – developing an idea/proposal and identifying any issues that need to be overcome or may prevent your project progressing
3. **Design and Specification** – develop the business case and establish the requirements and full costs to enable successful delivery of the project
4. **Pipeline** – agreed projects that are waiting for confirmation of funding
5. **Delivery** – implementing the approved project in line with the business case
6. **Closure** – reviewing the delivered project to see what went well and what lessons can be learned

On completion of a gateway stage, Development Board will consider recommendations from DRG and ARG and decide whether a project continues to the next stage, if more work is required, or if a project is closed.

The Project Management Office (PMO) team is in place to support the delivery of projects and associated processes, including support to Development Board, Development Review Group and Asset Review Group.

Ideas and proposals

Ideas can 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 clearly what the idea is
- provide supporting information on why it should be prioritised
- identify the resources needed to take it forward

Submitting a project proposal

Ideas and proposals need to be:

- supported and agreed by the relevant Head of Service
- put forward using the Project Initiation Document (PID) template to the Project Management Office (PMO) by email

The PID template requires all project proposals to link to a least one Corporate Objective, and the outline key project impacts, whether beneficial or potentially unfavourable.

Project proposals need to demonstrate compliance with corporate policy including health and safety standards, and on carbon and environmental impacts. Please follow the links below to the relevant guidance:

- Carbon and Environmental Considerations in Projects
- OCC Health and Safety Standard

Possible outcomes

There are a number of outcomes to a project proposal:

- it may be rejected by DRG
- It may be recommended by DRG but rejected by Development Board
- it may be added to the pipeline of future project

Project Team – Roles and Responsibilities and Internal Resourcing Implications

The PID form requires a project sponsor, and proposed project team to be identified along with the appropriate governance arrangements e.g. a dedicated Project Board for larger projects, or potentially through DRG for smaller projects.

It is important for project managers to engage with the various Service Area's teams who will be required to support a proposed project, and the PID form will help prompt this process and identify potential resourcing cost implications. DRG and ARG will advise on project resourcing issues, as appropriate, as part of the gateway review process.

Feasibility funding

A proposal scheme may need feasibility funding to help it progress. Feasibility funding bids will need to cover both the external resources requirements and the cost of internal officer resource as identified through a PID form. The feasibility fund budget is available to support the development of projects at their early gateway stages:

- **Proposal** – to help develop the project proposal
- **Feasibility** – to help develop of the outline business case
- **Design & Technical Specification** – to help develop the full business case

<u>Use of the feasibility fund</u>

Allocated feasibility funding **can be** used to:

- to procure external goods, services and resources as required
- to secure project resources (if this is for an individual project)
- fund internal services, such as Project Management, Corporate Property, Legal and Finance time supporting the project on a timesheet basis

It **cannot** be used to:

- to recruit general resources that will be used across more than one project
- if the project it is for cannot be 'capitalised' (i.e. is a revenue project not creating an asset)

It is important to be aware that if the project doesn't progress to the construction of an asset, the sum advanced will become a revenue cost for the service

<u>Making a request for feasibility funding</u>

Project managers must develop and submit proposals and outline business cases to the Development Review Group. This can include requests for feasibility funding. These documents are assessed and recommendations on next steps are then made for Development Board consideration.

Should Development Board accept the recommendations of DRG, the R&D Feasibility Fund sum will be allocated.

<u>Accounting for feasibility funding</u>

A full business case will need to:

- ensure the project budget requirement includes any previously used R&D Feasibility Fund allocations
- include any revenue funds used in the recruitment of a project resource

<u>Transferring revenue to capital funding</u>

It may be possible to move legitimate capitalisable costs initially coded to revenue to a newly approved capital budget once approved by Council **unless**:

- the revenue cost was in a previous financial year
- the request was made too close to the budget approval process

<u>Officer decisions and the allocation of feasibility funding</u>

The value of the R&D Feasibility Fund is set as part of the annual capital budget process with ongoing oversight by the Development Board's Development Review Group. It should be noted that, where requested sums are £10,000 or more, the Council is legally required to publish the decision to spend the money.

The Project Management Office (PMO) will assist with the completion of the ‘delegated decisions to officers’ form and seek signatures of the decision taker and confirming officers who include the Head of Financial Services (Section 151 Officer) and the Monitoring Officer.

Recording feasibility funding allocations

The PMO and Financial Services maintain a register of projects, and this will include any feasibility sums allocated. Financial Services will vire any agreed sum from the R&D Feasibility Fund to the appropriate project budget code.

The Head of Financial Services will remain the ‘Approver’ of expenditure, as set out in the scheme of delegation, within the Agresso financial system. This ensures there is no unauthorized expenditure from the overall budget code.

Writing a good proposal

A good proposal would ideally meet one or more of these criteria:

- it meets one or more of our corporate priorities
- it is essential work
- it generates income or leads to service improvements
- it saves the council money
- it makes a difference to local communities
- has a positive impact on the environment

Feasibility and options appraisal

This stage is primarily for large capital projects. Smaller scale and ICT projects will move directly to the design and specification stage.

The feasibility and options appraisal stage is about developing the idea/proposal and identifying any issues that need to be overcome or may prevent the project progressing. 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. This stage 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.

There are a number of things to consider when entering into the feasibility stage. What to consider:

1. What options have been considered
2. What consents and from which agencies are these required?
    - What is the timescale for delivery of these?
    - Are they showstoppers?
3. What will it cost and how will it be funded
4. What is the return on investment? How long will it take to deliver? What other benefits are anticipated?
5. What other benefits will there be – financial or non-financial
6. What risks have you identified and how have they been managed or plans to mitigate?

7. Are there Corporate Impact Assessments needed e.g. Equalities Impact Assessment, Privacy Impact Assessment
8. CDM pre-construction checklist
9. Corporate Health & Safety
10. What resources will you need for the next stage (either implementation or detailed design)
11. Who will be on the team?
    - Oxford Direct Services?
    - Other internal?
    - External support?
12. Direct Services to express interest in project and demonstrate competency/value for money
13. External influences
    - Procurement
    - Funding/Grants
    - Members
    - Planning – both our the Council's own Planning Service and outside
14. Soft market testing
15. Roadmap for implementation – including proposed start date
16. Lessons learned

Site surveys
This stage may require you to consider site surveys and Construction Design and Management (CDM) will need to be considered.

Writing an Outline Business Case

An Outline Business Case that is supported and agreed by the relevant Head of Service should be completed using the template which is available on the PMO intranet pages. Supporting feasibility reports and documentation should also be submitted along with the Business Case.

Smartsheet 'Project Updates' will be issued during this stage.

Feasibility funding

Feasibility funding may be needed to support the development of the project.

Outline business case

A good Outline Business Case would ideally meet one or more of these criteria:

- the proposed project is feasible, viable and deliverable
- it will continue to meet corporate priorities
- it is essential work
- it will still generate income or lead to service improvement
- it still looks like it will make a difference to local communities

Design and Specification

Large capital projects will need to have been through the feasibility and options stage before this stage. This stage will develop the business case and establish the requirements and full costs to enable successful delivery of the project.

Full Business Case

A Full Business Case that is supported and agreed by the relevant Head of Service should be completed using the template which is available on the PMO intranet pages. Supporting feasibility reports and documentation should also be submitted along with the Business Case.

Review and recommendations

The PMO will review any submitted Business Case through DRG. There are four recommendations that DRG may make:

- The Business Case needs further information/revision. The Business Case form will be returned to the author describing what additional information is required
- The Business Case will not be progressed
- The Business Case will be progressed but to be added to a pipeline of projects for future delivery
- The Business Case will be submitted to
    - the Development Board for capital programme evaluation (for large capital projects
    - Operational Delivery Group (for smaller scale and ICT projects)

For large capital projects

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. Development Board will make recommendations to the Corporate Management Team (CMT) regarding the projects to be included in the Capital Programme.

For smaller scale and ICT projects

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.

Funding

The Council has a defined process for agreeing the budget for the next financial year. Adding budget to the capital programme for a new project, or increasing the budget allocation for an existing project requires approval by Full Council. Additions to the capital programme normally take place as part of the annual budget setting process to enable schemes to be prioritised and funded as part of the Council's overall medium term financial plan. Individual projects may seek in-year budget approval through Cabinet and Full Council where Development Board and CMT have agreed to do so. For example, this could be appropriate where a project is funded from external grant and there are time constraints involved, or if the project will deliver a significant return to the council.

Contingency Budget
Allocating an appropriate contingency budget at all project stages is important. Whilst it is not possible to remove all risk from projects, and the risks vary depending on the project, we can apply consistent principles to minimise exposure to risk. Risk changes through the life of the project, with greatest potential variance early when less is known.

The City Council's capital programme is inevitably impacted by market inflationary pressures, so a balance needs to be struck between ensuring future inflationary costs are covered, and avoiding making projects appear unviable by adding worst case scenario contingency levels.

Contingency setting principles:

1. Be clear what the contingency is, what it is for and how it will be managed on a project by project basis. This requires:
- A specific section in proposal forms to be added so it is clear what the design and construction contingency assumed is with an explanation as to why that level was considered appropriate. This should be informed by a sensitivity test on emerging budget figures to understand the potential risks and costs. For example you may want to hold greater contingency early on in projects or when dealing with refurbishment with greater level of unknowns as opposed to new build.
- Guidance on setting contingency to be added to the PMO guidance as part of guidance review following audit.
- Account codes within capital cost centres need to be added so project costs can be reported in more detail in reporting this can be more accurately monitored.
2. Apply sensitivity testing when setting project budgets moving forward and set a wider budget envelope within delegations to continue a project without needing further delays through Cabinet processes that could have been avoided through greater sensitivity testing.
3. Clarity in budget setting process that project budgets need to be reviewed at each design stage. Although budgets are reviewed and monitored regularly by Project Managers there needs to be a clearer understanding that budgets may need to be reviewed and amended at each design stage. It is not realistic to expect the budget to be unchanged over a number of years. This needs to be made clear in the capital budget setting process wherever possible.
4. New capital project feasibility to assume 40% contingency on overall project costs as starting point and reduce down through the project stages as required.
5. A contingency line is included within the capital programme, and managed through the Development Board process.

