Medium Term Financial Strategy

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Medium Term Strategy

1. Purpose and Scope

1.1 This medium term financial strategy is part of Oxford's corporate planning process.

1.2 The financial strategy sets out the implications of decisions the Council has already made, and models potential changes, such as the effects of inflation and changes in grant funding. The aim is to support our long-term objectives of financial stability and better value for money.

1.3 Oxford has been developing its medium term financial planning over the last five years. We have introduced three-year budgets, and have modeled our capital programme (at a high level) through to the end of the decade.

1.4 This Medium Term Financial Strategy takes that process forward with a number of documents we currently produce brought into one place. We clearly show the effects of inflation.

1.5 We are building in risk management assessments, so we can take a considered financial view of issues that might affect the council and plan accordingly.

1.6 The aim is that this strategy becomes a reference document. We have drawn heavily on the approach of Cambridge City Council (who have been generous with their help) and who are nationally recognized as having excellent long-term planning systems.

<u>Scope</u>

1.7 This strategy provides an integrated view of the whole of the Council's finances. It covers:

- Capital spending
- Revenue spending
- Asset Management issues
- Treasury Management

Part A: Policy Context and Priorities

2. Policy Context

Aims and objectives

2.1 The Oxford Plan 2006-2009 sets out the Council's vision**.** The Council believes that democratic local government can and should make a positive difference to people's lives. Our aim is to work with Oxford's communities to build a city that all of our people can be proud of.

2.2 The emerging 2007 Oxford plan, the result of cross party working, establishes six key objectives:

- Reduce inequality through social inclusion
- More housing for Oxford, better housing for all
- Improve Oxford's environment, economy and quality of life
- Reduce and prevent crime and anti-social behaviour
- Tackle climate change and promote environmental resource management
- Be an effective and responsive organisation, providing value for money services

2.3 Each objective is underpinned by a series of commitments, which in turn link to a series of performance measures. These are set out in Appendix A.

Other pressures

2.4 There are other external pressures that influence how we plan our services and place demands on our finances. These include:

- Standards set by external regulators and government. A key target is the decent homes standard; which requires our housing stock to all be at a minimum standard by 2010.
- New laws and regulations (e.g. the replacement of housing benefit with local allowances and potential new system of Housing Subsidy for the councils with their own HRA).
- Demographic changes
- The need to periodically renew IT equipment, and repair buildings.

- Developments by others providing similar services to us (e.g. the expansion of leisure facilities within and near Oxford City).

- Technological changes (e.g. the decline of use of cheques for payments).

- Local effects of climate change.

- Potential changes in the structure of local government and partner agencies (e.g. the police and health).

2.5 We have modeled the financial effects of some of these and other factors. These are set out in Appendix B - “Areas of Uncertainty”.

2.6 We plan for these broader uncertainties by holding a minimum level of reserves and, where we have a clearer idea of potential costs, by specific provisions. The minimum level of reserves and agreed provisions is worked out using CiPFA guidelines, details are set out in Appendix C.

Other policy documents

2.7 The council has agreed a range of other policies and strategies, most of which have their own cost implications. The most significant financial decision

2.8 Three of the most significant are:

- Our housing strategy, which sets out how we will achieve the Government decent homes standard.

- The Asset Management Plan, which sets out how we will manage our £150 million of non-housing buildings.

- The local area plan and related strategies, which set out land use in the city through to 2016.

2.9 Several other strategies are in development, which may also affect our spending plans, they include the various leisure and our community centre strategy.

2.10 We do not yet have policies in a few key areas, the most significant is the need for an Information Technology strategy - as highlighted by a recent Internal Audit report.

Other financial targets

2.11 The Liberal Democrat Administration established six promises for better finances. These are:

- Establishing a programme of Zero Based budget reviews
- Addressing the Council's property maintenance backlog
- Devolving more budget control to Area Committees.
- Carrying out an annual audit of Value for Money
- Improving Council Tax collection.

The Audit Commission's Annual Audit letter

2.12 Each year the Audit Commission publishes a "management letter". This letter sets out a set of high level recommended actions. The Executive Board adopted an action plan in response (Appendix D). Key actions were grouped under three main headings:

- To strengthen governance arrangements
- Improve Value For Money
- Strengthen our focus on key issues

3. Public Consultation

3.1 We carry out a range of research. Every three years carry out a general satisfaction survey. For specific projects, we also conduct more in-depth research using "Talkback" - our residents' panel.

3.2 In September 2004 we commissioned MORI to carry out an in-depth budget research study with a panel of local residents.

3.3 Over 2006 we have carried out a series of consultation exercises with the Business Community, exploring issues of common concern, and potential ways of addressing them.

Part B: General Factors

4. National Economic Strategy

4.1 The Government's stated central economic objective is to "raise the economy's sustainable rate of growth, and achieve rising prosperity, through creating economic and employment opportunities for all."

4.2 The key elements of the Government's strategy have been identified as :

- delivering macroeconomic stability
- achieving higher productivity
- creating employment opportunity for all
- building a fairer society for families and communities
- protecting the environment.

4.3 The key part of the first of these elements is reflected through the macroeconomic policy framework adopted by the Government.

4.4 The Government's reforms of the macroeconomic policy framework are aimed at promoting economic stability by delivering low inflation and sound public finances, as the essential foundation for achieving high and stable levels of growth and employment.

4.5 This is embodied in three main features:

- A monetary framework which is designed to be open and transparent, to deliver low and stable inflation. The Monetary Policy Committee (MPC) of the Bank of England has been given operational independence to set interest rates to deliver the Government's inflation target of 2.0 % for CPI (previously 2.5 % for RPIX) year-on-year

- A fiscal framework has been set out in the Code for Fiscal Stability. This is based around two key principles; the 'golden rule' (whereby the budget deficit would be limited to financing public sector real investment only) and the 'sustainable investment rule'. The Government has clearly stated its intention to strictly apply these rules in order to deliver sound public finances

- A public expenditure regime has been instigated which, together with new three-year spending plans, are designed to provide greater certainty and encourage long-term planning.

4.6 The Chancellor of the Exchequer's national Budget includes assessments and forecasts of the economy and public finances, providing important information for medium and long-term financial planning.

4.7 Budget 2006 "A strong and strengthening economy: Investing in Britain's future" was announced on 22 March 2006.

Public Sector Finances

4.8 The Budget 2006 projections for public finances are broadly in line with the 2005 Pre-Budget Report. This shows that on the basis of audited assumptions, the Government is meeting its strict fiscal rules over the economic cycle.

- The current budget shows an average surplus as a percentage of GDP over the current economic cycle. Even using cautious assumptions, demonstrates the Government is meeting the golden rule. Beyond the end of the current cycle, the current budget moves clearly into surplus including, by the end of the projection period, the cyclically-adjusted current budget in the cautious case.

- Public sector net debt is projected to remain low and stable over the forecast period, stabilising at a level below the 40% ceiling set in the sustainable investment rule.

4.9 The surplus on current budget is defined, as net saving plus receipts of capital taxes, from the national accounts under the European System of Accounts 1995 (ESA95). This is the key measure for assessing progress against the 'golden rule'. To accord with the rule the average surplus on current budget over the cycle should be positive.

4.10 Public sector net debt is the key measure for assessing progress against the Government's sustainable investment rule. This requires that public sector net debt, as a proportion of Gross Domestic Product (GDP) will be held, over the economic cycle, at a stable and prudent level.

4.11 The fiscal rules underpin the Government's public spending framework, which facilitates long-term planning and provides departments with the flexibility and incentives they need to increase the quality of public services and deliver specified outcomes.

4.12 Budget 2006, gave the following forecasts for the current financial year:

- GDP is expected to grow by between 2.0% and 2.5% this year, still slightly below trend rates, reflecting a number of temporary factors. Private consumption growth is expected to be restrained by continued household appetite for saving, subdued growth in labour incomes, and the residual effects of higher energy prices…… As a result, GDP growth is forecast to be above trend rates at between 2.75% and

3.25% in both 2007 and 2008, with spare capacity being absorbed and the output gap closing in 2008/09.

- CPI inflation rose through the summer of 2005 to peak at 2.5% in September 2005, principally reflecting higher oil prices feeding through to the energy prices faced by households. Since then it has fallen, returning to target in February 2006; despite high oil prices and wider energy costs still exerting residual upward pressure, reflecting the effectiveness of the monetary policy framework. CIP inflation is forecast to be around its 2.0% target level by the end of 2006, as previous rises in oil and wholesale gas prices continue to feed through to household utility bills. Beyond 2006, CPI inflation is projected to remain close to target as inflation expectations remain firmly anchored.

- The estimated 2005/06 outturn for the public sector current budget shows a deficit of £11.4 billion compared with projected deficits of £10.6 billion and £5.7 billion in the 2005 Pre-Budget Report and Budget 2005, respectively. The current budget moves into surplus in 2007/08, a year earlier than expected at the time of the Pre-Budget Report.

- The estimated 2005/06 outturn for public sector net borrowing is £37.1billion, compared with £37.0 billion projected in the 2005 Pre-Budget Report, and £31.9 billion projected in Budget 2005. While the current budget deficit in 2005/06 is £7.6 billion lower than in 2004/05, the reduction in net borrowing is more modest, reflecting the £5.0 billion increase in public sector net investment."

4.13 Budget 2006 confirmed firm overall spending limits for the 2004 Spending Review period (i.e. to 2007/08), providing for:

- Current spending to increase by an average of 2.5% in real terms in 2006/07 and 2007/08.

- Public sector net investment to rise from 2.0% of GDP to 2.25% of GDP by 2007/08.

- Agreed efficiency targets for all departments, delivering over £21 billion of efficiency gains a year by 2007/08, to be recycled to front-line public services.

Retail Price Inflation

4.14 Retail price inflation is measured and reported on several different basis of calculation. The main variants are :

- Headline Retail Price Index (RPI) which reflects all factors in the economy

- RPIX which excludes mortgage interest payments (and is favoured by the Treasury)

- RPIY which excludes taxation as well as mortgage interest payments (favoured by the Bank of England)

- Consumer Prices Index (CPI), previously known as the Harmonised Index of Consumer Prices (HICP), which is used by countries within the Euro zone economy. The official HICP index only started in 1996, but historical estimates back to 1988 have been calculated by the Office for National Statistics, based on archived RPI data.

4.15 In the 2003 Pre-Budget Report, the Chancellor announced that the operational target for monetary policy would switch, with immediate effect (10 December 2003), from a target based on the RPIX to a target based on the CPI. Budget 2004 reaffirmed the target of 2.0% for the 12-month increase in CPI.

4.16 CPI rose to 2.2% in May 2006, up from 2.0% in April. The largest upward effect came from gas and electricity bills. There were also effects from food and non-alcoholic beverages (mainly due to vegetable prices which increased this year, but fell a year ago) and clothing and footwear (reflecting higher priced replacement stock and more widespread sales - particularly on footwear and children's clothing.

4.17 As an internationally comparable measure of inflation, a 2.0% CPI rate in the United Kingdom for April 2006 was slightly below the average for the European Union as a whole, which had been provisionally announced as 2.2%.

4.18 The level of RPI also rose, from 2.6% in April to 3.0%. The main factors were similar to those for CPI, although housing costs (which are excluded from CPI) also had an effect.

Interest Rates

4.19 Interest rates are of particular importance to the city council as we have between £40 million and £60 million of funds lent out (the amount varies at the time of year). Most of our loans are made at or close to prevailing interest rates.

4.20 For the 12 months up until August 2005 the Bank of England had held interest rates steady at 4.75%. In August 2005 the bank reduced the base rate to 4.5% where it remained until August 2006.

4.21 Producer input price inflation and import price inflation have been high by recent historical standards and there had been a pickup in the general public's inflation expectations over 2006.

4.22 The most recent bank of England Minutes (September 2006) show that the committee voted unanimously to hold interest rates at 4.75%.

Effect of interest rates Oxford City Council

4.23 Finance and Asset Management manage the council's cash investments. Assuming an average cash holding of £50 million, a quarter point increase in interest rates is worth £125k broadly equivalent to a 1% rise in council tax.

Pay Awards

4.24 Oxford employees' pay increases are the result of national negotiations between employers and unions. The 2004-5 pay negotiations resulted in a three-year agreement covering the period through to the end of 2006-7, with increases of 2.75 %, 2.95% and 2.95% being agreed.

4.25 2007-8 will be the first year following the three-year pay agreement, and there remains real uncertainty over the level of award that may result from the national negotiation process.

4.26 In a speech at the 21st Century Public Services: Putting People First Conference on 6 June 2005, the Chancellor of the Exchequer noted that:

" ...you will have seen my determination to address public sector pay.

And with this year's public sector pay settlements averaging just 2.25% - we are maintaining vigilance in the fight against inflation – and next year and the year after that we will maintain this discipline of low overall settlements. And I am making it clear in writing to departments that public sector pay settlements must in future be founded on meeting our 2 per cent inflation target."

4.27 Based on this, an assumption of a 2.5% increase has been used as the basis for the projections in the MTFS.

4.28 A change of +/- 1% in the level of pay award for 2007/08 would have the following impact on each of the Council's service areas:

The effects of a 1% change in employee costs in 2007-8

Service area	Effect of 1% change in employee costs
General fund	£370,000
Housing Revenue Account	£130,000
Total	**£500,000**

4.29 For the first time there is a corporate defined staff turnover saving (previously individual Business Units set their own turnover figures). This reflects the fact that when people leave it usually takes a time before their replacement starts. The turnover saving has been set at 2%.

4.30 The Council is currently undertaking a job evaluation exercise. £800,000 has been included in 2006-7 and subsequent years to fund the potential increases in pay that may arise from this exercise. This issue is explored further under Appendix B - “Areas of Uncertainty”.

5. Demographic Factors

5.1 Demographic factors are important as they affect the Council's planning in several ways:

- Changes in total population affect the Council's entitlement to Government grant under the current grant distribution formula
- Changes in the number of households affect the tax-base for Council Tax purposes, and hence the total amount which will be raised from this source
- The characteristics of both population and households have specific implications for the type and nature of many services provided by the Council
- All of the above factors affect the level of demand for, and use of, services provided by the Council.

Local plan and its implications

5.2 Between 2001 and 2016 we can expect around 6,500 more homes to be built within the City, housing in the region of 15,000 extra residents.

5.3 They will all expect to live in areas with high quality housing, good local community, sports, arts, health and education facilities and accessible public open space all linked to the City centre and employment areas by excellent public transport, cycleways and footpaths.

5.4 This will have implications in terms of additional Council Tax income and Formula Grant entitlement, but also in terms of significant additional costs reflected through the need to deliver additional services (e.g. the need to review refuse collection and recycling rounds).

5.5 By 2016 there will also be an additional 7,150 new homes within Vale of White Horse, 7,500 in South Oxfordshire, 9,350 in Cherwell and 6,800 in West Oxfordshire.