6. A project seeking contingency funding due to inflationary pressure needs to bring a proposal setting out the issues and any impacts on the business.

Projects pipeline

This stage is a holding position and relates to projects whose full business case has been agreed but is awaiting confirmation of the funding being included in the Council's capital budget. A number of business cases may be received, and recommended for progression, throughout the year. These business cases will form a pipeline of potential projects. These business cases will be evaluated against a set of criteria which will prioritise them and enable Development Board and CMT to indicate which business cases to take forward, and therefore, what budget to request from Council.

In some cases projects may proceed straight to Cabinet / Full Council for in-year budget approval following approval of their business case. Projects will only by-pass the pipeline stage in this way where there is a clear rationale to proceed, such as meeting external funding requirements.

Project delivery and progress monitoring

Once approved, projects are delivered against their full business case. Periodic update reports enable the Development Board, Operational Delivery Group and Corporate Management Team to monitor costs, current status, risks, and issues relating to delivery.

How projects are monitored

Project updates

The Council uses Smartsheets to:

- request project updates from project managers
- update project spend against projects

Update requests are issued by email on 8th of each month with the update provided within 5 working days. The information is then reviewed as follows:

- Directors and Heads of Service review progress for all schemes to enable the effective management of the capital programme;
- Directors view confirmed values regarding forecast outturn and variation (including slippage) against latest budgets including reasons for variations
- Head of Finance uses progress information and commentary to present internal monthly monitoring reports and feed into quarterly monitoring reports to Cabinet;
- Directors review, on a monthly basis, a list of schemes where an update has not been provided.

Project reporting

Information gathered from Smartsheet project updates is used to produce monthly reports on progress. Progress reports include progress commentary, a summary of key risks and issues, financial forecasting against budget, and an overview of the project programme highlighting progress against the next agreed milestone. Reports are shared with Directors and Heads of Service via the Development Board Teams channel.

Monitoring individual projects

There are supporting tools which are not mandatory within the Project Management methodology, however project managers may find them useful to support delivery of their project:

- Project workbook
- Client projects checklist
- Pre-construction checklist

Viewing project financial information

Project managers are able to view current Financial information regarding their projects using the Agresso reporting tool.

Project closure and lessons learned

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

- communication,
- stakeholders,
- planning,
- risk,
- issue management,
- governance

Each project is unique but individual aspects will be common across them all, and the success or failure of a project may be assisted by learning from the good practices or issues faced by previous or similar projects.

Project closure report

A Closure report template, supported and agreed by the relevant Head of Service needs to be produced when a project ends. This needs to be sent to the PMO along with supporting reports and documentation.

Lessons learned

The Council maintains a lessons learned report which is the accumulation of lessons learned from projects across the Council. This is fully searchable by project, by category and by lesson content. Project managers should review the log to identify lessons that may assist in the planning and preparation of their own project.

The importance of reviewing the lessons learned log is to help to:

- Avoid mistakes and issues that occurred in previous, similar projects
- Repeat the actions, processes and practices that worked well in other previous, similar projects

A Lessons learned checklist is available to assist in collecting lessons learned. It offers a variety of questions that may be asked to determine which elements of the project should be avoided in the future, and which aspects should be repeated in future projects.

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OXFORD CITY COUNCIL

To:	**Cabinet**
Date:	**7 February 2024**
Report of:	**Head of Financial Services**
Title of Report:	**Treasury Management Strategy 2024/25**

Summary and recommendations	
Purpose of report:	To present the Council's Treasury Management Strategy for 2024/25 together with the Prudential Indicators for 2024/25 to 2027/28
Key decision:	Yes
Executive Board Member:	Councillor Ed Turner, Deputy Leader (Statutory) and Cabinet Member for Finance and Asset Management
Corporate Priority:	All
Policy Framework:	Council Strategy 2024-25

Recommendations: That Cabinet resolves to:

Recommend that Council approves:

1. The Treasury Management Strategy 2024/25 as set out in paragraphs 12 to 60 of this report and the Prudential Indicators for 2024/25 – 2027/28 as set out in Appendix 2;
2. The Borrowing Strategy 2024/25 at paragraphs 34 to 36 of this report;
3. The Minimum Revenue Provision (MRP) Statement at Appendix 3 which sets out the Council's policy on charging borrowing to the revenue account;
4. The Investment Strategy for 2024/25 and the investment criteria as set out in paragraphs 38 to 56 of this report and in Appendix 1; and
5 The Treasury Management Scheme of Delegation at Appendix 4.

Appendices	
Appendix 1	Credit and Counterparty Risk Management
Appendix 2	Prudential Indicators 2024/25 – 2027/28
Appendix 3	Minimum Revenue Provision (MRP) Statement and Policy
Appendix 4	Environmental, Social and Governance (ESG) Policy
Appendix 5	Scheme of Delegation
Appendix 6	Risk Register

Summary

1. The Council's Treasury Management Strategy has been written in accordance with the CIPFA Prudential Code, the CIPFA Treasury Management Code of Practice (the Codes) and the Department of Levelling Up, Housing and Communities' (DLUHC) Guidance on Local Government Investments.

2. The report presents the Council's Prudential Indicators for 2024/25 – 2027/2028. 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 31st December 2023 was £61.3 million. The actual daily value fluctuated between £82.7 million and £42.4 million. For the previous calendar year, average balances were £107.7 million and daily values ranged from £135.0 million to £82.7 million.

4. All external debt as at 31 March 2023 (£198.5m) relates to the Housing Revenue Account (HRA) self-financing debt originally 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 receipts and prudential borrowing. However, due to the scale of investment over the period to 2024/25 to 2027/28, including the loans to the Council's wholly owned housing company (£100.7 million), the level of prudential borrowing will increase to over £904.3 million in 2027/28 from the projected £394.0 million at the end of 2023/24. Borrowing from internal resources will be maximised on the General Fund, however much of the borrowing will need to be from external resources with anticipated external borrowing increasing from £198.5 million to £795.5 million in 2027/28. The Housing Revenue Account Capital Programme is largely funded from council house rents over time but includes £413.4 million borrowing from 2023/24 to 2027/28. Since the Council operates a two pool system for borrowing, any prudential borrowing on the HRA will be funded by external borrowing to the same value.

6. The CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice were revised in late 2021 and these versions have been fully adopted from 2023/24 onwards in line with the required adoption timescale.

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 in more detail by the Capital Strategy. There have been changes to the indicators in line with the requirements of the codes.

8. The Department for Levelling Up, Housing and Communities (DLUHC) has recently undertaken an additional consultation on the detail of proposed changes to regulations around Minimum Revenue Provision (MRP). Although the outcome of this is not yet known, the treasury budgets and, consequently, the Prudential Indicators include the latest assessment of potential financial impacts which,

based on the latest consultation documents are now expected to have limited impact on the Council. The driver for this change was to restrict local authorities financing capital expenditure on investments in commercial projects made primarily for yield, although it has wider implications. The Government has already closed access to all Public Works Loans Board (PWLB) borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.

Key Changes from Previous Years

9. The results from latest consultation on the statutory guidance on MRP and associated capital regulations will not be known, according to the timetable, until mid-March. One of the changes is in respect of the MRP Policy making specific reference to the regulations. The MRP Policy has therefore been separated from this report into an appendix for ease of update. There are no substantive changes needed to the MRP Policy from previous years except for making reference to the regulations which, for the purposes of the approval of the MRP Policy for 2024/25, will refer to the draft regulations as currently published.

Interest and Economic Outlook

10. The Council has appointed Link Group as its treasury advisor and part of the service is to assist the Council to formulate a view on interest rates. Link Group provided the forecasts below on 8th January 2024. This includes forecasts for Public Works Loans Board (PWLB) interest rates which represent gilt yields plus 80 bps (0.8%) and a forecast of the bank rate based on market data as at the date of publication.

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

11. Link Group's suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows: -

2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

This shows the expected trajectory in interest rates. This profile has been built into the Council's Medium Term Financial Plan.

Treasury Management Strategy Statement

Background

12. 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 counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

13. 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.

14. 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. Additionally reserves and balances are forecast to reduce over the short to medium term which will lead to reduced balances available for investment or to use for internal borrowing.

15. Whilst any 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 and need different consideration and due diligence.

16. 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."

Treasury Management Advisors

17. Treasury advice and market information is provided by Link Group. A procurement exercise was undertaken during 2023 and the contract was awarded to Link Group in November 2023 for 3 years and options to extend for a further 2

periods of 2 years each (to a maximum contract length of 7 years). The information provided by Link Group that is used for making investment decisions has been considered in the writing of this report and its associated appendices.

18. 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.

Training

19. The CIPFA Treasury Management Code requires the responsible officer to ensure that officers and members with responsibility for treasury management receive adequate training in treasury management. This focus of this is on members responsible for scrutiny.

20. The code also says that authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

21. The training needs of treasury management officers are periodically reviewed. A formal record of the training received by officers central to the Treasury function will be maintained by the Treasury Manager. Similarly, a formal record of the treasury management / capital finance training received by members will also be maintained.

22. Officers will identify a training plan to be delivered over 2024/25, probably using the independent expertise of the Council's treasury advisors, Link Group.

Bank Account Management

23. Bank accounts for the Council and its wholly owned companies are with the same banker. The bank accounts have a grouping arrangement in place which means that overall there are limits of a net overdraft of £100k and aggregate overdraft balances cannot exceed £5 million.

24. The daily treasury function aims to keep net overnight balances as close to zero as possible to maximise the level of funds invested and balances between accounts are managed by making temporary cash transfers between the entities.