5.6 This will also have an impact on the City, as many of them will come in to Oxford to shop and for arts and culture facilities. This will result in additional cost pressures, though there will be no effect on the Council's entitlement to Government grant.

Population

5.7 Population is an important factor to consider when undertaking budget forecasting for local authorities.

5.8 Total population is one of the key factors in determining both the level of the new Formula Grant (FG), which the Government gives the Council and the share of the National Non-Domestic Rates (NNDR) Pool, which the Council receives.

5.9 What is important in both cases is not just the rate of growth or decline in the City's population level in isolation, but the change relative to the national trend.

5.10 The main impact from the Census 2001 for the Council was a 10% reduction in the *measured* resident population figure, from 149,100 (2000 Mid Year estimate) to 134,200 (2001 census)

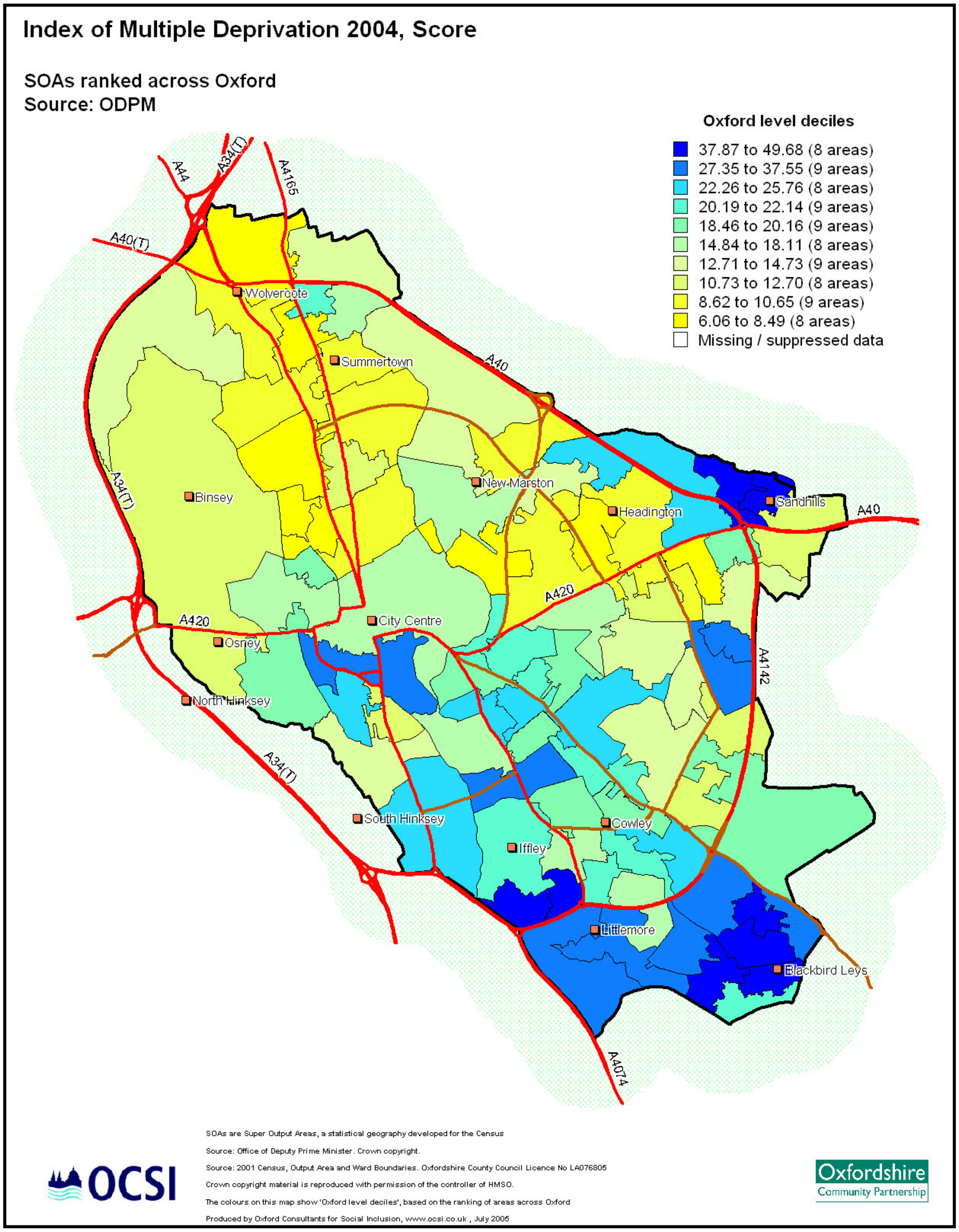
5.11 A variety of factors could explain this outcome. The high level of international migration attributed to the City and County could have been overstated (it is based on information from the International Passenger Survey). An overestimation of the impact of 'under-enumeration' in the 1991 Census might also have been a factor.

5.12 At present Oxford's grant position is protected by a "floor adjustment" which gives the city a basic increase in revenue support grant, though significantly less than increases enjoyed by most other authorities in the last few years.

5.13 There is a risk that, although our Formula Spending Share will continue to gradually increase in the next few years it will then face a further 'downward correction' when the 2011 Census data is collected.

Mapping disadvantage

5.14 Levels of disadvantage are important, as they will influence many of the Council's services either directly or indirectly, as well as being an influence on Council policies, which the following map shows.


Index of Multiple Deprivation 2004, Score
SOAs ranked across Oxford
Source: ODPM
Oxford level deciles
37.87 to 49.68 (8 areas)
27.35 to 37.55 (9 areas)
22.26 to 25.76 (8 areas)
20.19 to 22.14 (9 areas)
18.46 to 20.16 (9 areas)
14.84 to 18.11 (8 areas)
12.71 to 14.73 (9 areas)
10.73 to 12.70 (8 areas)
8.62 to 10.65 (9 areas)
6.06 to 8.49 (8 areas)
Missing / suppressed data
A44
A34(T)
A4165
A40(T)
Wolvercote
Summertown
A40
New Marston
Headington
Sandhills
Binsey
A420
City Centre
Osney
North Hinksey
A4142
South Hinksey
Cowley
Iffley
Littlemore
Blackbird Leys
A4074
SOAs are Super Output Areas, a statistical geography developed for the Census
Source: Office of Deputy Prime Minister. Crown copyright.
Source: 2001 Census, Output Area and Ward Boundaries. Oxfordshire County Council Licence No LA076805
Crown copyright material is reproduced with permission of the controller of HMSO.
The colours on this map show 'Oxford level deciles', based on the ranking of areas across Oxford
Produced by Oxford Consultants for Social Inclusion, www.ocsi.co.uk , July 2005
OCSI
Oxfordshire
Community Partnership

6. Treasury Strategy

6.1 The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management and as a result adopted a Treasury Management Policy statement (Executive Board 7th February 2005).

6.2 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.

Borrowing and Debt Strategy 2006/07 – 2008/09

6.3 The Council has £11 million of debt at 1st April 2006, all of it held at fixed rates, with varying lengths of time before maturity. The debt is wholly related to Housing with the interest met through the Housing Revenue Account subsidy mechanism. Restructuring and premature repayment of the debt have been considered, however neither option offers any advantage because any reduction in interest payable would result in an equivalent reduction in subsidy and both options would incur significant costs that would not be met from subsidy.

6.4 The Capital Financing Requirement (CFR) is the total outstanding capital expenditure that has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. In Oxford City Council's case the CFR is currently a negative figure, indicating that there is no need to undertake any external borrowing in the short-term.

6.5 The Strategic Director, Finance and Corporate Services has delegated powers to determine the need for any future borrowing and the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks.

Investment Strategy 2006/07 – 2008/09

6.6 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed.
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

6.7 Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of rising by a further ¼% in 2006 and potentially rising again in 2007. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts. The Strategic Director, Finance and Corporate Services has delegated powers to undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the risks.

6.8 The full Treasury Management Strategy is set out in Appendix E, and the prudential indicators and counterparty list are included within Appendix F.

Part C: Revenue

7. External Funding Projections - Revenue

7.1 A key factor for both the General Fund and Housing Revenue Account is the external funds we receive. Making longer-term assessments of external funding have previously been quite difficult because English local authorities only knew what grant they would receive for the year ahead.

7.2 The 2005 grant settlement gave us a two-year provisional settlement, and the December 2006 settlement will cover the coming three years, though the position should improve as in December 2006 the Government is due to make a three-year announcement of our Revenue Support Grant.

Timing of Government funding announcements for 2007-8

Fund	Provisional	Final
General fund	Already announced in 2006-7 final grant settlement	Early January 2007
Housing Revenue Account	Early December 2006	End December 2006

Formula grant distributions

7.3 The current grant distribution model was introduced in December 2002. The main impact for Oxford was it coincided with a major fall in reported resident population.

7.4 The 2005-6 settlement continued the process of reducing the proportion of funding distributed in the form of ring-fenced grants.

7.5 The 2006-7 formula grant included statements that:

- Cost pressures arising from the temporary reinstatement of the 85 year rule in the Local Government Pension Scheme (LGPS) will not fall on taxpayers
- Costs from the new Licensing Act will be fully met by fees within the national fee scheme.

7.6 The formula grant also included funding for the expanded concessionary fares scheme.

7.7 The main risk for the city council is that the floor adjustment in the grant system might be either phased out or withdrawn.

Specific grants

7.8 The city council will receive the following specific grants in 2006-7 and 2007-8:

Specific grants 2006-7 and 2007-8

Specific grant	2006-7 £	2007-8 £
Planning delivery grant	401,765	tba
Healthy living initiative	tba	tba
Crime and disorder funding	tba	tba

7.9 The Government has indicated that 2007-8 is likely to be the last year of Planning Delivery Grant and that future funding for the planning service will be considered as part of the 2007 Comprehensive Spending Review.

7.10 As in previous years, although not formally ringfenced, the custom is that these funds will be spent on the associated services.

New Growth Points

7.11 On 24 Oct 2006, Housing Minister Yvette Cooper named the city as one of 29 towns and cities confirmed as New Growth Points, with the potential to deliver up to 100,000 extra new homes over the next ten years. 5,692 new homes will be built in Oxford.

7.12 New Growth Points will deliver a substantial number of new homes to help first time buyers onto the property ladder and enable towns and cities to grow their economies by creating new jobs and encouraging business development.

7.13 The successful bids put forward by over 70 local authorities with high housing demand contain a wide regional spread from Plymouth to Lincoln and include major cities like Derby, Leicester, Nottingham, Birmingham and Bristol as well as large and small towns like Swindon, Reading and Ipswich.

7.14 These areas will share in £40m start up funding to support infrastructure, unlock sites for new housing and to assess and mitigate environmental impacts. This will make them more attractive for business investment and help young people who want to stay in their home town to find a home.

7.15 The initiative is a crucial part of delivering an increase in housebuilding in England to 200,000 per year by 2016 to provide the new homes that are needed for the next generation in response to economist Kate Barker's review of housing supply.

7.16 In support of Oxford's growth ambitions the Government is allocating around £1.16m in 2007/08 from the first year's funding pot, subject to detailed negotiation and appraisal.

7.17 Across Oxford the council will be working to achieve:

- the development of houses and flats to suit the needs of smaller households
- 50 per cent affordable housing on sites of 10 houses or more
- extensive contributions from developers to ensure the assimilation of new developments into local areas which are supported by appropriate services and infrastructure
- high standards of sustainable development, including the inclusion of 20 per cent on-site renewable energy

7.18 The New Growth Points Fund will help the council to regenerate the West End of the city. This will create more affordable and sustainable homes for those young people who choose to live and work here and contribute to overall prosperity and the city's vitality.

7.19 New Growth Points will help to concentrate future growth at existing urban centres and present a significant opportunity for the new communities to become exemplars of sustainabilty by pioneering eco-development and encapsulating high design standards in parallel with meeting the housing needs of local communities.

7.20 The growth ambitions submitted have all been appraised by Government to ensure they are sustainable, acceptable environmentally and realistic in terms of infrastructure. Levels and locations of growth are subject to full public consultation, testing, and examination through local and regional planning processes.

7.21 In signing up to a new partnership for growth with the Government, local authorities will be subject to some conditions to ensure there is effective water supply and flood mitigation, and that the impact of potential development on infrastructure is fully understood.

7.22 The financial implications of this new external funding have not yet been incorporated into medium term forecasts.

Capping

7.23 The 2006-7 settlement statement included an explicit indication that Council Tax increases in each of the next two years should be less than 5%.

Balance of Funding Review and the Lyons Inquiry

7.24 The Government is carrying out a review of the future level of external support for local government. This could impact on future funding.

7.25 The Balance of Funding report was published in July 2004. It recognized that the funding balance is a major problem for local government finance most notably because of the problem of gearing. A number of potential options were identified including a reformed Council Tax, supplemented by either; re-localised business rates, a local income tax or a combination of both.

7.26 The Government responded by announcing a further enquiry to be chaired by Sir Michael Lyons. This second review has a wider remit, and the final report from the enquiry is due to be published in December 2006.

Council Tax Assumptions

7.27 The Council's Council Tax income is based on four factors:

- The balance of council tax bands of the different properties
- The number of taxable properties in the city
- The number of exemptions and discounts we grant
- The level of tax we set

7.28 The council has only limited influence over the first two of these four factors. This influence is though the Council's role as facilitator of public housing and as a planning authority steering the development of the private sector housing stock.

7.29 The grant system also takes account of the numbers and property bandings when calculating Oxford's entitlement to Formula Grant.

7.30 Oxford can influence the last two factors. Whilst the rules about discounts and exemptions are set nationally, we do have some discretion in terms of the amount level of discounts offered for second and empty homes. The City Council exercised its discretion in the 2004-5 budget-setting round.

7.31 The Council has also taken a more active role in ensuring council tax discounts and exemptions are only paid to those entitled to them.

7.32 The Council can raise extra income by increasing council tax, subject to national capping rules.

Oxford city council taxbase (Band-D equivalents)

Year	**Taxbase**	**Band D Average Council Tax**	**Amount raised**
2002-3	42,005	£199.65	£8,386,298
2003-4	41,779	£207.64	£8,674,992
2004-5	42,417	£215.95	£9,159,951
2005-6	43,996	£224.54	£9,878,862
2006-7	45,348	£233.52	£10,589,738
2007-8 (est)	46,481	£242.86	£11,288,376
2008-9 (est)	47,643	£252.57	£12,033,193

7.33 Oxford's 2006-7 Council tax is, at £233.52 the 10th highest of District Councils.

Local Authority Business Grant Incentives (LABGI)

7.34 The LABGI scheme is a Government initiative that aims to "reward" local authorities that achieve significant growth in the business sector in their area.

7.35 Growth is measured in terms of the increase in each authority's rateable value (determined by the Valuation Office Agency) during a *calendar* year.

7.36 In 2005 Oxford's rateable are benefited from several new assessments. These included:

- Oxfam premises on the Business Park
- The Manor Hospital in Headington
- Several developments ones on Alex Issigonis Way Manches LLP, Blackwells and Software Imaging Ltd.

7.37 These developments increased Oxford's aggregate rateable by over £4m. As a two tier authority area, the LABGI growth is shared between the city and county. The City's share of the 2005 LABGI entitlement was £613,000.

7.38 The 2006 picture has been very different. There have been few new developments (the largest being the hotel development at Oxford Castle) and several major deletions from the business rate register including "Courts" and Oxfam. As a result the city rateable value has dropped by over £1 million in 2006 to date. As a result a LABGI award for 2006 is a remote possibility.

7.39 Predicting LABGI outcomes beyond 2006 is more difficult at this point (October 2006).

8. Revenue Spending Pressures and Opportunities

Revenue Spending Pressures and Opportunities

8.1 This section deals with known pressures on revenue spending. Where known and unavoidable factors have been identified they have been built into revenue projections.

8.2 In addition a list of material “areas of uncertainty” have been included in Appendix B. This highlights factors that would potentially impact on revenue spending, but which are effectively unquantifiable at this stage. This needs to be taken into account, particularly when deciding on a minimum level of balances.

General (applying to more than one fund)

Employers pension fund contributions

8.3 The City Council is part of the Oxfordshire Pensions Fund, which is administered by the County Council. The rate of contribution is set following a three yearly revaluation of the fund by the appointed actuary.

8.4 The most recent revaluation of the fund was at March 2005 and resulted in an increase in employers’ contribution from 15.6% to 18.9%.

8.5 There were several factors that led to this increase in contributions.

- The returns on investments were lower (in part because of drops in the stock market)
- People are living for longer after retirement.

8.6 The 2005-6 budget took account of the increases in pension contributions that took place in that year.

8.7 The Government proposed changes to the Local Government Pension Scheme (LGPS), which came into force in April 2005. These would have had the effect of increasing the local government retirement age from 60 to 65. The proposals sparked a strike ballot by Unison.

8.8 The Government subsequently revoked the proposed regulations and final proposals are still awaited.

Efficiency

8.9 The Gershon review proposed efficiency savings across local government of 2.5% per year, to deliver national efficiency and productivity savings of £6.45 billion by 2007-8. Half the savings will be deemed to be “cashable”, becoming available to fund front line services.

8.10 Efficiencies are anticipated to be delivered:

- 40% through schools
- 10% through policing
- 35% through procurement in other services

8.11 Local authorities are expected to delivered further savings through:

- Increased rationalization of local authority back office functions
- Improvements transactional services.
- Better staff productivity.

8.12 Government departments have committed to work with local government to deliver these efficiencies. The Regional Centres of Procurement Excellence are seen as having a significant role to share and promote best practice.

8.13 SR2004 also included £50m per annum of ongoing funding to assist with capacity building in local authorities. Around £25m of this is being made available to fund the Regional Centres in 2006-7 and 2007-8.

8.14 The Council's three-year budget has followed this approach. In previous years Business Managers have been expected to identify savings broadly equivalent to wage inflation.

8.15 The original three-year budget (in 2002) provided for investment in:

- Stepped increases in staff development budgets taking the spending to £600,000
- Supplementing the IEG funding with £1 million of one-off spending in PC/server replacements and £500,000 new IT handheld technology in OBS (now Oxford Homes).

8.16 The Council also produces two "Annual Efficiency Statements" one of which estimates future planned savings, and the second of which sets out savings delivered in last years.

8.17 The intention is that for 2007-8 the savings identified as part of the budget process are linked to the AES.

8.18 The Council has strengthened its self-assessment of its Value for Money (one of the key tasks in the Council's response to the Audit Commission Annual Audit Letter). This included:

- A major high level review of costs - using the CiPFA Finance and

General Statistics.

- Comprehensive benchmarking of central services, largely through the IPF benchmarking service.
- Working with a partner to trial a system of improving process management arrangements in Building Control ("systems thinking").
- A series of VfM audits through KPMG.
- A set of service (Best Value) reviews, including a proposed major review of the Benefits/Customer Services system in 2007.

ICT facilities

8.19 Business Systems carried out a mini best value review of their services in 2005. This included a mock tender exercise with three other major suppliers. The conclusions were that the IT costs were broadly comparable with what others might charge of for the service. Further benchmarking work by the new Business Manager for Business Systems has shown that IT spend appears (if anything) below that of other District Councils.

8.20 More crucially there has been little investment in core IT systems since the major upgrades in PCs and Servers in 2003-4 to 2004-5, and investment by individual Business Units has been similarly mixed. This has meant some key systems were/are running on old/unsupported IT systems.

8.21 The Business Systems Business Manager carried out a major review of IT systems to develop a five-year investment plan (this does not include any individual business units' needs). The broad spending level is around £500,000 a year. Some of these costs might be funded through capital.

ICT Five-year investment summary

	2007-8	**2008-9**	**2009-10**	**2010-11**	**2011-12**
Servers and storage	£78,200	£80,600	£86,200	£65,500	60,000
PCs	£229,714	£229,714	£229,714	£229,714	£229,865
Networks	£63,983	£15,583	£37,243	0	0
Printers	£52,440	£52,440	£52,440	£52,440	£52,440
E-mail, internet	£10,000	£5,000	£5,000	£5,000	£5,000
Data archiving	0	£25,000	£3,500	£3,500	£3,500

Service desk	£40,000	£3,500	£23,500	£5,500	£5,500
Ext staff + contingency	£76,217	£73,092	£74,380	£70,583	£70,315

These ICT costs have not been included in the 2007-8 or subsequent budgets.

Lean/Systems Thinking

8.22 Following our "weak" CPA result Oxford was awarded capacity building funding in 2004-5 and 2005-6 budgets. £50,000 of this budget was set aside to fund process improvements.

8.23 In early 2006 the Council appointed "Vanguard" to support a project to look at systems in Building Control. That work is still ongoing. The Strategic Directors concluded this approach shows potential to generate potentially significant efficiency improvements.

8.24 The Strategic Director Physical Environment is drawing together a proposal for extending this approach to other parts of the authority. Officers are currently undertaking a full tender exercise to establish who might be best placed to carry out such work and the likely costs. We will then be in a position to bring proposals to Members in the form of a Major Project Approval.

8.25 Based on early, indicative figures from Vanguard, the potential consultancy costs might run to £400,000 over two years. However a fuller estimation of costs, and potential benefits, will only be available after the end of the tender exercise.

These revenue costs have not been included in the base budget.

City Works

8.26 City Works procure vehicles and equipment for themselves and the rest of the city council. Traditionally the vehicles were acquired through leasing. After the introduction of prudential borrowing the council moved to buying these vehicles outright and a (capital) budget of £500,000 was set aside to pay for this.

8.27 When City Works acquire vehicles for other Business Units they charge those units by way of an internal "lease", this internal charge has sat outside the council wide system of service level agreements.

8.28 The spending on vehicles has risen sharply and Finance staff have been working with City Works colleagues to model future levels of vehicle replacement spending. Current estimates are that vehicle purchase costs might run at over £1 million/year. The reasons for these increases are also being explored. It may be that a significantly higher level of spending in this area is needed.

A VfM audit of this area has been commissioned and will take place in winter 2006-7.

Cross Oxfordshire waste collection contract

8.29 Waste collection and recycling is the responsibility of individual district councils. Oxford City Council's 2006-7 domestic and trade refuse collection budget stands at £3.1 million (offset by some £1.5 million of trade waste income). A further £1.7 million is spent on recycling and £1.9 million on depot and management costs (some of which will relate to other city works activities).

8.30 Three Oxfordshire District Councils are currently exploring the potential for a joint refuse collection contract (not to be confused with the County Wide Oxfordshire Waste Strategy) and the fourth district is looking at whether they would wish to join. Planning for any joint contract is at the very earliest stages, and would come into operation in either April 2009 or 2010.

8.31 The three existing districts are keen for the City Council to join that potential consortium, as they believe it may lead to significant efficiencies in running costs. Savings could arise from sharing depots, joint vehicle procurement/maintenance and simplified management arrangements.

8.32 If Members decided to pursue this option, detailed planning would need to start in 2007, and if potential saving were achieved, these would arise after 2009 or 2010.

Changes to recycling rules

8.33 The Government will change the rules about how much biodegradable waste local authorities can send to landfill. These new rules will come into force in 2010.

8.34 The effects of these changes could be very significant. If the Council can keep the amount of biodegradable waste it generates below its target (worked out on the basis of the number of households) it will receive a "credit". However if the council exceeds the target it will be fined for every additional tonne of waste sent to landfill.

Officers will model the potential costs/benefits of this new scheme in 2007.

Energy standards in buildings

8.35 The government has set a decent homes standard and said that councils need to achieve this target by 2010. What is not clear is whether there will be an additional, potentially more challenging target, after that date.

8.36 The Government has received reports about how the UK may meet targets for reducing greenhouse gas emissions. One significant part of achieving this target is by improving the UK housing stock. Oxford University have suggested a target of a 60% reduction in energy consumption in all of the UK housing stock against current energy usage.

8.37 Such a target would require significant investment in both private and public housing. The Oxford University report suggested that some houses would need to be demolished because it would be uneconomic to renovate them.

8.38 At the same time it seems likely that other public and private buildings will be expected to attain significantly improved energy standards, and the Council would be responsible for delivering those improvements in its own buildings.

8.39 Most of this investment would be funded from capital, but there would also be revenue effects:

- Some of the spending might be revenue.
- We may be expected to fund some of the borrowing costs.

Single status/job evaluation

8.40 The Council (along with other Councils) is carrying out a review of pay between male and female staff. The three year budget includes £800,000 a year to pay for the cost implications of “single status”.

8.41 The reason this exercise can lead to higher costs is because:

- Individuals who are deemed to have been underpaid will get a pay increase.
- Staff getting a pay increase can also look for the gap between their old and new salaries to be backdated. The amount we would have to pay would depend on how far we backdate pay increases.
- Individuals who are deemed to have been overpaid will not have their pay reduced immediately. Instead for a time they will continue to get their old wage (perhaps also increased in line with pay). The longer the period people get “pay protection” the higher the costs to the Council.

8.42 It is highly likely that the single status agreements will be concluded in 2007 at which time the full costs will become clearer.

Procurement and process improvements

8.43 The Council has strengthened its procurement arrangements. The Business Manager Facility Management has taken a lead on a series of major contracts, which have generated savings. The savings have accrued to the individual Business Units, rather than the procurement team.

8.44 Procurement processes have been substantially simplified, following work with “Buying Team”. This has resulted in simpler invoice payment systems, which has reduced the cost of paying bills, as well as allowing us to pay creditors much more quickly.

8.45 The council has also started to use Procurement cards, these cards further simplify purchasing leading to lower costs.

Leisure Income/Best Value Review

8.46 The Leisure and Culture Business Unit has faced ongoing budget pressures. Members responded by reducing the Business Unit’s budget saving target by £100,000 for 2006-7 and by writing off some of the unit’s overspend

8.47 The business unit has continued to face budget pressures, in particular from income not reaching budgeted levels. The reasons for this are not entirely clear but may include:

- Original usage targets of new facilities were too ambitious.
- Usage targets were correct, but more than anticipated percentage of users were entitled to discounted or free usage.
- We are losing customers to other providers within or near to the city.

8.48 The leisure best value is approaching completion, this may highlight ways of delivering services at lower cost and higher quality. Some of the options may need further investment in order to progress them.

Unitary status

8.49 Oxford has submitted a preliminary submission for unitary status. The outcome of that bid should be known in the near future. If the Council decides to pursue its bid there will be cost implications of making a full submission. Other district councils in a similar position have set aside budgets of around £250,000 for this purpose.

8.50 If the submission is successful the job of creating a new unitary authority will be a very substantial task. It will require staff resources and management at all levels will need to make it their highest priority for a number of years.

8.51 There will be one-off costs of establishing a unitary authority, though the Government has made clear they expect the longer-term results to be lower costs for local taxpayers.

8.52 The city council has commissioned research. However much more detailed work (some of which depends on getting information from the County Council) will be needed before definitive costs and benefits can be determined.

Local housing allowances

8.53 The Government is introducing a new system of supporting people who need help with their housing costs. The system of local housing allowances is intended to be a simpler system, with individuals having a payment based around their needs, rather than their cost of housing.

8.54 The aim is that people will have greater freedom to decide what to pay. The new system will be introduced in stages after April 2008 and will affect new claimants only.

8.55 The effects on the City Council are hard to determine. They include:

- Potential changes to the assumed cost of running the benefit service, which may result in lower levels of Housing Benefit Administration Subsidy.
- Potential changes to the local cost of benefits - a £400,000 budget.
- A potentially simpler benefit system, which may be cheaper to administer.

Westgate shopping development

8.56 The Westgate Shopping Development represents a major redevelopment opportunity in the Oxford's city centre. It would involve a major new shopping area and rebuilt car parks.

8.57 The development is subject to securing planning permission, and if agreed the works would take several years to complete, probably coming to completion around 2010.

8.58 The city council has a share of the Westgate shopping centre, and so a successful development will benefit the council. The agreement also offers the potential for a share in profits of the completed centre, through the amount (if any) of a profit share are still highly uncertain and have not been built into any budget assumptions.

St Aldate's Building

8.59 The Council rents offices at St Aldates Chambers. These buildings are in poor condition, and will need a major refurbishment (the costs of which are not included within the property maintenance backlog).

8.60 Every fourteen years the landlord of St Aldates Chambers (Merton College) is entitled to review the rent we pay in light of market conditions. We can also be required to make good any internal decorations. The next rent review is due in March 2009.

8.61 The potential rent review could add between £150,000 to £250,000 to the current £225,000 yearly rent.

8.63 The alternative is the rear half of the St Aldates building is demolished and the front refurbished (by the developer) who would also relocate us at nil/modest cost. If the development proceeds (which would require planning permission) it would take place around the Spring 2008.

8.64 If the development took place, we would still face a rent review in 2009 (albeit on a rent of around £125,000), the likely increase would be half that of the "full" rent review.

HRA TO FOLLOW

9. Revenue Forecasts and Reserves

General Factors

9.1 The major assumptions on which the revenue forecasts are based are summarised in Appendix G.

9.2 These are based on the analysis in previous sections of the strategy, and are based on the best information available at present (October 2006).

9.3 A number of areas of uncertainty still remain, where the exact financial impact on the Council cannot yet be accurately determined. These items are shown in Appendix B, and must be borne in mind when setting the financial strategy. These uncertainties have been taken into account in the risk assessment underpinning the recommended level of balances.

General Fund

9.4 The original three-year budget for 2006-07 to 2008-09 approved net expenditure of £27,201,598 for 2007-08, which included £313,471 drawn from balances. For 2008-09 net expenditure of £27,638,785 was approved, which included a contribution to reserves of £4,437. The budget maintained balances above the minimum required level of £3 million.