25. Interest is paid / charged based on the true balance (i.e. excluding any temporary cash transfers). Overdrawn balances are charged at a rate based on PWLB 1 year borrowing rates plus a supplement to account for arms-length transfer pricing; interest is paid at the average interest earnt on investments (excluding the pooled funds).

Borrowing and Debt

26. 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. The arrangements also facilitate 'invest to save' schemes where they are affordable, prudent and sustainable.

27. In the Prudential Code guidance, CIPFA has defined the Council's investments in Property Funds and Multi Asset Funds as "Commercial Investments". It then goes on to say "Authorities with existing commercial investments (including property) are not required by this Code to sell these investments. Such authorities may carry out prudent active management and rebalancing of their portfolios. However, authorities that have an expected need to borrow should review options for exiting their financial investments for commercial purposes and summarise the review in their annual treasury management or investment strategies." Accordingly, the Council's Chief Financial Officer has considered these investments and does not believe that divesting from them is prudent or appropriate given the current economic climate and also does not consider that divestment is in the best interest of the Council or its Medium Term Financial Plan at this time.

28. 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.

29. The Council's draft Capital Programme for 2024/25 to 2027/28, which appears elsewhere on the Agenda; includes the £510.3 million expenditure which is currently planned to be financed by borrowing of which £413.4 million relates to the Housing Revenue Account.

30. The Council Chief Financial Officer (the Section 151 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; and
- The impact of borrowing in advance on cash balances and the consequent increase in counterparty risk.

31. Council officers, in conjunction with the Council's treasury advisors, Link Group, 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.

32. 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, was made at the end of 2020/21. Debt to the same value was taken out in order to replace the debt repaid. The first repayment of the remaining existing debt, in the sum of £20 million, will now take place in 2025-26 and it is currently expected that this will be refinanced.

33. 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 reputable 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.

Borrowing Strategy 2024/25

34. The Council had an estimated £78.1 million internal borrowing as at 1st April 2023. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with external loan debt because cash supporting the Council's reserves, balances and cash flow has been used as a funding source. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

35. 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, and the increased fluctuations in cashflow being experienced, caution will be adopted with the 2024/25 treasury operations. Additionally the Council will consider carefully when to take out borrowing, balancing the need for cash to fund capital expenditure and the cost of borrowing:
    - 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

36. 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. 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 earlier borrowing will be closely monitored.

Minimum Revenue Provision (MRP) Statement 2024/25

37. The Minimum Revenue Provision (MRP) Statement and Policy is now shown in Appendix 3.

Annual Investment Strategy 2024/25

38. This Treasury Management Strategy and the Annual Investment Strategy deals solely with treasury management investments; the categories of service delivery and commercial investments are addressed as part of the Capital Strategy report and appendix and also appear within the Prudential Indicators set out in appendix 2 to this report.

Management of Risk

39. The Department for Levelling Up, Housing and Communities (DLUHC) 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 Council's treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy which is presented in a separate report.

40. The Council's investment policy has regard to the following:
    - DLUHC's (then MHCLG) Guidance on Local Government Investments ("the Guidance")
    - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
    - CIPFA Prudential Code for Capital Finance 2021
    - Prudential Code for Capital Finance Guidance Notes 2021

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

41. The guidance from DLUHC 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:
    a) 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.

b) **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.

c) **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.

d) 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.

42. 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, MHCLG 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 1st April 2018. Even were this over-ride removed now, this would not give cause for concern since the value of investments is higher than the original balance sheet value, although it is worth noting this may not always be the case.

Investment Levels and Interest Rates

43. The average value of the Council's investments during the calendar year to 31st December 2023 was £61.3 million. The actual daily value fluctuated between £82.7 million and £42.4 million. For the previous calendar year, average balances were £107.7 million and daily values ranged from £135.0 million to £82.7 million.

Investment Durations

44. Most existing investment deal terms are for 6 months or 364 days. 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

45. 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).

46. The Council utilises the creditworthiness services provided by Link Group. 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 (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.

47. The Council is alerted to changes to ratings by Link Group's 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 counterparty is temporarily suspended pending the credit rating agency's full review.

48. As part of the creditworthiness methodology a minimum sovereign rating equal to the UK sovereign rating from Fitch (or equivalent from other agencies if Fitch does not provide one) has been determined.

49. In addition to the recommendations from Link Group, the S151 Officer and the Council's 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 31st 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.

50. To ensure that the Investment 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.

51. 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

52. 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.

53. The Investment 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 365 days, it also falls into the Specified Investment category.

54. Non-specified investments are any other type of investment including pooled investment 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% of the previous full year's average monthly investment balance to 31st December, or £25 million, whichever is the greater. The Council currently has £10 million of property investments; £7 million with Lothbury property fund and £3 million with CCLA Investment Management Ltd property fund and £5 million with each of the Fidelity and Artemis multi asset funds.

55. Investments may be arranged in advance. 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 364 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

56. 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)

There is an Environmental, Social and Governance (ESG) Policy attached at Appendix 4. This will be refined over time as more consistent metrics are developed but it is an important step in raising the consideration of ESG matters, informing investment decisions and offering appropriate challenge where there is room for improvement.

Prudential Indicators

57. 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 2023/24 – 2027/28 and will be monitored and reported on an annual basis.

Other implications

58. Environmental Impact –the inclusion of the Ethical Investment Policy, ensures that, through the Council's treasury management investments, the Council will not knowingly, directly invest in businesses that undertake harmful environmental activities. In addition, environmental measures are covered in our Environmental, Social and Governance policy in Appendix 4.

Financial implications

59. 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 2024/25 to 2027/28 are as follows:

	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Interest Payable	15,171	20,714	25,414	30,329
Interest from companies on borrowing	-3,413	-4,434	-5,834	-7,434
Transfer from HRA	-14,018	-18,011	-20,535	-23,800
Treasury management investment interest	-1,718	-1,456	-1,432	-1,456
Net investment interest	-3,978	-3,187	-2,387	-2,361

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

Legal issues

61. 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.
    - 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 Section 3 of the Local Government Act 2003.
    - Agreeing the Annual Investment Strategy, this sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

62. 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.

63. The Council's Constitution requires the Treasury Management Strategy to be reported to the Cabinet on an annual basis outlining the expected treasury activity for the forthcoming four years and for it to be approved by a Council meeting.

Level of risk

64. Risks are managed as set out in this report and appendices.

65. The value of property funds is reliant on the value of the property held by the funds and of multi-asset funds on the value of the assets held by those funds. Property and investment asset values can go down as well as up. The Funds that the Council uses are monitored to ensure that they hold an asset portfolio which will mitigate the risk of specific sectors suffering a loss. 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 UK's exit from the EU and changes in markets, especially retail. The regular returns from multi-asset funds are from income returns which are reliant on the earnings of the underlying assets. Increases and decreases in the value of 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 the next few years. Returns from the funds are around 3 to 4% of the original investment value.

Equalities impact

66. The Council has adopted an ethical investment policy to help reduce the environmental, health and wellbeing impacts that could potentially arise from investments. There are no other equalities impacts relating to this report.

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Background Papers: None

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APPENDIX 1

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

The Department of Communities and Local Government (CLG) issued Investment Guidance in 2018, and this informs the structure and content 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 information setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's associated risk exposure. These are included in the Capital Strategy in the relevant section.

Environmental, Social and Governance (ESG) Considerations
These are included within Appendix 3 and shall be considered alongside and forms part of the restrictions included in this Treasury Management Strategy.

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.

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 364 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. Where the date of trade is reached and the interest rate is market equivalent or better, these forward deals will be considered as being specified investments from that point.

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	AA	£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 30% of the previous calendar year's total investment portfolio or £30 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

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

NOTE

Prudential Indicator figures for 2022/23 are based on figures which are still subject to audit and may be affected by the 2021/22 position which is still undergoing audit.

Definitions

Service Investments

The Prudential Code requires Councils to provide prudential indicators in respect of service investments separate from treasury investments but does not provide a specific definition of what a service investment includes. There is a danger that these could be taken to include all of the activities of the Council. It is important therefore that service investments, for the purposes of the prudential indicators, are strictly defined. For these indicators, service investment the definition used is as follows:

> A transaction which is directly involved in or results in the delivery of a service, results in a balance sheet asset and which arises from the use of a loan or provision of funding and that is repayable at some point in the future.

Commercial Investments

In the Prudential Code guidance, CIPFA considers that "an investment that is not a service investment and is of a long-term nature (e.g. equities, commercial properties, long-term bonds, or pooled funds of these investments) is likely to be a 'commercial investment' if made by an authority that is a net borrower, because an authority that has a cash need to borrow is unlikely to have surplus cash for long enough to justify such long-term investments." Therefore, for the purposes of the treasury management strategy and the prudential indicators, the Council's investments in Property and Multi-Asset Funds are considered to be "Commercial Investments". It should be noted that holding these investments does not adversely affect the Council being able to borrow from the Public Works Loans Board (PWLB).

Net revenue stream

According to the Prudential Code, estimates for net revenue stream for current and future years should be the local authority's estimates of the amounts to be met from government grants and local taxpayers, using the equivalent figures from the local authority's original/revised budget where available. Estimates and actuals should therefore exclude capital grants, contributions and donated assets. Since there are many general grants which are one-off in nature, for the purposes of these indicators only grants which are ongoing over the medium term will be included in these figures.