9.5 A summary of this budget is shown in Appendix L.

9.6 Net expenditure for 2008-09 included a revenue contribution to capital funding of £900,000. This is included in capital funding planning and has been assumed to continue at this level throughout the period covered by the strategy. Continuing to make this contribution to fund capital projects is clearly dependent on savings budgeted for 2008-09 and later years being delivered.

9.7 At the end of 2005-06, General Fund expenditure was £286k below the level assumed in budget calculations. Carryforwards of both over and underspends were approved by Executive Board in July 2006, together with Members' immediate spending priorities that utilised the additional funding but preserved balances above £3 million. £50,000 was retained in balances to minimise future Council Tax increases.

9.8 Details of these changes (and other approved changes impacting on balances) are shown in Appendix M

9.9 Medium Term Forecasts for the General Fund have been modelled and are summarized below:

Projected resources

9.10 The table below shows the projected resources over the next 5 years.

Year	Government support £m	Council Tax £m	Total resources £m
2007-08	16.0	10.9	26.9
2008-09	16.3	11.3	27.6
2009-10	16.7	11.8	28.5
2010-11	17.0	12.3	29.3
2012-12	17.3	12.9	30.2

9.11 Assumptions: Government support increases by 2% per annum; No reduction in protection through floor mechanism; Council tax base increases by ½ % per annum; Council tax increases by 4% per annum; Council tax collection rate is unchanged.

Projected spending

9.12 The table below shows the projected spending over the next 5 years.

Year	Base budget £m	Approved changes £m	Effect of inflation £m	Policy Space £m	Unavoidable Costs £m	Projected spending £m	Resources £m	Savings target £m
2007-08	28.5		1.3	0.5	0.4	29.4	26.9	2.5
2008-09	29.4	0.4	1.4	0.5		31.7	27.6	4.1
2009-10	31.7		1.5	0.5		33.7	28.5	5.2
2010-11	33.7		1.5	0.5		35.7	29.3	6.4
2010-12	35.7		1.6	0.5		37.8	30.2	7.8

9.13 Assumptions: Employee costs rise by 4% per annum; Premises costs rise by 3% per annum; transport costs rise by 5% per annum; Supplies and Services costs rise by 2% per annum; Income rises by 3% per annum; Provision of £0.5 million per annum for policy initiatives.

9.14 On this basis, the General Fund has to find cumulative savings of £7.8 million over the next five years. The budget for 2007-08 approved in February 2006 assumed £0.3 used from balances, reducing the savings target from £2.5m to £2.2m for this year.

Housing Revenue Account

9.15 At 1st April 2006 working balances stood at £2.8 million. Use of balances of £340,000 was approved for carryforwards. Balances are therefore £2.5m. The minimum recommended level is £2m.

9.16 The original three-year budget for 2006-07 to 2008-09 approved a surplus of £1,250k for 2007-08 and a surplus of £1,023k for 2008-09..

9.17 A summary of this budget is shown in Appendix L.

9.18 The creation of a single HRA Business Unit, Oxford City Homes, approved by Council in June 2006, resulted in budget virements giving a revised approved budget surplus of £1,266k for 2007-08 and a surplus of £942k for 2008-09..

9.19 Medium Term Forecasts for the HRA have been modelled and are summarised below:

Projected spending

9.20 The table below shows the projected spending over the next 5 years.

	Base Budget	Effect of Inflation	Rental Income/ Subsidy	Unavoidable Costs	Policy Space	Revenue (Surplus) / Deficit	Savings Target	Budget after Savings
Year	£m	£m	£m	£m	£m	£m	£m	£m
2007-08	(1.3)	1.1	(0.2)	0.5	0.0	0.1	(1.4)	(1.3)
2008-09	0.1	1.0	0.4	0.0	0.0	1.5	(2.5)	(0.9)
2009-10	1.5	1.1	(0.4)	0.0	0.0	2.2	(3.1)	(0.9)
2010-11	2.2	1.1	(0.5)	0.0	0.0	2.8	(3.7)	(0.9)
2011-12	2.8	1.1	(0.5)	0.0	0.0	3.4	(4.3)	(0.9)

9.21 Assumptions: Inflation increases are the same as the General Fund with the exception of commodities, which are currently at 6% above the general rate of inflation. In calculating subsidy it is assumed that management and maintenance allowances and guideline rent increase by 5% per annum. For rental income the government currently restricts actual rent increases to an average of 5% and for service charges RPI plus 0.5%. The restriction means that rent convergence with housing associations will not occur in 2012. The government compensates the HRA for the loss of rental income through the subsidy system. There is no compensation in respect of the restriction on increases in service charges.

9.22 Housing Subsidy is a major component of the HRA budget. The Subsidy determination is announced annually by Central Government in December and only gives figures for the following year. It is therefore very difficult to predict this part of the HRA budget.

9.23 In 2007-08, there are 53 rental weeks resulting in extra income. The decrease in the rental income/subsidy column in 2008-09 is a result of this extra week dropping out.

9.24 To provide revenue contributions towards Decent Homes capital expenditure the HRA revenue budget needs to be in surplus. On this basis the HRA has to find cumulative savings of £4.3m over the next five years. There is no provision for any policy initiatives within the figures. Any proposals would need to be met from further savings.

9.25 The Decent Homes target date is December 2010. It is assumed that capital expenditure will continue beyond that date and a revenue surplus will therefore be required in 2011-12.

9.26 If the surpluses are not realised further funding from the sale of assets will be required to fund the HRA capital programme over then next five years.

Recommendation on Level of Reserves

9.27 The minimum level of reserves agreed in previous years has been:

£3 million for General Fund
£2 million for HRA

9.28 These reserves are the only cash balances the Council holds to fund unexpected increases in expenditure. If the Council incurred additional costs exceeding the level of reserves, the Council would have to reduce expenditure or cease to provide some services.

9.29 The Council undertakes the CIPFA approved analysis to ascertain whether balances are sufficient or not. This analysis looks at items like the effectiveness of monitoring arrangements. This is summarised in Appendix C.

9.30 Although there has been no change in the status of the factors determining adequacy of reserves, there has been an increase in risk to the Council.

9.31 The list of Areas of Uncertainty shown in Appendix B highlights a number of areas that the Council needs to be aware of and which may cause additional expenditure. Although the list of areas of uncertainty is a new inclusion in the report, the acknowledgement of these risks is not and the Council has been aware of these for many years.

9.32 The recommendation for 2007-8 is an increase in General Fund reserves to £3.5m. The difference in 2007-8 from previous years is the potential substantial expenditure from both Concessionary Fares and Single Status (Job Evaluation). These are both detailed in the Areas of Uncertainty.

9.33 The HRA does not have the same level of risk from Single Status as the job evaluation programme does not cover the manual workforce. HRA balances are recommended to remain at £2 million.

Part D: Capital

10. Capital Programme Spending Pressures

10.1 **The key concern for the capital programme is the extent to which the programme requires asset disposals to fund expenditure. The sum involved is approximately £30m to fund both General Fund and HRA programmes.**

10.2 A summary of funding for both funds is shown in **Section 11.**

General Fund - funding

10.3 The 2006-07 capital programme is shown in the funding table as a deficit of £130,000. The deficit is being kept at this level by slippage schemes into 2007/8 and by not approving any new schemes. There are approximately £900,000 of schemes waiting for funding in 2006-07 of which the largest is additional funding for City Works vehicles of £700,000. A full report on funding for City Works vehicles will go to Executive Board in December.

10.4 The danger in the Council chasing asset disposals to fund the programme is that this is a short-term measure and not sustainable long term. In future years, the receipts are more speculative and start impacting on revenue income streams. The detailed list of disposals is kept as a working document and not published. The Mascall Avenue site approved for disposal by Executive Board has been identified as a Housing asset and as such is listed as a future capital receipt within that programme.

10.5 The Capital programme predicts a cumulative surplus to 2010-11 of £5m assuming future asset disposals over that period of £14.9m. However, if all new schemes listed in paragraph 10.21 were included there would be a deficit of £6m. The figure for future asset disposals assumes all properties identified as possible disposals are disposed of. It is clear from the size of the potential funding deficit that the Capital Programme is over ambitious and needs reviewing to identify priority schemes or different sources of funding need to be sought.

10.6 The timing of asset disposals can lead to short term funding problems. Once spending occurs or contracts are placed, the expenditure has to be funded. The disposal of assets is more complicated and can be held for some time whilst negotiations take place. If spending occurs without the matching asset disposal, the spend will have to be funded from reserves. Both the General Fund & HRA are operating at or near minimum reserves.

10.7 To avoid spending outpacing funding, the Council should prioritise all schemes on the capital programme and only allow schemes to proceed as funding is identified. This will reduce the risk of raiding balances to pay for capital expenditure.

10.8 The authority (through the Capital Monitoring Group) should explore the idea of a holding list. This would be a list prioritising schemes in the order that they should proceed.

10.9 The 2006-07 budget assumed that £0.9m of funding per annum for capital would come from the revenue budget. This is assumed to continue. The previous budget also assumed that £1.0m of the DWP Housing Benefit Provision would be surplus and could be used to fund capital. The amount due back to DWP was more than anticipated and the remainder of that provision has now been earmarked to increase General Fund reserves.

General Fund - spend

10.11 The Capital Programme has been updated for new projects identified as potential new schemes and changes in funding.

10.12 The new schemes list is a combination of schemes identified during the current financial year and a few initial ideas from managers. The list is not comprehensive. The figures attached are estimates at this stage. Many have revenue implications that require a bid, these schemes will therefore only proceed if adopted into the revenue budget.

10.13 The Community Centre Strategy & Leisure Best Value Review may lead to further bids against the capital programme.

10.14 The new schemes identified total £10.8m and are listed at the end of this section. In the time before the consultation budget the proposed new schemes listed will be investigated and further developed.

Housing Revenue Account

HRA - Funding

10.15 The overall funding shortfall for the HRA capital programme is £6m. The key strategy for funding the HRA shortfall is the identification and sale of surplus property. A shortlist of property has been drawn up & further evaluation will take place. Properties identified include larger properties and special need properties and are valued at £18m. Selective disposal could raise the £6m required to cover the shortfall.

10.16 The concerns with timing of capital receipts and expenditure applies equally to the HRA and care will need to be taken that spend does not outpace funding.

10.17 The HRA is expected to fund capital expenditure of £1.2m in 2007-08 and £0.8m onwards from the revenue account. The revenue budget shown in the revenue section of the MTFS shows a deficit of £1.4m for 2007-08 with few potential for savings. The contribution from revenue is therefore in doubt. If this contribution is not made, a further sum of £3.6m will need to be found from asset disposals.

10.18 The funding strategy outlined above will enable the Council to meet Decent Homes requirements in the timescale set by government. It is not yet known whether there will be a further government initiative to continue improvements in Council Housing after 2010-11 or the levels of funding that will be provided through Housing Subsidy.

<u>HRA - spend</u>

10.19 There are no schemes added to the programme. The HRA capital programme is based on the initial data from Savilles collected in 2003. This estimated costs by cloning similar housing types. The HRA are undertaking a thorough survey of all houses to inform the spend figures included in the programme. This information will be used to update the capital programme in 2007.

10.20 The key assumption in the spend figures is that the Rose Hill Orlit project will go ahead as planned. The £3m to achieve Decent Homes Standard on these properties is therefore excluded from any figures.

10.21 List of new Schemes identified to date (not comprehensive).

(More schemes will be identified prior to publication of the consultation budget).

Scheme	2007-08	2008-09	2009-10	2010-11	2011-12
	£'000	£'000	£'000	£'000	£'000
IT infrastructure	500	500	500	500	500
New Customer Contact centre	100				
St Ebbes Community Room	80				
Extension to Cold Harbour/St Lukes Community Centre	40				
HR/Payroll system	150				
URC Lift Project	25				
Marston Saints Football field	60				
Sub Aqua Club	30				
BBL All Weather football pitch	250				

Court Place Farm all weather football pitch	100				
Cemeteries IT equipment	15				
Repairs & Maintenance – capital element	1800	1800	1800		
City works vehicles	2100				
Total	5250	2300	2300	500	500

11. Capital Plan Forecast

General Fund	2006/2007 £m	2007/2008 £m	2008/2009 £m	2009/2010 £m	2010/2011 £m
In hand 1st April	1.422	(0.134)	4.218	4.019	3.362
Resources					
Asset disposals completed	1.250				
Asset disposals planned	0.412	7.623	2.415	2.415	2.415
Prudential borrowing	2.175	0.000	0.000	0.000	0.000
Disabled Facilities grant	0.360	0.200	0.200	0.200	0.000
Private sector housing improvement	0.248				
Grants and contributions	3.554	1.145	1.676	0.435	0.000
Direct revenue financing					
General fund	0.467	0.394	1.286	0.900	0.900
Appropriated from reserves	0.000	0.000	0.000	0.000	0.000
Total Projected resources	9.888	9.228	9.795	7.969	6.677
Spend					
Projected spend	10.688	4.344	5.776	4.607	1.575
less Slippage of schemes	(0.666)	0.666			
New Schemes					
Total projected spend	10.022	5.010	5.776	4.607	1.575
Carried forward	(0.134)	4.218	4.019	3.362	5.102

HRA	2006/2007 £m	2007/2008 £m	2008/2009 £m	2009/2010 £m	2010/2011 £m
In hand 1st April	5.664	3.685	(2.775)	(3.575)	(3.975)
Resources					
RTB sales completed	0.226				
RTB sales planned	0.274	0.500	0.500	0.400	0.400
Asset disposals completed	1.165				
Asset disposals planned	1.747	0.500	3.000	3.000	0.500
Supported Borrowing	0.546	0.000	0.000	0.000	0.000
Major Repairs Allowance	5.000	5.000	4.900	4.900	4.800
Direct revenue financing					
Housing Revenue Account	0.467	1.200	0.800	0.800	0.800
Total Projected resources	15.088	10.885	6.425	5.525	2.525
Actual spend					
Projected spend	12.563	12.500	10.000	9.500	8.870
New Spend	0.000	0.000	0.000	0.000	0.000
slippage	(1.160)	1.160			
Total projected spend	11.403	13.660	10.000	9.500	8.870
Carried forward	3.685	(2.775)	(3.575)	(3.975)	(6.345)

Part E: Budget Strategy and Process

12. The Original Three-year Budgets

12.1 The Council has previously set a three-year budget that assumed:

- For the General Fund, an annual increase of 4% in Council Tax;
- For the Housing Revenue Account, an annual increase in rents of the maximum permitted under the Government's rent restructuring regime.

12.2 The original three-year budget was also founded on a number of underlying principles.

- The Council set a vision and objectives that could only be achieved if Members and Managers jointly planned over a reasonable timescale.
- The stability provided by three-year budgets enabled informed plans to be made for maintaining and using balances, avoiding last minute changes in policies.
- We all recognized our costs rise by more than our available resources. Managers were required to plan to achieve annual efficiency savings (which also ties in with the Government's "Gershon" agenda) to pay for them.
- Several business units have significant sources of income, and were able to achieve their savings target by raising fees and charges. However Increases in fees and charges should only be used to meet savings targets when all other options have been discounted.

12.3 The three-year budget approach changed the Council's financial standing. General Fund balances, which had fallen to below £1 million, stood at over £5 million at 31st March 2006.

12.4 The council also contained its increases in general fund spending. In 2003-4 the Oxford spent the 5th highest/head of any district council, by 2006-7 we were 21st in terms of spending/head[1].

12.5 Not all costs were managed through Business Units, a few (usually larger) cost pressures are traditionally dealt with on a council wide financial basis.

[1] Budgeted figures. Source: CiPFA Finance and General statistics.

World-class financial management

12.6 In 2005 the Audit Commission published a study of best practice in local authority financial management. We used this document and our visits to other authorities as the basis for an internal reassessment of the way we budget. We concluded that whilst we had made progress, we needed to make further improvements.

12.7 As a result in September 2006 Executive Board agreed significant changes in the way we manage our budgets.

The main changes were:

- Creation of a separate Medium Term Financial Strategy document, drawing together corporate and financial planning processes.
- Setting budgets in “real” terms - modeling and showing the effects of inflation.
- Treating fees and charges as a corporate as opposed to Business Unit resource.
- Making budget choices at Directorate rather than Business Unit level.
- Starting the process significantly earlier in the financial year (particularly for the 2008-9 budget).
- Earlier modeling of budget choices, with savings set explicitly and allocated to individual managers.
- Setting out clear rules for managing the budget process (Section 13).
- A pre-determined policy space for funding of new initiatives.

13. Budget Definitions and Ground Rules

Broad responsibilities

13.1 The S151 Officer is responsible for the Council's overall budget management processes. This includes:

- Ensuring that any rules/guidance around the budget process are in line with Council policy/relevant professional practice and applied fairly.
- That budget estimates/assumptions are robust and consistent, and take into account relevant factors.
- That minimum levels of balances are defined and maintained.

The S151 Officer is part of a wider process. Elected Members make the strategic choices about where resources are allocated.

13.2 In terms of the budget process, Strategic Directors are responsible for:

- Overall delivery of the budgets in their areas of control.
- Identifying potential cost pressures/opportunities in their directorates, suggesting ways of making efficiency savings and/or potential areas for investment.
- The VfM in and of their Directorates.
- Advising Members on options for delivering budgets in their areas.
- Monitoring and assessing budgets/spending/income.

Budget processes

13.3 The S151 Officer will decide on application of underpinning budget principles (ie not policy, which remains the responsibility of Members). The S151 officer will consult with colleagues when establishing underpinning budget principles.

How budgets are managed

13.4 The vast majority of budgets will be set and managed at Directorate level. However a few major cost centres sit outside the Directorate budgets. These are budgets that are not to do with service delivery (and their costs do not usually increase in line with inflation). These "corporate accounts" are managed and reported outside the Directorates.

13.5 Key corporate accounts include:

- Interest on investments and cash and interest paid on loans.
- The collection fund (council tax and business rates) and Revenue Support Grant income
- The local cost of benefits
- Specific funds and provisions (e.g. our internal insurance fund and our general reserves)
- The Corporate and Democratic Core

A full list of corporate accounts are set out in the MTFS.

13.6 Other budgets (HRA and General Fund) fall within Directorate responsibilities.

The budget process

13.7. Following the review of the budget process (World Class Financial Management), we have set out a revised approach to the calculation of savings targets. This is set out below.

13.8. The approach is to use the 2007-08 budget published as year 2 of the 2006-7 three year budget as a base position, adjusted for changes approved since then. The budget is inflated to the price base for 2007-08 (necessary for this first year of the new budget process as budgets were not previously inflated).

- The cost of inflation is the major budget pressure. This means we will calculate it centrally and consider it as part of working out the savings target
- Fees and charges will also be inflated using corporate assumptions with exceptions clearly identified, for example where fees are set by central government or for commercial property rents where the increase is predicated on the lease events due in the budget year.
- There are a few other major corporate cost pressures (see below). We add these other corporate cost pressures to the net inflationary pressure.
- We add a further specific sum - the policy space. This is the amount we set aside to pay for council wide initiatives.

- Finally we work out if we need to add any extra money into reserves or provisions in the coming year. For the 2007-08 budget we will take account of the return to balances of the amount remaining from the settlement of the DWP provision.

- Adding these three costs together gives us the gross cost pressure we face in the coming year.

- We also work out how much corporate income we will generate. This will come from interest on bank accounts, and Council tax/Revenue Support Grant.

- We subtract the corporate income from the gross cost pressure to give us the net cost to be found. This is the saving figure that we then share across Directorates in line with the Directorate controllable budget (its expressed as a % of controllable budgets).

13.9 Each directorate has the same % saving figure, but as the size of directorates' budgets varies. - so will the total amount each Directorate needs to save.

13.10 We will model income and costs over the next five years, so the Council and individual Directorates can see (and plan for) their budget pressures over the medium term.

Cost pressures

13.11 Directorates will all face cost pressures. These pressures fall into various types, which we propose will be managed differently.

Inflation

13.12 The major pressure each year is wage and other inflation. Finance staff will estimate inflation for major types of spending and inflate Directorate budgets accordingly. Budget increases are set out in advance, so Directorates know what inflation increase has been applied to wages, general supplies, energy costs and so on.

13.13 If there are unusual budgets we adjust inflation factors to them - but we will only do this if the amount is significant (otherwise the whole exercise risks becoming ludicrously complicated).

13.14 We will set inflation factors out for the coming year, and subsequent years in the MTFS. We will update the long-term estimates each year as we update the strategy.

Major corporate cost pressures/variances

13.15 In addition to inflation, there are a few major unavoidable cost pressures, which we will also manage centrally, in effect sharing the burden across the whole council. These are:

- Are so substantial that it would not be reasonable to expect even a Directorate to be able to manage them.
- Of a corporate nature - potentially arising from changes in national legislation.
- Uncertain (either in terms of timing or amount) so it is more reasonable to manage them council-wide.

13.16 Examples of major unavoidable corporate cost pressures include the effects of the concessionary fare scheme.

13.16 There may be occasions where a Directorate benefits from a windfall, for reasons similar to those of corporate pressures (eg a change in legislation).

13.18 The assumption is with substantial genuine windfalls (as opposed to efficiencies) the S151 Officer may exceptionally decide that these are to be treated as corporate benefits.

Other cost pressures/variances

13.19 All Directorates also face specific cost pressures. These will push up the cost of a specific area by more than inflation.

13.20 These costs will normally be managed at Directorate level. The Directorate may decide to change the service to contain costs, or make extra savings in other parts of the Directorate in order to compensate for the spending. They include:

- Variations in contracts, perhaps because of increased take-up.
- Overspends either in the year, or carried forward, that the S151 officer has not agreed are corporate pressures.

- Savings from previous budgets that have not been achieved.

13.21 At the same time other benefits may arise, contract costs may reduce through better contract management. These benefits will accrue to the Directorate.

13.22 The default assumption is that budget changes, other than agreed inflation, will be managed by the Directorates.

13.23 The S151 Officer will list all cost pressures over £50,000 as part of the budget. This will allow Members to take a view if any such items are of a nature that they need to be funded through the policy space.

Growth proposals

13.24 Directorates may wish to increase spending in an area. These increases are defined as “growth”.

13.25 Items may be highly desirable, but if they are not unavoidable, are growth items. These might include:

- Upgrades to computer systems
- Extra staff to improve a service in an area
- Expansion of service

13.26 Growth items can be funded in two ways:

- By the Directorate finding compensating savings elsewherte.
- By bidding against the corporate “policy space”.

13.27 Any growth item being bid against the policy space must be supported by a business case set out in the form defined by the S151 Officer.

13.28 The business case should set out the cost of the scheme, the expected benefits, the savings (if any), the officer responsible for delivery and any alternative ways of delivery. Costings in a growth item must be signed off by the 151 Officer.

13.29 Growth items will be considered as part of the budget process, and should be identified in advance of the consultation budget.

13.30 Growth proposals may come from Managers or Members and may be in response a range of drivers including:

- The corporate plan

- A risk assessment
- A business plan
- A spend to save option

13.31 Growth bids might include:

- New or replacement IT equipment/software
- Not increasing controllable fees and charges by the rate of inflation
- Mainstreaming an externally funded post or service
- Improving an existing service, or proposals to increase spending in an area.

Appendix A - Key Corporate Objectives

Objective One: Reduce inequality through social inclusion

Develop cohesive communities and support cultural diversity

We recognise the need to build strong communities and will support this through support for community based cultural and recreational activities for all age groups; promoting healthy lifestyles; life skills and basic skills; supporting projects that empower communities and engaging with communities to increase participation in Council decision-making.

Ensure that the economic success of the city is shared by all sections of the community

A strong, sustainable local economy means good long-term job prospects for the people of Oxford. We want to maintain investment in our world-class local economy, ensuring that big businesses continue to want to invest in Oxford and providing opportunities and support for local, independent and small-scale companies.

With our partners we have secured a major investment in providing skills training in deprived areas of Oxford. Through the 'Learning Communities' Programme we will help people gain the skills to take advantage of job opportunities in the area.

Work with partner organisations to promote health and social welfare, and to reduce fuel poverty.

Health inequalities are a major issue in Oxford. Standards of health and life expectancy differ widely. Working together with the Primary Care Trust and voluntary and community groups, we want to encourage healthy lifestyles, by promoting healthy eating and providing more opportunities to take part in sport and exercise.

The quality of housing in Oxford is often poor and this can result in high fuel costs. We will invest more resources into energy efficiency programmes so that by 2009 at least 1000 homes get free insulation, both to reduce energy consumption and fuel poverty.

Objective two: More housing for Oxford, better housing for all

Tackle and reduce homelessness

In Oxford we have high numbers of people who come to the Council seeking housing because they are homeless. Levels of homelessness are amongst the highest in England and on a scale similar to that faced by the centres of much larger cities.

Invest to increase the quantity and quality of social and affordable housing

House prices and rents in Oxford are amongst the highest in the country, often exceeding those in parts of London. High housing costs can threaten the sustainability of communities and result in the break-up of extended families.

Oxford City Council spends £40 million on social housing and homelessness every year. We work to make development of new social and affordable housing easier and we will invest more in this crucial area to ensure the highest possible supply of new homes.

Ensure that Houses in Multiple Occupation are managed in a responsible way

The high housing costs in Oxford mean that we have a large number of houses that are rented out to several different individuals. These shared houses or HMOs are sometimes in poor condition inside and out. We will work with landlords to ensure that properties are safe and kept in reasonable condition.

Objective three: Improve the Local Environment, Economy and Quality of Life

Keep our streets and neighbourhoods clean and tidy

In Oxford, as in all urban areas, litter can be a problem. We have invested heavily in cleaning up our streets and neighbourhoods. Now, using new powers, we are taking enforcement action to catch and fine those responsible for littering and fly tipping. We will match this with a public education campaign across Oxford to encourage people to keep our city tidy.

Seek to sustain the city’s economic and cultural status and success

Our city is visited by hundreds of thousands of visitors each year and tourism is an important part of the economy. However at the core of our success is the educational, medical, research, scientific, publishing and manufacturing activities based here. We will ensure that Oxford builds on those strengths whilst maintaining the social and environmental strengths that define the city.

Improve the quality of our play areas, parks and green spaces.

We are proud of our parks and green open spaces and the many awards they have won. Oxford has won the Britain in Bloom title three times and Oxford's meadows and parks are amongst the best known across the world. In order to make sure that all our parks can be used in comfort and security we have introduced a uniformed ranger team to operate across the city.

Improve air quality and reduce pollution.

Pollution is one of the major issues facing Oxford. We will work with Oxfordshire County Council to reduce air pollution, particularly in the city centre and in other areas where national guidelines are reached or exceeded.

Objective four: Reduce and prevent crime and anti-social behaviour

Work through Neighbourhood Action Groups to implement neighbourhood policing (including Street Wardens and PCSOs) throughout Oxford.

We have mainstreamed Street Warden funding in the last year and extended wardens to new parts of the city; we will expand further in areas where anti social behaviour is an issue. In addition we will continue to jointly fund Police Community Support Officers (PCSOs) with Thames Valley Police over the next few years. We have introduced a uniformed park ranger service into our parks to help reduce anti-social behaviour and fear of crime. We have expanded our successful Nightsafe scheme working with city centre licensed premises to continue to reduce alcohol related disorder.

By 2008 Oxford's Safer Communities Partnership aims to:

- Reduce anti-social behaviour such as drunken, rowdy behaviour, aggressive begging, conflicts between neighbours and intimidation by groups of teenagers hanging around
- Reduce violent assault by 20%
- Reduce robbery by 20%
- Increase reporting of racial, homophobic and domestic crime. Increased reporting of these crimes helps identify problem areas and trigger provision of support to victims.
- Reduce burglary of peoples homes by 25%
- Reduce repeat victims of burglary by 40%
- Reduce car crime by 20%

Specific targets have been agreed for all the above and further details can be obtained from our Strategy and Review Unit.

Objective Five: Tackle climate change and promote environmental resource management

Increase recycling rates to 45% by 2008 with a long-term goal of zero waste.

With our kerbside recycling now including white goods collection and a pilot garden waste scheme, recycling rates have been increasing in Oxford. However we want to do more and we will therefore introduce a new scheme, including wheeled bins, during 2006/2007 to increase our recycling rate to 45% within two years. Reflecting public concerns, we will introduce the kerbside collection of plastics for recycling. We will also broaden our recycling scheme to help the people of Oxford recycle items such as drinks cartons. We will work with business to increase opportunities for them to maximise the recycling of their own waste and explore the potential to promote the use of recycled goods.

Promote alternative energy sources and maximise fuel efficiency across the Council and the city.

We will explore ways in which Oxford City Council can promote or provide energy efficient behaviour. We will investigate the creation of a Sustainable Energy Supply Company to help reduce dependence on fossil fuels and reduce the carbon footprint of the city. We will invest in energy efficiency measures for both the Council's operational buildings and the homes managed by the Council as a landlord.

The Oxford Local Plan 2001-2016 contains policies to promote energy conservation, renewable energy and use of recycled materials within new building development. The Council requires larger planning applications to include a Natural Resource Impact Analysis (NRIA), which provides information about these issues.

Reduce CO2 emissions in Oxford.

The Oxford Solar Initiative has worked to connect residents with fuel efficiency and alternative energy information and promote its use.. Oxford City Council has recently developed an Oxford Climate Change Action Plan, which provides an emissions inventory for Oxford that will act as a benchmark against which further work can be measured. The key actions in this plan will help mitigate climate change impact both locally and globally.