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 2024/25 to 2027/28 based on the Council's draft Capital Programme are summarised below, along with the figures for the previous year and forecast for the current year, 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 Investments
    - Service Investments
    - Other General Fund
    - HRA
4. A table showing the overall position and also separate tables for each of the General Fund and Housing Revenue Account are included,
5. 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.
6. 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 – Overall

Overall	2022/23 Draft £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Commercial investments	0.0	0.0	0.0	0.0	0.0	0.0
Service Investments	6,521.0	13,147.0	17,801.6	27,924.2	31,789.1	26,962.2
Other General Fund	22,813.9	66,705.7	59,662.2	42,094.4	42,044.0	18,474.8
HRA	45,563.0	60,536.8	158,254.9	110,645.3	88,845.5	125,180.4
Total expenditure	**74,897.9**	**140,389.5**	**235,718.7**	**180,663.9**	**162,678.6**	**170,617.4**
Financed by:						
Developer Contributions	2,247.2	9,802.7	7,973.2	2,213.3	340.0	0.0
Capital Grants	8,983.3	28,020.2	13,733.6	27,297.0	1,746.0	1,823.0
Capital Receipts	5,753.2	21,953.7	24,324.2	27,163.3	12,939.0	19,356.2
Revenue	6,036.8	2,868.8	12,367.0	4,901.0	5,857.0	7,936.0
Major Repairs Reserve	6,610.1	9,706.6	9,900.7	10,127.6	10,380.4	10,661.7
Sub Total	29,630.6	72,352.0	68,298.7	71,702.2	31,262.4	39,776.9
Prudential Borrowing	**45,267.3**	**68,037.5**	**167,420.1**	**108,961.7**	**131,416.2**	**130,840.5**
Total funding	**74,897.9**	**140,389.5**	**235,718.8**	**180,663.9**	**162,678.6**	**170,617.4**

Table 2:- Capital Expenditure and Financing – General Fund

General Fund	2022/23 Draft £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Commercial investments	0.0	0.0	0.0	0.0	0.0	0.0
Service Investments	6,521.0	13,147.0	17,801.6	27,924.2	31,789.1	26,962.2
Other General Fund	22,813.9	66,705.7	59,662.2	42,094.4	42,044.0	18,474.8
Total expenditure	**29,334.9**	**79,852.7**	**77,463.8**	**70,018.6**	**73,833.1**	**45,437.0**
Financed by:						
Developer Contributions	2,247.2	9,802.7	7,973.2	2,213.3	340.0	0.0
Capital Grants	6,353.3	20,853.7	9,221.6	1,200.0	1,200.0	1,200.0
Capital Receipts	4,862.2	19,961.7	17,165.1	11,776.3	8,721.0	7,977.2
Revenue	1,484.6	2,868.8	0.0	0.0	0.0	0.0
Sub Total	14,947.3	53,486.9	34,359.9	15,189.6	10,261.0	9,177.2
Prudential Borrowing	**14,387.6**	**26,365.8**	**43,103.9**	**54,829.0**	**63,572.1**	**36,259.8**
Total funding	**29,334.9**	**79,852.7**	**77,463.8**	**70,018.6**	**73,833.1**	**45,437.0**

Table 3:- Capital Expenditure and Financing – Housing Revenue Account

Housing Revenue Account	2022/23 Draft £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
HRA	45,563.0	60,536.8	158,254.9	110,645.3	88,845.5	125,180.4
Total expenditure	**45,563.0**	**60,536.8**	**158,254.9**	**110,645.3**	**88,845.5**	**125,180.4**
Financed by:						
Capital Grants	2,630.0	7,166.5	4,512.0	26,097.0	546.0	623.0
Capital Receipts	891.0	1,992.0	7,159.0	15,387.0	4,218.0	11,379.0
Revenue	4,552.2	0.0	12,367.0	4,901.0	5,857.0	7,936.0
Major Repairs Reserve	6,610.1	9,706.6	9,900.7	10,127.6	10,380.4	10,661.7
Sub Total	14,683.3	18,865.1	33,938.7	56,512.6	21,001.4	30,599.7
Prudential Borrowing	**30,879.7**	**41,671.7**	**124,316.2**	**54,132.7**	**67,844.1**	**94,580.7**
Total funding	**45,563.0**	**60,536.8**	**158,254.9**	**110,645.3**	**88,845.5**	**125,180.4**

7. The following tables show how much of the overall capital funding need relates to “commercial investments” such as expenditure on purchasing investment properties and how much relates to “service investment” such as loans to companies to fulfil service needs.

Table 4:- Commercial and Service Investments funding need

Commercial investments	2022/23 Draft	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Expenditure (£000's)	0.0	0.0	0.0	0.0	0.0	0.0
Percentage of total financing need	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Service investments	2022/23 Draft	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Expenditure (£000's)	6,521.0	13,147.0	17,801.6	27,924.2	31,789.1	26,962.2
Percentage of total financing need	8.7%	9.4%	7.6%	15.5%	19.5%	15.8%

B. Affordability

8. This indicator represents the estimate of the ratio of interest income to the net revenue stream for the General Fund split by General Investments, Commercial Investments and Service Investments. The indicator is interpreted such that the larger the percentage figure becomes, the more reliant the General Fund is on the interest income.

Table 5:- General Fund ratio of interest income to the net revenue stream

General Fund General Investments	2022/23 Draft £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
General Investments	-1,207.95	-977.86	-804.88	-546.05	-525.04	-552.09
Revenue stream	-27,443.00	-24,793.00	-27,752.20	-26,501.80	-27,390.40	-28,303.90
Ratio	4.4%	3.9%	2.9%	2.1%	1.9%	2.0%

General Fund Commercial investments	2022/23 Draft £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Commercial investments	-732.00	-732.00	-732.00	-732.00	-732.00	-732.00
Revenue stream	-27,443.00	-24,793.00	-27,752.20	-26,501.80	-27,390.40	-28,303.90
Ratio	2.7%	3.0%	2.6%	2.8%	2.7%	2.6%

General Fund Service investments	2022/23 Draft £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Service investments	-2,863.61	-3,033.88	-3,594.60	-4,612.04	-6,009.05	-7,605.45
Revenue stream	-27,443.00	-24,793.00	-27,752.20	-26,501.80	-27,390.40	-28,303.90
Ratio	10.4%	12.2%	13.0%	17.4%	21.9%	26.9%

9. This indicator represents the estimate of the ratio of HRA net interest expenditure to the net revenue stream and this indicator is interpreted such that the larger the negative percentage figure becomes, the more HRA resources are used to finance the net debt costs. Note that this includes both investment income and borrowing costs.

Table 6:- HRA Ratio of Financing Costs to Net Revenue Stream

Housing Revenue Account	2022/23 Draft £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Item 8 Borrowing interest	8,339.79	10,085.64	14,017.79	18,011.09	20,535.01	23,800.29
Item 8 Investment income	-496.00	-1,143.55	-991.99	-675.11	-661.33	-661.33
Net financing cost	**7,843.79**	**8,942.09**	**13,025.80**	**17,335.98**	**19,873.68**	**23,138.96**
Revenue stream	-47,794.49	-51,572.38	-57,180.00	-59,289.00	-61,666.00	-63,816.00
Ratio	**-16.4%**	**-17.3%**	**-22.8%**	**-29.2%**	**-32.2%**	**-36.3%**

10. It should be noted that the net cost of borrowing within the HRA increases over the MTFP period from 16.4% of the HRA revenue stream at the end of 2022/23 to an estimated 36.3% at the end of 2027/28. A 40 year HRA business plan is maintained for the HRA which shows that this level of borrowing is affordable. This is closely monitored on an ongoing basis to ensure that the level of HRA debt does not become unaffordable.

11. In addition to the HRA long term business plan being used to ensure long term viability of the HRA, the Council has introduced an interest cover ratio into HRA planning. The business plan and the associated capital plans have been built in order that the target interest cover ratio of 1.25 can be met by 2024/25 and will then be met on an ongoing basis.

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

12. 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.

13. 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 asset's life, and so charges the economic consumption of capital assets as they are used.

14. The table also shows the amount of the CFR which is needed to finance the "commercial investments" and "service investments".

Table 7:- Estimates of capital financing requirement (underlying need to borrow for a capital purpose)

	2022/23 Draft £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Commercial investments	0	0	0	0	0	0
Service Investments	50,093	52,451	64,313	91,167	122,885	139,773
Other General Fund	30,188	42,762	66,908	90,708	119,015	124,873
General Fund	80,281	95,213	131,221	181,875	241,900	264,646
HRA	257,095	298,767	423,083	477,216	545,060	639,641
Total CFR	337,376	393,980	554,304	659,091	786,960	904,287
Movement in CFR	42,068	56,604	160,324	104,787	127,869	117,327
Movement in the CFR represented by:						
Net Financing need for the year	45,267	68,038	167,420	108,962	131,416	130,841
Other Adjustments	0	0	0	0	0	0
Repayment of debt	-3,161	-11,285	-6,436	-2,707	-1,451	-11,245
Less MRP	-38	-149	-660	-1,468	-2,096	-2,269
Movement in CFR	42,068	56,604	160,324	104,787	127,869	117,327

D. Core Funds and Expected Investment Balances

15. 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 8:- Core Funds and Expected Investment Balances

Estimated Year End Resources	2022/23 Draft £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Fund Balances & Reserves	74,275	74,275	74,275	74,275	74,275	74,275
Capital Receipts & Grants	37,106	37,106	37,106	37,106	37,106	37,106
Provisions	7,536	7,536	7,536	7,536	7,536	7,536
Other	-13,841	-13,841	-13,841	-13,841	-13,841	-13,841
Total Core Funds	105,076	105,076	105,076	105,076	105,076	105,076
Working Capital *	46,977	46,977	46,977	46,977	46,977	46,977
(Under) / Over Borrowing **	-108,849	-110,453	-110,777	-110,563	-111,432	-108,759
Expected Investments ***	43,204	41,600	41,276	41,490	40,621	43,294

* Working capital balances shown are estimated year-end; these will normally be higher mid-year

** 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

16. The Council's forward projections for borrowing are summarised below. This analysis shows the capital financing requirement rather than the underlying need to borrow which includes the credit side of the costs of assets leased by the Council. This credit may need to be included in future if the changes in accounting under IFRS 16 increases the leases figure significantly. The table shows the anticipated external debt against the underlying capital borrowing need, the CFR.