Objective six: Be an effective and responsive organisation, providing value for money services.

Improve the quality and accessibility of our services and improve customer satisfaction.

Strengthen neighbourhood working through Area Committees to ensure the Council can respond flexibly to different local priorities.

The City Council has an established Area Committee system that has helped to devolve debate about neighbourhood issues to the councillors who represent those neighbourhoods. The Area Committees have helped to engage a broader group of the public in consultation and decision-making on the issues that impact on them most directly, creating detailed Area Plans highlighting the different priorities for each locality. We will build on this successful base, both by continuing to deliver our services in the way that best enables them to respond to local demands and by increasing the financial resources available to Area Committees.

Deliver services that are good value for money

We know that people expect the services they receive to be delivered efficiently, without waste. To ensure that we can do this we need to look at how we go about our business and make sure our staff, our processes and our systems co-ordinate, have focus and are the best they can be

We will take action to improve areas where performance is weak or costs are high. We have significantly reduced the costs of temporary accommodation for homeless families over the last four years, which has freed up resources to put towards other areas of work.

Appendix B - Areas of Uncertainty

The main areas of uncertainty, for which no allowance has been made in the forecast but which are potentially material, are:-

(a) All Funds

Ref:	***Area of Uncertainty***
(1)	*External Contracts* • *the effects of formal external contracts, which come to the end of their term. The base budget gives allowance for RPI only.*
(2)	*VAT* • *effects of the partial exemption regulations. The calculation has previously been close to the threshold, however, actions to 'opt to tax' on selected assets has reduced (substantially) the potential of a breach, and the associated cost implications in terms of non-recoverable VAT. Proposed capital investment in Leisure will need to be carefully monitored and reviewed, as it may result in the Council exceeding its partial exemption threshold.*
(3)	*Repairs and Maintenance* • *There is a backlog of repairs and maintenance of £9.3m. If the Council does not invest in buildings there is a risk of buildings not being fit for purpose.*
(4)	*Value for Money (VFM) Reviews.* • *KPMG have been commissioned to undertake a number of reviews in the current and future years. The outcome of which may have implications for reducing costs and changing service provision.*
(5)	*Joint Working and Services Funded Jointly with other Organisations* • *the future funding plans and decisions by partner organisations in such circumstances can result in pressures for the City Council. e.g. reduction in Joint Use agreement by the County Council.*

(6)	*Implementation of Strategies* • *There are a number of strategies in progress at any time. The outcome of consultation may lead to to significant changes to services.*
(7)	*"Lean Working"* • *The Building Control pilot has taken considerable resource to run and has identified changes in working practices. The planned extension into other services will impact hugely on the way the Council is run.*
(8)	*Job Evaluation* • *The financial impact of Job Evaluation will not be known until summer 2007. The Council has a £800,000 ongoing budget for this but information from other Councils suggests this may well be insufficient.*
(9)	*Pension Fund Revaluation* • *The pension fund is being revalued in early 2007, with likely outcomes reported in November 2007. The government is consulting on changes to the Pension fund for 2008. These will be factored into the 2008 triennial revaluation.*
(10)	*Office accommodation* • *The Council may need to move out of St Aldate's Chambers if proposals for redevelopment of the site can be agreed and approved.*

(b) General Fund

Ref:	***Business Unit***	***Area of Uncertainty***
(1)	*Business Systems*	*IT Infrastructure* *Business Systems have identified an investment programme over the next 5 years to bring IT equipment up to date. If the Council does not invest in IT there is a risk of systems failing.*
(2)	*Revenues & Benefits*	<u>*Changes to Benefits*</u> *In Housing Benefit, Local Housing Allowances will be introduced during 2008/09. There are likely to be changes in IT systems required to facilitate this, whilst there may be a change in the reimbursement of allowances by Central Government (currently known as Local cost of benefits)* <u>*Local Cost of Benefits*</u> *The budgeted local cost of benefits makes assumptions about performance on recovery of overpayments and levels of error in benefits paid. Decreased levels of performance can affect levels of Housing Benefit subsidy that are received.* *The portion of subsidy received to help with costs of administration will reduce next year.*
(3)	*Neighbourhood Renewal*	*Changes in funding* *There is a trend for government funding to be allocated to Regions or on County boundaries instead of direct to individual local authorities. The funding is then allocated to each authority based on criteria agreed by the funded partners. This may or may not result in a reduction in funding but will make it harder to predict the levels of funding received.*
(4)	*Environmental Health*	*Local authority environmental health officers will enforce smoking in public places legislation. The level of enforcement & cost is unknown*
(5)	*Community Housing*	*Supporting People* *There are funding pressures within the provision of support services. This has resulted in the support for services like elderly services, being cut year on year. This is likely to continue. There is a possible clawback in 2006-07 of £45,000.* *Lord Mayor's deposit Scheme* *The scheme is helping more people than anticipated and costs have increased by £250,000. If the scheme is not funded, it may lead to increased numbers presenting as Homeless.*

Ref:	***Business Unit***	***Area of Uncertainty***
(6)	*Planning*	***Section 106*** *The government is consulting on a change in Section 106 arrangements. The proposal is that the majority of S106 contributions will be replaced by a new taxation called "Planning gain supplement". This will be a tax based on the value of the land pre and post development. The tax will be collected by HM Treasury before being redistributed back to Local Authorities. As the scheme is still at consultation stage, it is impossible to estimate the impact this may have.*
(7)	*Transport & Parking*	*There is a potential increase of £600k in costs from increased take-up of the new scheme. There are concerns about the passenger returns received from the bus companies. These are being reviewed by the Consultant.* *The government is consulting on the national free travel scheme due for April 2008. Funding for the scheme is not yet known and there will be implementation costs for new passenger cards etc. Local Authority implementation meetings suggest the costs could be between £50k to £150k.*

(c) Housing Revenue Account

(I) Revenue

Ref:	***Area of Uncertainty***
(1)	*Housing Subsidy* • *the key factor will be changes to the formulae. The budget assumes increases to management & maintenance allowances and guideline rents. If the subsidy determinations are significantly different this will impact on subsidy. May be negative or positive*
(2)	*Right to Buy Sales* • *the number of sales dropped significantly in 2005-06. Indications so far in 2006-07 suggest that they are likely to remain low. The implications are that additional rental income will continue*
(3)	*Rent Restructuring* • *the 3 year review of rent restructuring results in less of the housing stock reaching the target rent levels by 2011-12. The DCLG is currently guaranteeing to compensate the HRA for the loss of income due to a 5% average cap on increases in rent. It is assumed that this compensation will continue.*
(4)	*Housing Health and Safety rating system* • *the new system measures a wider scope of issues than has been the case when assessing housing fitness which in turn determines decency. The impact of this new method is thought to be minimal, and is currently being contained within existing budgets*
(5)	*Gas and Electricity Prices* • *the gas contract is fixed for two years, there is uncertainty as to what the increase may be in 2009-10. The electricity supply is on an annual contract, price rises could rise significantly in future years. There are implications for the HRA and tenants who are recharged for some of these costs*

(6)	*Maintenance of Aids and Adaptations* • *the continued capital investment of £500m in aids and adaptations in HRA properties, has revenue implications for repairing and maintaining the equipment. Putting additional pressure on existing day to day budgets*

(II) Capital

Ref:	**Area of Uncertainty**
(1)	*Strategic Review of Tower Blocks* • *to bring the Tower Blocks up to new design standards will require investment over and above that included in the capital programme*
(2)	*Right to Buy Sales* • *the number of sales dropped significantly in 2005-06. Indications so far in 2006-07 suggest that they are likely to remain low. This means less available capital receipts in the future, which will need to be built into the capital programme*
(3)	*Capital Receipts* • *the ongoing review of HRA assets shows that there are a number of possible assets that could be sold to produce capital receipts, the exact amount and other implications will need full appraisals*
(4)	*Decent Homes Capital Costs* • *the survey that Savilles undertook, to establish the level of capital expenditure needed for the decent homes standard, was based on a sample of properties which was then used as the basis of the decent homes programme. Surveys and reviews are being undertaken to provide a more accurate assessment of the budget provision requirement*

Appendix C - Minimum level of reserves

Assessment of Oxford City Council general reserve requirements

Rating:
Good – the assumptions are reasonable, the financial standing and management is sound, minimum level of balances
Fair – the assumptions and the financial standing and management have areas of concern, additional reserves needed
Poor – the assumptions and the financial standing and management are weak, high reserves are desirable

Budget assumptions	Financial standing and management	General Fund	HRA
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc)	Good	Good
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management including the robustness of the medium term plans	Fair	Fair
The treatment of demand led pressures	The authority's capacity to manage in-year budget pressures	Fair	Fair
The treatment of planned efficiency productivity gains	The strength of the financial information and reporting arrangements	Good	Fair
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital	The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level	Good	Good

developments			
The availability of other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the authority's insurance arrangements to cover major unforeseen risks	Good	Good

Appendix D - Responses to Audit Commission Management letter

	Proposed Action	Lead (Officer/Member)	When	
	Better governance Embed the risk management process at business unit level across the authority.	SD Finance & Corporate Services. + Leader of Council	Nov 2006.	
	Improve statement of accounts preparation - in line with Commission recommendations.	SD Finance & Corporate Services. + PH for Better Finances.	June 2006	
	Joint Member/Manager development programme with shared learning and working	Chief Executive + Leader of the Counci	Jan 2007	
	Improving Value for Money (VfM) A comprehensive VfM report, drawing on cost/performance data, benchmarking, service inspections, best-value reviews & internal VfM audits. To inform the 2007-8 budget process.	Chief Executive + PH[2] for Better Finances.	Sep 2006	
	2007-8 budget to take explicit regard of VfM in a) investment and b) where savings might be made.	Chief Executive + Leader of Council	Feb 2007	
	Complete BV review of leisure.	SD Physical Environment + PH for Leisure	Sep 2006	
	Implement outcomes of KPMG due diligence review of Council Tax.	SD Finance & Corporate Services. + PH for Better Finances.	Mar 2007	
	Implement outcomes of Landlord services inspection	SD Housing + PH Housing	Mar 2007	

[2] Portfolio Holder

	Implement outcomes of Planning/Area Committee services inspection	SD Physical Environment + PH for ….	Mar 2007	
	Better focus A major review of budget process, looking at "best in class" with a medium term financial strategy that informs and reflects the Corporate Plan.	SD Finance & Corporate Services. + PH for Better Finances.	Sep 2006	
	Review of capital programme against existing priorities and assessment of reasons for slippage. Review to include assessment of other ways of delivering outcomes.	Finance & Asset Management BM. + PH for Better Finances.	Sep 2006	

Appendix E - Treasury Management Strategy 2007-8

Current Treasury Management Strategy

The Council's current Treasury Management Strategy was approved at Executive Board on 3rd April 2006. This strategy covered the period of 2006/07 to 2008/09, and included our prudential indicators for that period.

The treasury management service is an important part of the overall financial management of the Council's affairs. Whilst the prudential indicators consider the affordability and impact of capital expenditure decisions, the treasury service covers the effective funding of these decisions.

The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management and as a result adopted a Treasury Management Policy Statement. This adoption meets the requirements of the first of the treasury prudential indicators.

The Treasury Management Policy requires an annual strategy to be reported to Executive Board outlining the expected treasury activity for the forthcoming 3 years.

A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service.

The Expected Movement in Interest Rates

The Bank of England raised interest rates in August for the first time in two years which was also the first change in twelve months. Interest rates have been rising world-wide; the ECB raised its intervention rate in August, the Fed has been raising interest rates for many consecutive months, and even Japan has made an upward adjustment. After several years of easy money, monetary policy is being tightened around the world.

The factors that lie behind the August rise in the UK are fairly easy to understand. The economy continues to expand at a robust pace and at a faster rate than we have been assuming; economic growth in the second quarter (excluding the energy sector) was 1% and significantly above trend, which implies a further erosion of the already low degree of excess capacity and hence potentially higher inflation pressure. Above all, inflation is above the target, and has been for some time, and will remain so for a while; in June it rose to 2.5%. The statement by the Bank after the decision to raise its intervention rate noted that inflation is ‘expected to remain above 2% target for some time’ and, while the impact of the rise in energy prices over the past year will work themselves out of the inflation calculations, the Bank expects wage pressures to intensify and for firms to seek to restore operating margins.

The Bank has recently become concerned about the continued strong pace of credit and rise in the money supply. Money supply growth has now been substantial for a long time and, while there is no mechanical relationship between this and inflation, the Bank is concerned that potential liquidity pressure is building up.

The Bank is especially concerned that the rise in energy prices will feed through to inflation expectations and there is already some evidence for this. Expectations are probably the single most worrying concern at the Bank because, once they take hold, it is very difficult to shift them back. Peoples’ inflation expectations are not very sophisticated in that few people look at CPI or even RPI trends. What people do know is that certain key prices have risen very sharply. This creates the impression of inflation being greater than the indices show.

Given the pressures of strong growth being forecast by the Bank, low excess capacity, inflation staying above 2%, the recent uptick in house price inflation, and that a single 0.25% would not do much to restrain the economy anyway, it is more likely than not that there will be a further rise later this year and probably in November after the next inflation report. This would take base rates to a higher level than their peak in the last interest rate cycle. If growth in the economy does not moderate to the extent that we are forecasting, a second rise in base rates cannot be excluded for the first quarter of next year, though this is not our central forecast.

It is not inevitable that there will be a further rise as, at the time of the August hike, the Bank observed that there were substantial uncertainties in the economy and, one member of the MPC voted against the rise.

All will depend upon three key considerations; whether the expected slow-down in the economy materialises and the extent of the slow-down, the extent to which the rise in energy prices passes through into wage settlements, and the strength of inflation expectations. Each of these will be partly determined by developments in the global economy.

Interest Rate Forecasts

	End Period	BASE RATE	LIBOR			GILT YIELDS			
			3mth	6mth	12mth	5yr	10yr	20yr	50yr
2006	Mar	4.50	4.6	4.6	4.7	4.4	4.3	4.2	3.9
	Jun	4.50	4.7	4.9	5.0	4.7	4.7	4.5	4.1
	Sep	4.75	4.9	5.0	5.2	4.8	4.7	4.5	4.1
	Dec	5.00	5.1	5.2	5.3	5.0	4.9	4.7	4.2
2007	Mar	5.00	5.1	5.2	5.3	5.0	4.9	4.7	4.2
	Jun	5.00	5.0	5.0	5.0	4.9	4.8	4.7	4.2
	Sep	5.00	5.0	5.0	4.9	4.8	4.8	4.7	4.2
	Dec	5.00	5.0	4.9	4.8	4.7	4.7	4.7	4.2

Medium-Term Rate Forecasts* - Annual Averages %

Percent	Base Rate	5-year Gilt	20-yr Gilt	50-yr Gilt
2004/05	4.7	4.8	4.8	n/a
2005/06	4.6	4.2	4.3	n/a
2006/07	4.8	4.9	4.7	4.2
2007/08	5.0	4.8	4.8	4.2
2008/09	4.8	4.8	4.8	4.4

Butlers' forecasts

Borrowing and debt strategy

The growing uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.

Long-term fixed interest rates are expected to rise over the coming months and maintain at that level for the forthcoming months. The Strategic Director, Finance & Corporate Services, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that longer term fixed rates will be considered if borrowing levels remain relatively low.

Investment strategy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

After this main principle the Council will ensure:

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

The Strategic Director, Finance and Corporate Services will maintain a counterparty list in compliance with the following criteria and will review the criteria and submit them to Council for approval annually or as required.

The counterpart list as at 31st March 2006 is attached at Appendix F for information.

Appendix F: – Criteria for approving counterparties, prudential indicators 2007-8 and counterparty list

The criteria recommended for approval are:

- Banks – the Council will use banks which have at least the following Fitch or equivalent ratings:
    - Short Term – *F1/F2/P2*
    - Long Term – A/A3
    - Individual / Financial Strength – C
    - Support – *3*
- Building Societies – the Council will use all Societies with assets in excess of *£0.5 billion*
- Money Market Funds – *AAA*
- Unrated Bank Subsidiaries - the council will use all unrated bank subsidiaries where their parent company meets the ratings above
- UK Government (including gilts and the DMO)
- Local Authorities, Parish Councils etc
- Supranational institutions

The time limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Upper Limit Category	*F1+/AA-*	P-1/Aa3	A1+/AA-	£8.0m	>364 days
Middle Limit Category	F1/A-	P-1/A3	A-1/A-	£5.0m	<365 days
Lower Limit Category	Asset base greater than £0.5 billion			£2.5m	183 days
Other Institution Limits	-	-	-	£8.0m	364 days

In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short-term investments.

The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the investment prudential indicator below.

Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of rising by ¼% in 2007/2008. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts. It is likely that investment decisions will be made for longer periods with fixed investments rates to lock in good value and security of return if opportunities arise. The Strategic Director, Finance and Corporate Services, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above.

Treasury prudential indicators

The Strategy also includes the Prudential Indicators, which the authority is required to consider before determining its budget and treasury management arrangements for a new financial year.

Our Prudential Indicators are:

- Actual and Estimates of the ratio of financing costs to the net revenue stream – identifies the trend in the cost of capital against the net revenue stream split GF & HRA.

- Estimate of the incremental impact of capital investment decisions on the Council Tax – identifies the trend in the cost of proposed changes in the three year capital programme compared to the Council's existing approved commitments and current plans.

- Estimates of the incremental impact of capital investment decisions on housing rents – identifies the trend in the cost of proposed changes in the housing capital programme compared to the Council's existing approved commitments and current plans.

- Estimates of capital expenditure – split between GF & HRA

- Estimate of capital financing requirement (CFR) – The CFR is the total outstanding capital expenditure that has not yet been paid for from either revenue of capital resources.

- Authorised limit for external debt – represents limit beyond which external debt is prohibited, reflects the level of debt that could be afforded in the short term.

- Operational boundary for external debt – based on probable external debt during the course of the year, it is not a limit, actual external debt can vary around this boundary for short times during the year.

- Actual external debt

- Net Borrowing v Capital financing requirement – need to ensure that the total borrowing net of investments does not exceed the total CFR.

- Compliance with the CIPFA code of Practice for Treasury Management in the Public Sector

- Upper limit on fixed interest rate borrowing - identifies a maximum limit for fixed interest rates based upon the debt position net of investments.

- Upper limit on variable interest rate borrowing – identifies a maximum limit for variable interest rates based upon the debt position net of investments.

- Upper limit for the maturity structure of borrowing – used to reduce the Council's exposure to large fixed rate sums falling due for repayment.

- Lower limit for the maturity structure of borrowing– used to reduce the Council's exposure to large fixed rate sums falling due for repayment.

- Upper limit for principle sums invested for periods longer than 364 days – set to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Prudential indicators

Section 1 - Affordability

Estimates of the ratio of financing costs to net revenue stream

(a) General Fund

	2005/2006 Actual %	2006/2007 Estimate %	2007/2008 Estimate %	2008/2009 Estimate %
PWLB interest	1,016,728.02	915,946.60	863,462.65	805,578.69
SODC interest	130,695.91	121,496.71	111,837.55	101,695.43
LT borrowing interest	263,938.37	261,780.84	65,445.21	0.00
	1,411,362.30	1,299,224.15	1,040,745.41	907,274.12
Investment income	-2,466,163.07	-2,245,550.00	-2,160,000.00	-1,815,000.00
Net financing cost	-1,054,800.77	-946,325.85	-1,119,254.59	-907,725.88
Revenue stream	24,706,000.00	28,259,436.00	27,201,598.00	27,638,785.00
Ratio	-4.3%	-3.3%	-4.1%	-3.3%

(b) Housing Revenue Account

	2005/2006 Actual %	2006/2007 Estimate %	2007/2008 Estimate %	2008/2009 Estimate %
Item 8 interest	1,275,398.00	1,570,407.00	1,468,927.00	1,466,663.00
Investment income	-171,949.37	-170,000.00	-170,000.00	-170,000.00
Net financing cost	1,103,448.63	1,400,407.00	1,298,927.00	1,296,663.00
Revenue stream	19,728,000.00	14,660,420.00	15,966,314.00	15,679,731.00
Ratio	5.6%	9.6%	8.1%	8.3%

Estimates of the incremental impact of capital investment decisions on the Council Tax

2005/2006 Actual £	2006/2007 Estimate £	2007/2008 Estimate £	2008/2009 Estimate %
8.74	**10.61**	**4.19**	**5.40**

Estimates of the incremental impact of capital investment decisions on housing rents

2005/2006 Actual £	2006/2007 Estimate £	2007/2008 Estimate £	2008/2009 Estimate %
1.53	**1.35**	**1.06**	**0.85**

Estimates of capital expenditure

(a) General Fund

2005/2006 Actual £000's	2006/2007 Estimate £000's	2007/2008 Estimate £000's	2008/2009 Estimate £000's
8,544.8	10,688.3	4,344.1	5,776.1

(b) Housing Revenue Account

2005/2006 Actual £000's	2006/2007 Estimate £000's	2007/2008 Estimate £000's	2008/2009 Estimate £000's
14,302.0	12,560.0	9,820.0	7,760.0

Estimates of capital financing requirement (underlying need to borrow for a capital purpose)

	2005/2006 Actual £000's	2006/2007 Estimate £000's	2007/2008 Estimate £000's	2008/2009 Estimate £000's
Housing	2,138	2,684	3,230	3,776
Non-housing	0	2,175	2,175	2,175

Authorised Limit for External Debt

	2005/2006 £000's	2006/2007 £000's	2007/2008 £000's	2008/2009 £000's
Borrowing	20,000	20,000	25,000	25,000
Other Long Term Liabilities	4,000	4,000	4,000	4,000
Total	24,000	24,000	29,000	29,000

Operational Boundary for External Debt

	2005/2006 £000's	2006/2007 £000's	2007/2008 £000's	2008/2009 £000's
Borrowing	17,500	17,500	20,000	20,000
Other Long Term Liabilities	3,000	3,000	3,000	3,000
Total	20,500	20,500	23,000	23,000

Actual external debt

	2005/2006 Actual £000's
Borrowing	8,773.01
Other Long Term Liabilities	2,520.68
Total	11,293.69

Section 2 - Prudence

Net Borrowing v Capital Financing Requirement

	2005/2006 Actual	2006/2007 Estimate	2007/2008 Estimate	2008/2009 Estimate
Gross Borrowing	11,770,011.66	11,277,129.30	7,746,816.69	7,180,170.22
Other Long Term Liabilities	2,520,678.64	2,320,281.15	2,109,863.79	1,888,925.56
Total Debt 31 March	14,290,690.30	13,597,410.45	9,856,680.48	9,069,095.78
Investments	43,060,000.00	46,200,000.00	43,200,000.00	36,300,000.00
Net Borrowing	-28,769,309.70	-32,602,589.55	-33,343,319.52	-27,230,904.22
CFR	2,137,637.00	4,858,637.00	5,404,637.00	5,950,637.00
Net Borrowing v CFR	30,906,946.70	37,461,226.55	38,747,956.52	33,181,541.22

Compliance with the CIPFA code of Practice for Treasury Management in the Public Sector

Ensure that the medium term borrowing will only be for a capital purpose.

Upper limit on fixed interest rate borrowing

2005/2006 Actual %	2006/2007 Estimate %	2007/2008 Estimate %	2008/2009 Estimate %
100	100	100	100

Upper limit on variable interest rate borrowing

2005/2006 Actual %	2006/2007 Estimate %	2007/2008 Estimate %	2008/2009 Estimate %
50	50	50	50

Upper limit for the maturity structure of borrowings

	2005/2006 Actual %	2006/2007 Estimate %	2007/2008 Estimate %	2008/2009 Estimate %
Under 12 months	30	30	30	30
12 months to 2 years	5	30	30	30
2 years to 5 years	18	80	80	80
5 years to 10 years	30	50	50	50
10 year and above	0	50	50	50

Lower limit for the maturity structure of borrowings

	2005/2006 Actual %	2006/2007 Estimate %	2007/2008 Estimate %	2008/2009 Estimate %
Under 12 months	0	0	0	0
12 months to 2 years	0	0	0	0
2 years to 5 years	0	0	0	0
5 years to 10 years	0	0	0	0
10 year and above	0	0	0	0

Upper limit for principal sums invested for periods longer than 364 days

2005/2006 Actual £m	2006/2007 Estimate £m	2007/2008 Estimate £m	2008/2009 Estimate £m
7	10	10	10

OXFORD CITY COUNCIL LENDING LIST

Institution	**Group**	**Max Limit £M's**	**Max Period (days)**	**BUILDING SOCIETIES Assets £000's**	**UK Asset Ranking**	**CREDIT RATINGS: Fitch Short**	**Fitch Long**	**Moody's Short**	**Moody's Long**	**Moody's Fin.St**	**S & P Short**	**S & P Long**
UK BUILDING SOCIETIES:												
Assets greater than £2bn												
Nationwide Building Society		8.0	364	108,037,200	1	F1+	AA-	P1	Aa3	B	A1	A+
Britannia Building Society		5.0	364	28,953,400	2	F1	A+	P1	A2	C+	A1	A
Portman Building Society		5.0	364	17,724,100	3	F1	A	P1	A2	C+	-	-
Yorkshire Building Society		5.0	364	16,178,292	4	F1	A+	P1	A2	C+	A1	A
Coventry Building Society		5.0	364	11,090,000	5	F1	A	P1	A2	C+	-	-
Chelsea Building Society		5.0	364	9,602,069	6	F1	A	P1	A2	C+	-	-
Skipton Building Society		5.0	364	8,820,955	7	F1	A	P1	A3	C	-	-
Leeds Building Society		5.0	364	7,082,992	8	-	-	P1	A2	C+	-	-
West Bromwich Building Society		5.0	364	5,637,400	9	F1	A	P1	A3	C	-	-
Derbyshire Building Society		5.0	364	5,084,500	10	-	-	P1	A3	C	-	-
Cheshire Building Society		5.0	364	4,667,400	11	-	-	P1	A3	C	-	-
Principality Building Society		5.0	364	4,372,300	12	F1	A	P1	A2	C+	-	-
Newcastle Building Society		5.0	364	3,694,609	13	F1	A	P1	A3	C	A2	BBB+
Norwich & Peterborough Building Society		5.0	364	3,262,293	14	-	-	P1	A3	C	-	-
Stroud & Swindon Building Society		5.0	364	2,499,856	15	-	-	-	-	-		
Nottingham Building Society		5.0	364	2,426,834	16	-	-	-	-	-		
Dunfermline Building Society		5.0	364	2,317,555	17	-	-	P1	A3	C	-	-
Assets £1bn - £2bn												
Scarborough Building Society		2.5	183	1,609,815	18	-	-	-	-	-	-	-
Kent Reliance Building Society		2.5	183	1,297,001	19	-	-	-	-	-	-	-
Progressive Building Society		2.5	183	1,248,132	20	-	-	-	-	-	-	-
Lambeth Building Society		2.5	183	1,124,304	21	-	-	-	-	-	-	-
Cumberland Building Society		2.5	183	1,096,407	22	-	-	-	-	-	-	-
Assets £0.5bn - £1bn												
National Counties Building Society		2.5	183	955,118	23	-	-	-	-	-	-	-
Furness Building Society		2.5	183	769,558	24	-	-	-	-	-	-	-
Cambridge Building Society		2.5	183	755,390	25	-	-	-	-	-	-	-
Saffron Walden Herts & Essex Building Society		2.5	183	661,581	26							
Leek United Building Society		2.5	183	660,300	27	-	-	-	-	-	-	-
Hinckley & Rugby Building Society		2.5	183	649,299	28	-	-	-	-	-	-	-
Universal Building Society		2.5	183	604,728	29	-	-	-	-	-	-	-
Manchester Building Society		2.5	183	565,799	30							
Darlington Building Society		2.5	183	548,120	31	-	-	-	-	-	-	-
Newbury Building Society		2.5	183	518,704	32	-	-	-	-	-	-	-
OVERSEAS BUILDING SOCIETIES												
EBS Building Society		5.0	364	-	-	F1	A	P1	A2	C+	-	-
UK CLEARING BANKS & SUBSIDIARIES												
Barclays Bank Group Ltd												
Barclays Bank	Barclays Bank Grp	8.0	364			F1+	AA+	P1	Aa1	A-	A1+	AA
HBOS Group												
Bank Of Scotland Plc	HBOS Grp	8.0	364			F1+	AA+	P1	Aa2	B+	A1+	AA
Halifax Plc	HBOS Grp	8.0	364			F1+	AA+	P1	Aa2	B+	A1+	AA
Lloyds TSB Group												
Lloyds TSB Bank	Lloyds TSB	8.0	364			F1+	AA+	P1	Aaa	A	A1+	AA
Royal Bank of Scotland Group		**8.0**	**364**									
Royal Bank of Scotland plc	RBOS Grp					F1+	AA+	P1	Aa1	A-	A1+	AA
National Westminster Bank (RB of SCOT)	RBOS Grp					F1+	AA+	P1	Aa1	A-	A1+	AA
Ulster Bank Ireland Ltd (RB of SCOT)	RBOS Grp					F1+	AA	P1	Aa2	B	A1+	AA
Ulster Bank Ltd (RB of SCOT)	RBOS Grp					F1+	AA	P1	Aa2	B	A1+	AA