Table 9:- External Debt against Underlying Borrowing Requirement

	2022/23 Draft £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Debt at 1st April	228,528	228,528	283,528	443,528	548,528	675,528
Expected Change in Debt		55,000	160,000	105,000	127,000	120,000
Expected Debt at 31 March	228,528	283,528	443,528	548,528	675,528	795,528
CFR	337,376	393,980	554,304	659,091	786,960	904,287
Under / (Over) Borrowing	108,848	110,452	110,776	110,563	111,432	108,759

17. 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 10:- Limits to borrowing activity

	2022/23 Draft £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Authorised limit	363,894	532,111	944,287	944,287	944,287	944,287
Operational boundary	302,865	413,980	574,304	679,091	806,960	924,287

18. 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. This is split between the General Fund and HRA for the maturity structure.

Table 11:- Maturity Structure of Borrowing – General Fund

General Fund	Estimate Upper %	Estimate Lower %
< 12 months	100%	0
12 months up to 2 years	100%	0
2 up to 5 years	100%	0
5 up to 10 years	100%	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

Table 12:- Maturity Structure of Borrowing – HRA

HRA	Estimate Upper %	Estimate Lower %
< 12 months	20%	0
12 months up to 2 years	40%	0
2 up to 5 years	40%	0
5 up to 10 years	40%	0
10 up to 20 years	70%	0
20 up to 30 years	70%	0
30 up to 40 years	70%	0
40 years +	70%	0

Table 13:- Upper limit on fixed and variable interest rate borrowing and investments

	2022/23 Draft %	2023/24 Forecast %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %
Upper limit on fixed rate borrowing	100	100	100	100	100	100
Upper limit on fixed rate investments	100	100	100	100	100	100
Upper limit on variable rate borrowing	100	100	100	100	100	100
Upper limit on variable rate investments	100	100	100	100	100	100

19. This following indicator links to the Non Specified investments in Appendix 1

Table 14:- Upper limit for principal sums invested for periods longer than 365 days

	2022/23 Draft	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Upper limit for investments for periods longer than 365 days	Higher of £30m and 30%	Higher of £25m and 25%	Higher of £25m and 25%	Higher of £25m and 25%	Higher of £25m and 25%	Higher of £25m and 25%

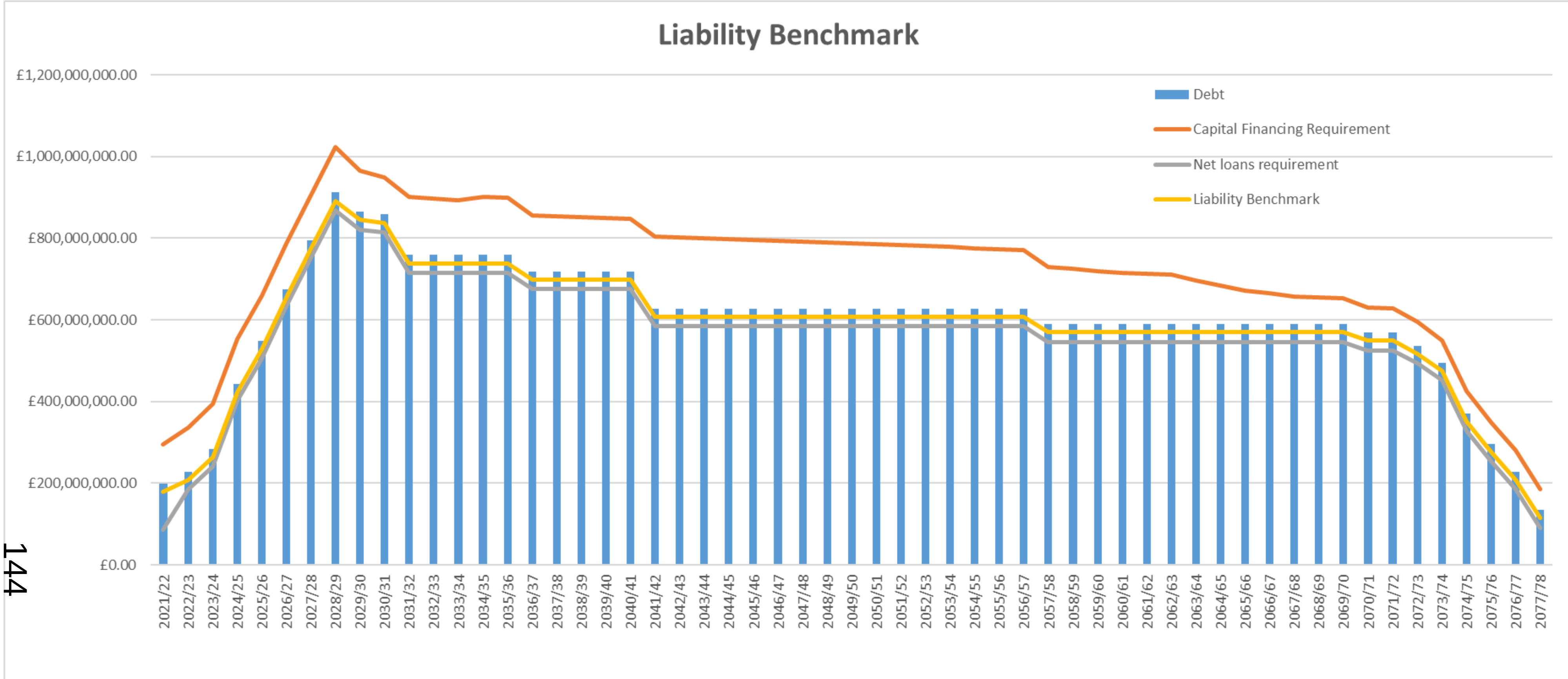
Liability Benchmark

20. The Council is required to provide a comparison of the existing loan portfolio against the committed borrowing needs. This is to provide evidence that it has a strong grasp of both its existing debt maturity profile and how the Minimum Revenue Provision, long term projections of the Capital Financing Requirement and other cash flows affect the future debt requirement. The analysis also includes an assessment of the potential maturity profile of borrowing being planned in the Medium Term Financial Strategy.

21. These graphs assume that the HRA will make a Voluntary Revenue Provision to lower the CFR in line with the redemption of debt.

22. The presentation of the Liability Benchmark is in the form of a chart covering the following four areas:

- Existing loan debt – current borrowing portfolio (split by loan type as a stacked bar chart if appropriate; the Council has borrowed and is intending to borrow from the Public Works Loans Board and so this aspect is unnecessary at this stage);
- Loans CFR – this excludes any part of the CFR relating to other long-term liabilities;
- Net loans requirement – loan debt less treasury management investments at the financial year end and projected into the future based on approved prudential borrowing, planned MRP and any other major cash flow forecast;
- Liability Benchmark – net loans requirement plus short-term liquidity allowance.



Liability Benchmark
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£800,000,000.00
£600,000,000.00
£400,000,000.00
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Debt
Capital Financing Requirement
Net loans requirement
Liability Benchmark
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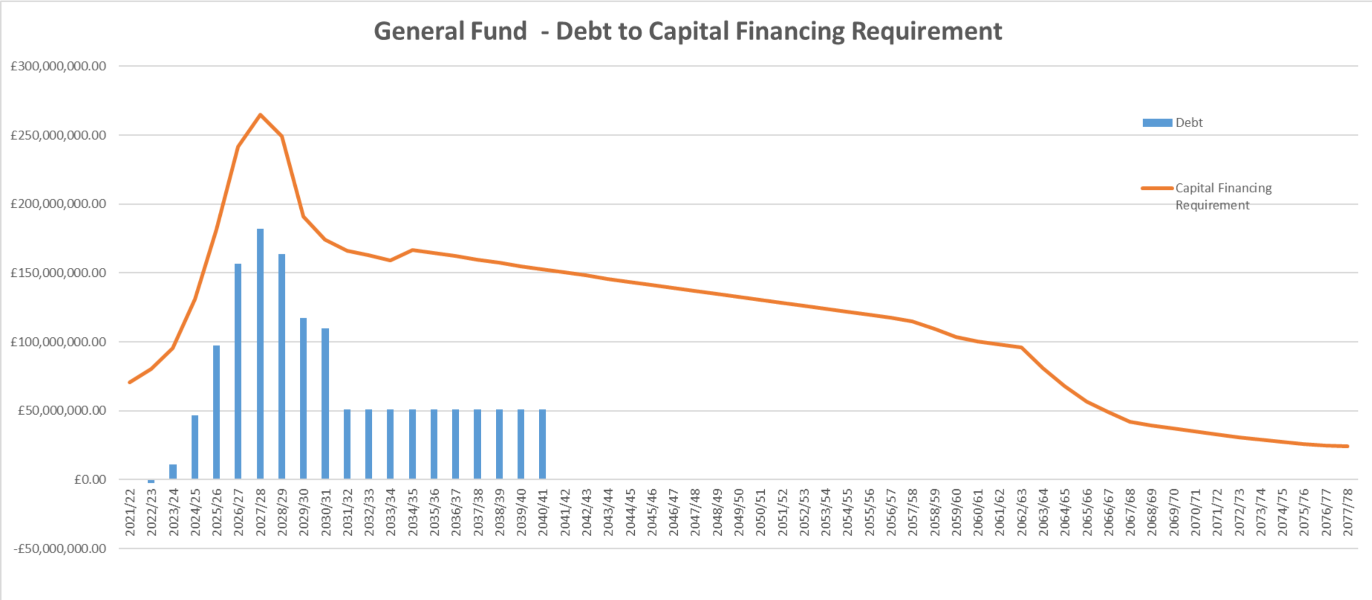
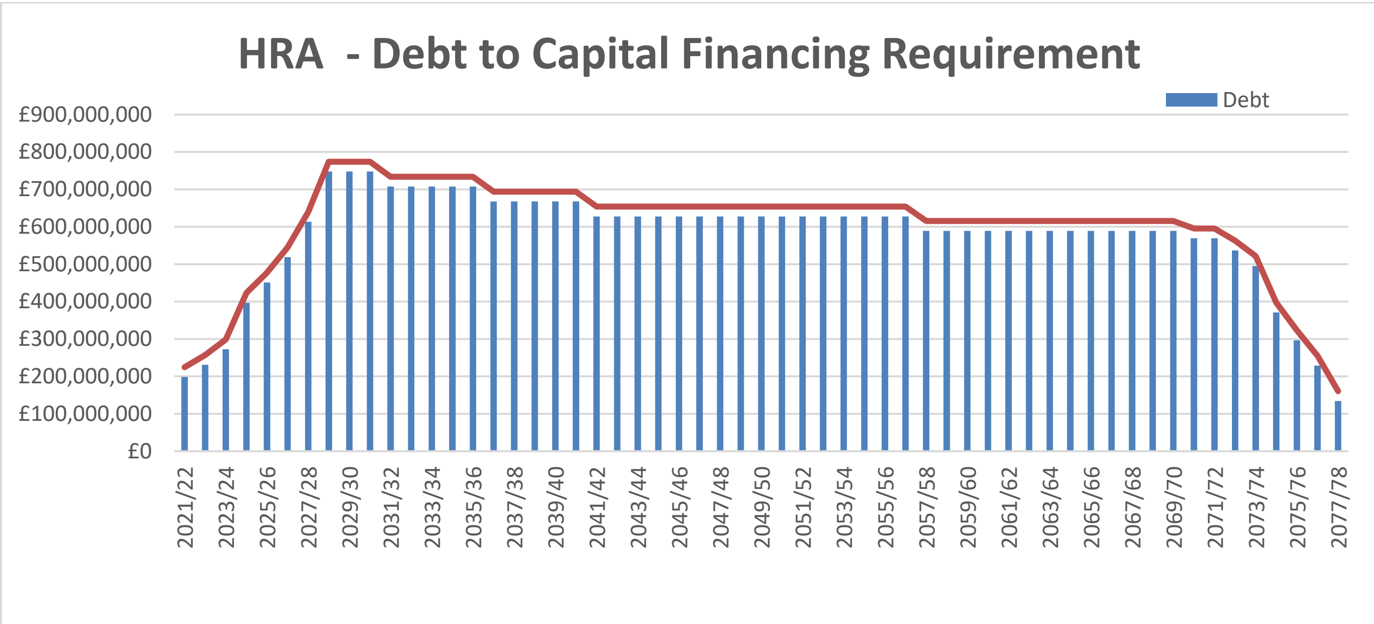
23. The following graphs show the levels of debt compared to the Capital Financing Requirement split between the General Fund and the HRA.





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Appendix 3

Minimum Revenue Provision (MRP) Statement and Policy 2024/25

1. Prudential borrowing increases the Council's Capital Financing Requirement (CFR) or underlying need to borrow. Whether the Council actually borrows externally to finance capital expenditure is a treasury management decision which is not directly linked 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, whether that borrowing is financed internally or externally. This charge is known as the Minimum Revenue Provision (MRP) and reflects the repayment cost of principal borrowed.

2. Regulations require the Council to approve an MRP policy on an annual basis and to calculate in each financial year an amount of MRP that it considers to be prudent. In doing this, the Council has to pay regard to governmental statutory guidance on MRP. MRP is not charged until the financial year after the expenditure has been incurred and the asset being financed has become operational.

3. The current draft guidance on Minimum Revenue Provision, which is subject to consultation at the time of writing, requires that reference is made to the statute within the MRP policy. Since amendments to The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, currently published as The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2023 (the regulations), are also out to consultation alongside the guidance, reference is made to the draft guidance and regulations.
4. It is recommended that the same MRP methodologies continue to be adopted for 2024/25:
   a) For borrowing incurred before 1 April 2008 the practice of making a 4% annual charge on the reducing balance will apply in line with option 2 outlined in the Department for Levelling Up, Housing and Communities guidance,

   b) For borrowing 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, using option 3 the Asset Life Method, the assets have been in existence, and previous funding allocated to them.

   c) There will be no annual MRP charge made for the following items where they are deemed to be capital under s25(b) / s25(d) of The Local Authorities Capital Finance and Accounting (England) Regulations 2003 and where it is anticipated the investment will be repaid in full in line with Regulation 27 (4):

i. The Council's investments in a Directly Managed Property Fund which were made for service reasons;
ii. Loans to other organisations, such as a company in which the Council has an interest;
iii. Treasury management investments undertaken in accordance with section 12 of the Local Government Act 2003;
iv. Borrowing related to capital expenditure incurred on assets which are to be leased to one of the Council's companies; and
v. Other borrowing related to expenditure where it is anticipated the investment will be repaid in full.

The repayment to the Council for these will be a capital receipt of which the Council will set aside the amount for which borrowing was used in order to repay that borrowing in line with regulation 28 (3) and (5). Each item where there is no annual MRP charge 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. Although this aspect of the policy is still considered to be prudent it is this element that the Government is looking to make changes to which could require an annual MRP charge regardless of whether loan agreements are in place to repay the loans.

d) For all borrowing incurred after 1 April 2008 relating to expenditure other than that which is covered in c) above, the MRP will be charged using Option 3: Asset Life Method. MRP will be based on the estimated life of the asset and will be charged to the revenue account in equal instalments over the life of the asset. Where the Head of Financial Services, in their capacity of section 151 officer, is comfortable that the asset or the income arising from that asset is appreciating over time, MRP will be based on an annuity charge over the estimated life of the asset. Applying the annuity method results in an annual charge to revenue which takes account of the time value of money. The charges made through the annuity method thus results in a consistent charge over an asset's life, taking into account the real value of the annual charges when they fall due.

e) For finance leases the council will charge MRP to its General Fund each year dependant on the life of the underlying asset.

Appendix 4

Environmental, Social and Governance (ESG) Policy

The Council recognises that Environmental, Social and Governance (ESG) issues, including climate change, can have significant future investment implications, in addition to their role in the Council's wider corporate objectives. The Council therefore seeks to be a responsible investor and consider ESG risks as an important overlay to the investment process, thereby improving future sustainability of investments. Responsible investment principles are at the foundation of the Council's approach to stewardship and underpin the fulfilment of its fiduciary duty to Oxford City's residents.

The principal concern is to invest in the best interests of the citizens of Oxford whilst primarily complying with the core principles of Treasury Management, Security Liquidity and then Yield (SLY). The Council's Treasury advisors are planning on providing some ESG indicators relating to Treasury counterparties and the Council will use these to inform Treasury Management decisions. Additionally the Council requests ESG policies and other information from financial institutions with which it looks to place investments and these too will inform Treasury decisions.

Just because concerns have been registered about a company's performance on ESG issues, does not mean that investments will not be made. This is due to the primary Treasury Management duties of complying with SLY and also in order to achieve a balanced portfolio of investments in line with the counterparty limits and with the specified and non-specified investment limits set out in the Treasury Management Strategy. Where possible, where there are concerns about a firm's ESG, the Council will seek to make changes through active ownership and influencing. Where engagement through active ownership is not seen to be resulting in sufficient progress, the Council will consider divesting. Whatever the ESG rating, the Council will still apply its long standing ethical position:

> 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)

With some investments, the Council must be a passive investor due to the nature of the investment such as a money market fund. These investments will necessarily include funds with companies of varying ESG quality due to the requirement to hold all securities in the target index or to meet other investment criteria such as the credit quality of the investment type. Investments of this nature must be included in the Council's portfolio due to the need to fulfil other treasury management criteria such as ensuring sufficient cash balances in line with cashflow forecasts. It is important to note that ownership of a security in a company, directly or indirectly, does not signify that Oxford City Council approves of all of the company's practices or its products.

Oxford City Council is open to investing in Social Investments; investments where social impact is delivered alongside financial return, however this must still be in line with the fundamental Treasury Management principles. The Council believes that the goal of social impact is inherently compatible with generating sustainable financial returns by meeting societal needs. Any investments in this area must offer an appropriate risk/return profile.

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APPENDIX 5

Treasury Management “Scheme of Delegation”

Full Council

- Annual Treasury Management Report and Strategy
- Performance Indicator setting

Cabinet

- Quarterly monitoring (within monitoring report)
- Mid Year Treasury Management Report
- Annual Treasury Management Report and Strategy for recommendation to Full Council

Audit and Governance Committee

- Overall treasury management practices (TMPs)

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Appendix 6

Risk Register

Treasury Management

As at: 10 January 2024

Ref	Title	Risk description	Opp/ threat	Risk: Cause	Risk: Consequence	Date Raised	Owner	Gross I	Gross P	Current I	Current P	Target I	Target P	Comments	Controls: Control description	Due date	Status	Progress	Action Owner
Treasury Management																			
1	Loss of capital investment due to a counterparty collapsing	The Council loses its principal investment or an investment becomes impaired.	T	Counterparty collapses or hits a financial crisis rendering it unable to repay investments.	The Council may lose money or repayment of funds could be significantly delayed which could have an adverse impact on operational funding levels	05/08/16	Bill Lewis	5	3	5	3	5	3		Reducing risk by limiting the use of high risk counterparties. Imposing a maximum investment value on approved counterparties in order to spread and reduce risk. Controls and procedures are in place to ensure investment and durations limits with approved counterparties are not exceeded. Counterparties are also monitored and reviewed on a weekly basis at least, or more regularly if considered necessary to do so.	Ongoing	Ongoing	100%	Bill Lewis
2	Pooled fund investments lose value	The value of the Council's units held in pooled fund investments decreases.	T	Uncertainty in the commercial property market and investment markets following Brexit, Covid and slowdown in general economic activity.	Capital depreciation will decrease the overall value of the investment.	05/08/16	Bill Lewis	4	3	3	3	3	2		The Council receives monthly valuations from the fund managers detailing the indicative redemption value of the individual units. These are reported to the Head of Finance on a monthly basis. The Council has the option to sell its units if there is a concern that the fund value is likely to decrease for a prolonged period.	Ongoing	Ongoing	100%	Bill Lewis
3	Changes in interest rates	Interest rates continue to change affecting investment and borrowing rates.	T	Changing national and global economic conditions resulting in interest rates being higher or lower than anticipated	The Council may not achieve its target level of interest income; the Council may lock in to fixed term investments with the interest rate subsequently rising; or the Council may take out borrowing at higher rates than subsequently achievable.	15/10/22	Bill Lewis	3	4	3	4	3	4		The Council continually monitors base rates and projection of rates from its treasury advisors and general economic data and plans investments accordingly. The same approach is taken for planning borrowing by monitoring forecasts against the different rates of interest offered for different periods and loans are then planned accordingly.	Ongoing	Ongoing	100%	Bill Lewis
4	Fraudulent activity	Potential fraud by staff	T	Fraudulent activity	Loss of money for the Council Disciplinary action for the staff involved	05/08/16	Bill Lewis	3	3	2	1	2	1		Segregation of staff duties, reviewing and monitoring of internal controls to ensure the correct protocol is being followed. Ensuring all insurance policies and the fidelity guarantee are fully up to date.	Ongoing	Ongoing	100%	Bill Lewis
5	Money laundering	Money laundering by external parties	T	External parties pay a transaction by cash and subsequently request a refund	Fine and/or imprisonment	05/08/16	Bill Lewis	4	2	4	1	4	1		Ensuring the money laundering policy is reviewed and up to date. Checking refunds back to source. Raising awareness of this issue amongst staff and reviewing the financial regulations.	Ongoing	Ongoing	100%	Bill Lewis
6	Network failure/Barclays.net being inaccessible	The Council is unable to carry out its daily treasury functions due to a network failure	T	Barclays.net is unavailable or the Council's network has failed	Daily Treasury functions will not be carried out	05/08/16	Bill Lewis	2	3	1	2	1	2		Invoke the business continuity plan to minimise the effects of a network issue.	Ongoing	Ongoing	100%	Bill Lewis
7	Revenue Budgets	Revenue budgets are unable to meet borrowing costs of capital schemes	T	Revenue budgets come under pressure from restricted government funding or non delivery of programmed savings	The Council may not be able to execute some desired projects.	05/08/16	Bill Lewis	3	3	2	2	2	2		Revenue budgets monitored on monthly basis and future year forecasts undertaken. Reserve some capital receipts to cover borrowing costs in the short term. Monthly financial reports and forecasts.	Ongoing	Ongoing	100%	Bill Lewis
8	Lack of suitable counterparties	The Council does not have enough "space" with approved counterparties to place investments/deposit surplus cash balances.	T	Rising cash balances and a restricted counterparty list	Use of counterparties not paying best value rates.	05/08/16	Bill Lewis	3	4	3	3	3	3		The Council continually monitors its approved counterparty listing in conjunction with cash balances. Any potential new investment opportunities are discussed at Treasury Management performance meetings. The Council utilises money market and enhanced cash funds to deposit surplus cash balances in the event of no space with other counterparties and also to ensure there is always cash instantly available in order to meet payment obligations when they fall due. However, there are also limits on the amounts deposited to such funds. The Council has a facility to deposit cash with the Debt Management Office should all other investment options be exhausted.	Ongoing	Ongoing	100%	Bill Lewis
9	Environmental Social and Governance	Inability to place investments	T	Environmental Social and Governance factors not being compatible with the Security Liquidity and Yield principles; limiting counterparties	Inability to find satisfactory counterparties to take all of the investments	10/01/23	Bill Lewis	3	4	3	3	3	3		Environmental Social and Governance factors are being used as an overlay in order to not restrict counterparties. These will be used as a means to select counterparty where there is more than one available.	Ongoing	Ongoing	100%	Bill Lewis
10	Staff Resource	Staff capacity issue	T	Additional CIPFA requirements on treasury management increases pressure on staff; training, additional reporting, etc	Reports not produced to comply fully with the code	10/01/23	Bill Lewis	3	4	3	3	3	3		Reporting will be undertaken at a reasonable level to include reporting on indicators that can be measured during the year.	Ongoing	Ongoing	100%	Bill Lewis

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Agenda Item 9

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To:	**Scrutiny Committee**
Date:	**06 February 2024**
Report of:	**Anti-Slavery Coordinator Oxfordshire**
Title of Report:	**Adult Exploitation and Modern Slavery**

Summary and recommendations	
Purpose of report:	To provide an update on the prevalence of adult exploitation and modern slavery and work being undertaken to address this.
Key decision:	No
Cabinet Member with responsibility:	Councillor Mark Lygo, Cabinet Member for Inclusive and Safer Communities
Corporate Priority:	Support Thriving Communities
Policy Framework:	Council Strategy 2020-24
Recommendation(s): That the Committee resolves to:	
1. **Note and comment** on the report and **agree** any recommendations.	

Appendices	
Appendix 1	Oxfordshire Structure

Introduction and background

1. In partnership with the other Oxfordshire councils and with funding through the Community Safety Fund from the Office of the Police and Crime Commissioner, the new role of Anti-Slavery Coordinator Oxfordshire (ASCO) was introduced in January 2022.
2. The role is to lead on Oxfordshire's response to adult exploitation and modern slavery and sits within Oxford City Council. Since January 2022, there has been the development of a pathway and multi-agency structure (*see* ***Appendix 1***) in tackling this crime which is included in the "Oxfordshire's Response to Adult Exploitation Guidance & Pathways" document shared and embedded in all frontline services across Oxfordshire.

Data Collection

3. A central recording system was developed for collection of relevant data that would ensure a greater understanding of the prevalence of exploitation and modern

slavery and identify trends, threats, risk and harm, thus allowing us to know where we needed to focus targeted work.

4. All cases are referred to the ASCO and the below data in Table 1 covers referrals from January 2022 (when data started being collected) up until the end of December 2023. It shows totals for both Oxford City and Oxfordshire to compare.
5. Any concern around potential exploitation is referred, which can be individuals or premises/businesses/organisations.

Table 1

	Total Number of Cases Reported to ASCO
Oxford City	126 (101 individual; 25 business/premises)
Oxfordshire	253 (210 individual; 43 business/premises)

6. The numbers encompass direct referrals to ASCO and we also receive data from Thames Valley Police who share details received by them of those referred into the National Referral Mechanism (NRM). The NRM data is for victims identified in our area, usually by UK Visas and Immigration (UKVI) and therefore we do not have direct contact with them. For Oxford City, there were 76 direct referrals and 50 from the NRM during the reporting period.
7. It is also important to note that data is collected for both the local authority area where the victim identified resides and the local authority area where exploitation occurred, as this can be different (e.g. someone in labour exploitation may work in Oxford but live in Didcot). So, although there have been 126 cases in the city, these are victims who live in the city and does not encompass those who may be being exploited in the city but live elsewhere.
8. Out of the 126 Oxford City referrals, 88 were exploited in the city. The other 38 were exploited in other areas. There were an additional 43 victims who lived in another authority but were exploited in the city.
9. The cases identified in the city are broken down into the following types of exploitation:

Exploitation Classification	**Oxford**	**Oxfordshire**
Criminal Exploitation	32	70
Cultural Exploitation	1	1
Domestic Servitude	5	12
Financial Exploitation	3	14
Labour Exploitation	43	115
Sexual Exploitation	40	46

Unknown	2	4

10. Labour, Sexual, then Criminal are the City's highest forms of exploitation. Collection of data to determine the categories of exploitation shows the highest being:

- Labour – Domiciliary care, hospitality and retail, car washes
- Sexual – brothels and prostitution
- Criminal – cannabis cultivation, county lines, cuckooing and forced drug dealing and/or concealing drugs.

Victim Profile

	Oxford	**Oxfordshire**
Gender		
Female	46	98
Male	57	114
Nationality (Top 3)		
British	26	58
Albanian	20	35
Romanian	19	19
Age Range		
18-24	16	31
25-34	22	53
35-44	16	30
45-54	7	15
55-64	2	3
65-74	3	4
75-84	3	0
Unknown	34	72

11. As reports are also for premises or businesses of concern, there will always be some unknown data regarding the number and details of potential victims. Referrals for premises or businesses of concern are logged as one referral until more intelligence is gathered.

Current Threats and Risk

12. The highest risk across the city and county is exploitation of overseas workers in the care sector. This is also a national issue with an increase in calls to the Modern Slavery Helpline alone increasing by 630%. Across the county, we have seen an increase of over 400% due to concerns with care providers.

13. A lot of work has been carried out in a multi-agency approach to identify and support potential victims and to disrupt those exploiting them. Initially it is a care provider identified as a concern so is recorded as one referral, however it is estimated that we are realistically looking at over 2,500 potential victims across the county on top of the above figures. In the city we have already identified 630 potential victims who we are working to engage with, therefore the actual total for the city is 750 and we are currently exploring ways at how best to record this to show accurate data.

14. Also, the city is identifying a trend in 'landlord exploitation', including guest houses, where they are specifically targeting vulnerable foreign nationals, charging very high rents, overcrowding and potentially using them to 'work' for them. Work has already begun with the HMO team to investigate this.

Partnership Working and Outcomes

15. Modern slavery is one of the most complex crimes to identify, disrupt and investigate and no single agency can tackle modern slavery alone. A comprehensive, joined-up, effective multi-agency approach is required, and our central aim is to use all the means at our joint disposal to disrupt the activity of perpetrators making Oxfordshire a hostile place from which to perpetrate the exploitation of people. To ensure this work is effective, a 4Ps strategy in our approach to tackling modern slavery and exploitation has been implemented, delivered through our multi-agency structure and pathway:

    - **Pursue** - prosecute and disrupt individuals and groups responsible for modern slavery and the exploitation of people.
    - **Prevent** - prevent people from engaging in modern slavery and the exploitation of people.
    - **Protect** - strengthen safeguards against modern slavery by protecting vulnerable people from being exploited.
    - **Prepare** - reduce the harm caused by modern slavery through improved victim identification and enhanced support.

16. Over the reporting period, we have worked with over 50 partners in the city, which includes 80 multi-agency meetings and 38 multi-agency joint visits/operations. We have engaged with 76 victims identified living in the city and have supported 43 of those out of the grips of exploitation and continue to work with 33 others.

17. Examples of positive outcomes:

    - A brothel was closed which was being run out of a guesthouse with a Closure Order on the property. There were also issues identified of financial exploitation by the landlady to long staying guests which was investigated and reported. Planning enforcement action was taken for use of an outbuilding and a penalty issued for waste issues. There is an ongoing investigation into a potential unlicensed HMO.

    - A brothel in a residential letting was issued with a Closure Order. Notices were issued around rubbish and waste, proceedings started for an illegal HMO and potential action around the landlady of the property who was in bankruptcy but taking rental income.

- We secured immediate safe house accommodation and support through the NRM for a man who was being threatened by a drugs gang and was in fear for his life. He was a British national and it is very rare they are housed through NRM due to the view that they have other options through local authorities, so this was a very positive result.

- We supported several victims of a sexual exploitation 'cult' who were recruited and trafficked abroad. The support helped them to report and work with law enforcement both here and abroad as this was a national case. As a result, the main exploiter was arrested after many years of being hidden. https://www.theguardian.com/world/2023/nov/28/tantric-yoga-guru-gregorian-bivolaru-charged-with-human-trafficking

18. Several cases have involved residents who have been affected and the new structure has enabled cooperation and support for them, given them confidence to report and communicate with us and shown that as agencies we do take the issue seriously. Feedback from some residents:

    "The last 2 months have been very difficult, and I hope the notice will help put an end to the issue. I am very pleased with the outcome. We appreciate your time, hard work and most importantly your patience in dealing with us. You showed great understanding and empathy when working with us. We are very grateful for your & the teams support in dealing with the matter."

Events and Community Engagement

19. The city has organised and hosted events in the Town Hall for Anti-Slavery Day both in 2022 and 2023. Both have been well attended and the feedback has been positive. The event last year was particularly momentous as the theme was Lived Experience and we had five survivors of modern slavery speak about their experience and our guest speakers were HRH Princess Eugenie and Julia De Boinville of the Anti-Slavery Collective.

20. Community engagement is driven by the data we collect and the threat, risk and harm so are often more reactive. As a result, we developed and promoted 'weeks of action' which occur each quarter focussing on awareness raising, both for the public and those most vulnerable. These have included visiting Department of Work and Pensions (DWP) sites and developing and running a webinar for the care sector and visiting care workers.

21. We work with survivors within our communities who have benefited from our structure and support to monitor how our approach has helped them and consult with them on everything we plan around exploitation and modern slavery (e.g. development of new resources, community engagement etc).

22. Work with the local Police team on community engagement they are carrying out that aligns with our work.

Achievements

23. The pathway and multi-agency protocol structure is working well. Agencies value this approach with following feedback received:

    - *"Allows us to share intelligence and be preventative in our own work".*
    - *"Aids other organisations to potentially learn new information which can then be used to carry out more disruption activities".*
    - *"It is enabling us to safeguard individuals as well as consider geographic locations or thematic areas where there may be a deeper problem that needs to be looked in to".*
    - *"Interventions are quicker due to ASCO being able to pull together the relevant professionals to triangulate information and plan to safeguard those at risk and disrupt the perpetrators".*
    - *"The detailed risk assessments and pathways that have been developed help practitioners feel safe to share and use the agreed frameworks to support escalation of concerns".*
    - *"The level of sharing between the partnership leads to a deeper understanding of concerns within Oxfordshire and nationally, enabling organisations to ensure they are playing an active role in raising awareness and tackling the issues within their own remits".*
    - *"Oxfordshire is shown to be proactive and not just reactive in tackling modern slavery. Also evidences that collaboration and clear processes for communication between agencies and organisations is key".*

24. Recognised nationally as good practice:

    - Involved in working with the Local Government Association on their new Modern Slavery Guidance. Elements of Oxfordshire's Pathway and Guidance Document were used in the publication and Oxford City acknowledged as a model of good practice that is recommended.
    - Invited to be the keynote speaker at a national webinar around our work and requests by other local authorities to meet to share our good process and good practice.
    - Invited to other local authorities to talk about Oxfordshire's processes.

25. Sit on the Local Government Association Task group, Home Office First Responder's Forum, and the National Network Coordinators Forum.

26. Although we only deal with adults, we were instrumental in work with the Youth Justice and Exploitation Service in writing a bid for Oxfordshire to become a pilot site for Devolved NRM Decision Making for Children and the ASCO also sits on this panel as a decision maker.

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Background Papers: None

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Appendix 1: Oxfordshire Structure

The Multi-Agency operating protocol for Adult Exploitation and Modern Slavery is composed of the following core elements:

Roles	Responsibilities
ASCO Anti-Slavery Coordinator Oxfordshire	The Anti-Slavery Coordinator will: 1. Serve as a single reference point for the multi-agency partnership. 2. Coordinate referrals, alerts, and agency intelligence. 3. Serve as a point of reference to members of the partnerships to ensure a robust communication flow. 4. Have an oversight of all adult cases of exploitation and modern slavery in Oxfordshire and record details of cases centrally, review threat, risk and harm and collate data to show the prevalence in Oxfordshire. 5. Develop and coordinate disruption plans.
ASMART Anti-Slavery Multi Agency Response Team GLAA TVP MS & OIC Lead; DWP Partnerships Manager; Adult Safeguarding Manager; Integrated Care Board; VFSS Migrant Help ASCO	This is a virtual team and is made up of those identified as core partner agencies who will play four main roles. They will: 1. Assess alerts received around exploitation and modern slavery concerns (both individuals and premises) 2. Provide a key role in reviewing their own intelligence and proactively share information to enable a decision to be made on the required response and support the response decision. 3. Look at whether the individual may have care and support needs or any capacity issues. 4. Decide whether a single agency response (SAR) or multi-agency response (MAR) is needed. If a multi-agency response is required, they will refer these to ASMARAC. 5. Create a multi-disciplinary discussion around disruption and form action plans. The main purposes of the team around disruption will be to: • Review intelligence • Create a disruption/tactical plan. • Initiate the plan. • Attend de-briefs on any disruption activity. • Feedback outcomes to relevant groups
Single Agency Response	Not all exploitation or slavery concerns will require a multi-agency response. Where the decision is made that a single

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<td>agency response is required, the following will happen:

1. Where concerns have already been or can still be managed by the alerting agency, they will continue to lead. They may need to use an existing multi-agency response, but they should continue to act as the lead professional and can seek assistance from Anti-Slavery Coordinator Oxfordshire if required.

2. If circumstances change in a case that results in concerns needing to be escalated and meets the requirements of ASMARAC then a referral should be made through Anti-Slavery Coordinator Oxfordshire.

3. Single agencies should provide updates to the Anti-Slavery Coordinator Oxfordshire to enable the case to be monitored and recorded data updated.</td>
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<td>ASMARAC

Anti-Slavery Multi-Agency Risk Assessment Conference</td>
<td>Relevant partner agencies are invited to come together on case-by-case basis and discuss those referred from ASMART. The criteria for referral into ASMARAC are where it is deemed a multi-agency response is necessary and this is determined if:

• An individual has multiple risks and/or needs that can’t be met using a single agency response.
• Effectiveness of response is likely to have a significant impact on the safeguarding of victims and the support they receive.

Getting multi-agency partners together ensures not only a robust needs-based approach to supporting victims but also increases awareness, confidence, and ownership across the partners. The group will discuss case and:

1. Look at the signs and indicators present and collectively agree whether the person is a potential victim of slavery and/or trafficking.

2. Assess the PV’s risks and ensure safeguarding is implemented such as if the victims are safe, the needs of PV and set actions.

3. Who would be the best First Responder to complete an NRM referral if not already completed, which agencies would contribute information to be included and who would coordinate and collate detail.

4. Discuss and plan any disruption activities.</td>
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OMSSG Oxfordshire Modern Slavery Strategic Group	This group is made up of key agencies across Oxfordshire, including all Community Safety Leads and will: 1. Meet quarterly and review the Oxfordshire Modern Slavery Delivery Plan and the work carried out by the Multi-Agency Operating Protocol teams 2. Ensure effective governance is in place 3. Support and help plan and co-ordinate disruption work both locally, regionally, and nationally 4. Ensure any lessons learned are shared 5. Disseminate information to their wider teams.
OXASN Oxfordshire Anti-Slavery Network	Key partner agencies from across Oxfordshire come together to talk about slavery issues within Oxfordshire and: 1. Meet quarterly and discuss issues of slavery within Oxfordshire 2. Agencies feedback any barriers they are facing and what their agency is doing in support of exploitation and modern slavery 3. Share good practice 4. Support with key priorities of the Oxfordshire Delivery Plan 5. Disseminate information to their teams and organisations 6. Support disruption work, campaigns, and events
ASOG Anti-Slavery Operational Group	Representatives from the OXASN meet bi-monthly to ensure: 1. Key priorities from the Oxfordshire Delivery Plan which have been allocated to OXASN as the Lead are delivered at an operational level 2. Support and help plan disruption work, campaigns, and events.

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