Institution	**Group**	**Max Limit £M's**	**Max Period (days)**	**BUILDING SOCIETIES Assets £000's**	**UK Asset Ranking**	**CREDIT RATINGS: Fitch Short**	**Fitch Long**	**Moody's Short**	**Moody's Long**	**Moody's Fin.St**	**S & P Short**	**S & P Long**
OTHER UK BANKS												
Abbey National Plc		8.0	364			F1+	AA-	P1	Aa3	B	A1+	AA-
Abbey National Treasury Services	Abbey National					F1+	AA-	P1	Aa3	-	-	-
Alliance & Leicester		8.0	364			F1+	AA-	P1	Aa3	B	A1	A+
Bank of England		8.0	364			-	-	-	-	-	A1+	AAA
Bank of Ireland												
Bristol and West PLC	Bank of Ireland	**See Bank Of Ireland For Limits**				F1+	AA-	P1	Aa3	C+	A1	-
Citigroup												
Citibank International Bank	Citigorup	8.0	364			F1+	AA+	P1	Aa1	B-	A1+	AA
National Australia Bank Group												
Clydesdale Bank	NAB	**See NAB For Limits**				F1+	AA-	P1	A1	B-	A1	A+
Bank Of Butterfield (UK) Ltd		5.0	364			F1	A-	P2	A3	C	A2	A-
Bradford & Bingley		5.0	364			F1	A	P1	A1	B-	A2	-
Co-operative Bank, The		5.0	364			F1	A	P1	A3	C	-	-
Close Brothers		5.0	364			F1	A	P2	A3	C	-	-
Egg Bank Plc		5.0	364			F1	A+	P2	A3	D+	-	-
Heritable Bank Limited		5.0	364			F1	A	-	-	-	-	-
HSBC		8.0	364			F1+	AA	P1	Aa2	B+	A1+	AA-
Lehman Brothers Holdings Plc		5.0	364			F1+	A+	-	A1	-	A1	A+
MBNA Europe Bank Ltd		8.0	364			F1+	AA-	-	-	-	-	-
Northern Rock Plc		5.0	364			F1	A+	P1	A1	B-	A1	A
Standard Life Bank		5.0	364			-	-	P1	A2	D+	A2	A-
MERCHANT BANKS												
N M Rothchild & Sons		5.0	364			F1	A	-	-	-	-	-
Schroders Plc		5.0	364			F1	A+	-	-	-	A1	A
Singer & Friedlander Ltd		5.0	364			F1	A	-	-	-	-	-
OVERSEAS BANKS												
ABN AMRO Bank		8.0	364			F1+	AA-	P1	Aa3	B	A1+	AA-
Allied Irish Banks, plc		8.0	364			F1+	AA-	P1	Aa3	B	A1	A+
Anglo Irish Bank Corporation		5.0	364			F1	A	P1	A2	C+	-	-
Australia & New Zealand Banking Group		8.0	364			F1+	AA-	P1	Aa3	B	A1+	AA-
Banca Monte dei Paschi di Siena		5.0	364			F1	A+	P1	A1	B-	A1	A
Banco Bilbao Vizcaya Argentaria		8.0	364			F1+	AA-	P1	Aa2	B+	A1+	AA-
Banco Commercial Portugues		5.0	364			F1	A+	P1	A1	B-	A1	A
Banco Esquiito Santo		5.0	364			F1	A+	P1	A1	B-	A2	A-
Banco Santander Central Hispano		8.0	364			F1+	AA	P1	Aa3	B	A1+	AA-
Bank of America N.A		8.0	364			F1+	AA-	P1	Aa1	A-	A1+	AA
Bank of Ireland		8.0	364			F1+	AA-	P1	Aa3	B	A1	A+
Bank of Montreal		8.0	364			F1+	AA-	P1	Aa3	B	A1+	AA-
Bank of New York (the)		8.0	364			F1+	AA-	P1	Aa2	B+	A1+	AA-
Bank of Nova Scotia		8.0	364			F1+	AA-	P1	Aa3	B	A1+	AA-
Bayerische Landesbank Girozentrale		5.0	364			F1+	A+	P1	Aa2	D+	A1	A
Bankgesellschaft Berlin AG		5.0	364			F2	BBB+	P1	A2	E+	-	-
Bayerische Hypo und Vereinsbank AG		5.0	364			F1	A	P1	A2	D+	A1	A
BHF-Bank		5.0	364			F1	A-	-	-	-	-	-
BNP Paribas		8.0	364			F1+	AA	P1	Aa2	B+	A1+	AA
Calyon		8.0	364			F1+	AA	P1	Aa2	C	A1+	AA-
Canadian Imperial Bank of Commerce Group		8.0	364			F1+	AA-	P1	Aa3	B-	A1	A+

Institution	Group	Max Limit £M's	Max Period (days)	BUILDING SOCIETIES Assets £000's	UK Asset Ranking	CREDIT RATINGS: Fitch Short	Fitch Long	Moody's Short	Moody's Long	Moody's Fin.St	S & P Short	S & P Long
Citibank N.A		8.0	364			F1+	AA+	P1	Aa1	A-	A1+	AA
Commonwealth Bank of Australia		8.0	364			F1+	AA	P1	Aa3	B	A1+	AA-
* Credit Agricole		8.0	364			F1+	AA	P1	Aa2	B+	A1+	AA-
Credit Industriel et Commercial		8.0	364			F1+	AA-	P1	A1	C	A1	A+
Credit Lyonnais		8.0	364			F1+	AA	P1	Aa2	B-	A1+	AA-
CIT Group Inc		5.0	364			F1	A	P1	A2	-	A1	A
Danske Bank		8.0	364			F1+	AA-	P1	Aa1	A-	A1+	AA-
Den Norske Bank		8.0	364			-	-	P1	Aa3	-	-	-
DePfa Bank Plc		8.0	364			F1+	AA-	P1	Aa3	C+	A1+	AA-
Deutsche Bank AG		8.0	364			F1+	AA-	P1	Aa3	B-	A1+	AA-
Dexia Banque Internationale a Luxembourg		8.0	364			F1+	AA+	P1	Aa2	B	A1+	AA
Dexia Credit Local		8.0	364			F1+	AA+	P1	Aa2	B+	A1+	AA
Development Bank of Singapore		8.0	364			F1+	AA-	P1	Aa2	B	A1+	AA-
Dresdner Bank, AG		5.0	364			F1	A	P1	A1	C-	A1	A+
ForeningsSparBanken (Swedbank)		8.0	364			F1	A+	P1	Aa3	B	A1	A
Fortis Bank		8.0	364			F1+	AA-	P1	Aa3	B	A1+	AA-
* Glitnir		5.0	364			F1	A	P1	A1	C+	A2	A-
Hewlett Packard International Bank Ltd		5.0	364			-	-	P1	A3	-	A1	A-
HSH Nordbank ag		5.0	364			F1	A	P1	A1	C	A1	A
Internationale Nederlanden Bank/ING Bank		8.0	364			F1+	AA-	P1	Aa2	B+	A1+	AA
Irish Intercontinental Bank (IIB Bank)		5.0	364			F1	A+	P1	A1	C	A1	A
Irish Permanent plc		5.0	364			-	-	P1	A1	B-	A1	A+
JP Morgan Chase Bank		8.0	364			F1+	A+	P1	Aa2	B+	A1+	AA-
KBC Bank		8.0	364			F1+	AA-	P1	Aa3	B	A1	A+
Landesbank Baden-Wurttemberg		8.0	364			F1+	A+	P1	Aa1	B-	A1	A+
Landesbank Berlin		5.0	364			F2	BBB+	P1	A1	D+	-	-
~ Landesbank Hessen-Thuringen Girozentrale		8.0	364			F1+	A+	-	Aa2	C	A1	A
Landsbanki Islands HF		5.0	364			F1	A	P1	A2	C	-	-
National Australia Bank		8.0	364			F1+	AA	P1	Aa3	B	A1+	AA-
National Bank of Canada		5.0	364			F1	A+	P1	A1	B-	A1	A
Norddeutsche Landesbank Girozentrale		5.0	364			F1	A	P1	Aa3	C-	A1	A
Nordea Bank (Finland)		8.0	364			F1+	AA-	P1	Aa3	B	A1+	AA-
Rabobank		8.0	364			F1+	AA+	P1	Aaa	A	A1+	AAA
Royal Bank of Canada		8.0	364			F1+	AA	P1	Aa2	B+	A1+	AA-
SanPaolo IMI SpA (Italy)		8.0	364			F1+	AA-	P1	Aa3	B	A1+	AA-
Skandinaviska Enskida Banken		8.0	364			F1	A+	P1	Aa3	B	A1	A
Societe Generale (SG)		8.0	364			F1+	AA	P1	Aa2	B+	A1+	AA-
State Street Bank & Trust Company		8.0	364			F1+	AA-	P1	Aa2	B+	A1+	AA
Svenska Handelsbanken		8.0	364			F1+	AA-	P1	Aa1	A-	A1+	AA-
Toronto-Dominion Bank		8.0	364			F1+	AA-	P1	Aa3	B	A1	A+
UBS AG		8.0	364			F1+	AA+	P1	Aa2	B+	A1+	AA+
Unicredito Italiano SpA		5.0	364			F1	A+	P1	A1	B-	A1	A+
Wachovia Bank N A		8.0	364			F1+	AA-	P1	Aa2	B+	A1+	AA-
WestLB AG		5.0	364			F1	A-	P1	A1	D-	A2	A-
Westpac Banking Corporation		8.0	364			F1+	AA-	P1	Aa3	B	A1+	AA-

N.B. - No placements to be made without first manually checking current loan arrangements (incl. Dealt ahead loans) against lending limit

Appendix G: Budget Assumptions

The main assumptions included in the budget forecast are:-

Ref.	Assumption
(1)	Base – 2006/07 Approved Budget, as amended, with known changes for 2007/08.
(2)	General inflation on expenditure – included at 2.4% *(based on September 2006 forecasts of RPIX for 2007, published by HM Treasury)*
(3)	Employee budgets include: - cost of pay award allowance 2.5% - actual incremental progression £varies by Business Unit Employee inflation may be rather generous based on central government guidance of 2%. Managers will be advised of any adjustments to pay budgets for the purposes of the 2007/08 budget process.
(4)	Employee budgets – standard 2% turnover saving of gross pay budgets, saving held at Directorate level.
(5)	Service Level Agreements – will be recalculated based on budget decisions.
(6)	Property Rental income – based on projections from the portfolio, reflecting actual incidence of rent reviews. Overall effect is equal to £140k..
(7)	Income and Charges – general assumption of 2.4% built into base, but reviews of all charges required by committees.
(8)	Interest rate – based on latest market projections (on average 5.0%).
(9)	Major contracts and agreements, inflation applied at specified inflation indices in the contract or agreement.
(10)	Grants and Subsidies are analysed for sensitivity based on possible range of implications dependent on the Government's approach to the withdrawal of protection arrangements.

Appendix H: Capital Strategy

Introduction

The Council has a medium-term capital programme looking forward over the next 6 years totalling almost £100 million. Even beyond that time there will be continuing demands for capital expenditure to maintain services and improve and renew assets.

In order to manage a programme of this magnitude it is essential that a capital strategy is developed to ensure that funding for the programme is available and that the ongoing implications arising are incorporated into revenue budgets.

Capital spending

The capital programme approved as part of the 2006-09 budget shows spending as follows:

2006/2007	£22.6 million
2007/2008	£14.2 million
2008/2009	£13.6 million
2009/2010	£12.4 million
2010/2011	£9.8 million

Based on past experience average spending of £15 million per annum over the six year period is more likely to be achieved. This does not necessarily mean that schemes already in the capital programme will not be undertaken; it simply reflects a more realistic timescale for their completion.

Asset Management

The asset management plan reviews the portfolio of assets held by the Council and, inter alia, identifies any for which disposal may be an appropriate option. Assets that fall into this category then become potential sources of finance for the capital programme.

The review of the asset management plan has identified potential future receipts from disposal of assets of around £18 million. However in order to achieve this return the programme of disposals will need to be phased over several years enabling advantage to be taken of favourable market conditions as they arise.

Sources of finance

Options for further sources of finance that the Council should consider are:

Capital grants and contributions

- Opportunities to attract funding from the European Commission, national and regional Government departments, and through partnerships with other local authorities, charitable bodies and commercial organisations should be maximised

Sale of vacant council dwellings on the open market

- A planned programme to sell a small number of vacant dwellings annually would produce capital receipts of £1 million each year that would not be subject to the 75% pooling arrangements that apply to RTB sales provided the proceeds were used for social housing purposes

Disposal of other assets

- A further review of the Council property portfolio could be undertaken to identify other assets where the benefit that could be gained from disposal outweighs any adverse impact there might be on revenue income

Direct finance from revenue

- The Council could set aside a sum each year within its revenue budgets to meet capital expenditure.

Borrowing

The Prudential Code for Capital places the responsibility on the Council to determine whether it borrows to finance capital expenditure. In electing to do so the Council must satisfy itself that such a course is prudent, affordable and sustainable over the life of the assets that the borrowing is used for. In effect this mechanism is similar to direct finance from revenue. Whilst potentially it allows the capital expenditure to be incurred earlier, in order to be sustainable it is necessary to commit revenue budgets to meet the costs of servicing the borrowing over many years.

Appendix I : CAPITAL PROGRAMME SUMMARY 2006 - 2011

	2006-07	2007-08	2008-09	2009-10	2010-11
GENERAL FUND	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Business Unit					
Business Systems	25.0	25.0	25.0	25.0	25.0
Built Environment	1,132.0	1,027.9	997.3	902.0	300.0
City Works	2,705.0	500.0	500.0	500.0	0.0
Planning	520.7	154.1	106.2	0.0	0.0
Transport & Parking	420.6	98.7	431.7	417.7	0.0
Leisure And Cultural Services	2,968.2	339.8	294.0	670.5	0.0
Area Co-Ordinators	263.5	200.0	200.0	200.0	250.0
Customer Services	8.6	0.0	0.0	0.0	0.0
Neighbourhood Renewal	1,238.8	1,217.0	2,447.6	1,150.0	0.0
Environmental Health	800.0	800.0	800.0	800.0	1,000.0
Total Business Unit Expenditure	**10,082.4**	**4,362.5**	**5,801.8**	**4,665.2**	**1,575.0**
Total General Fund	**10,082.4**	**4,362.5**	**5,801.8**	**4,665.2**	**1,575.0**

HOUSING REVENUE ACCOUNT					
Business Unit					
Oxford Building Solutions	12,560.0	9,820.0	7,760.0	7,700.0	8,270.0
Total Housing Revenue Account	**12,560.0**	**9,820.0**	**7,760.0**	**7,700.0**	**8,270.0**

Appendix J: Key contacts

Topic	Contact	Tel	E-mail
General	Mark Luntley	2329	mluntley@oxford.gov.uk
	Penny Gardner	2708	pgardner@oxford.gov.uk
	Sarah Fogden	2708	sfogden@oxford.gov.uk
VAT and treasury	Andy Brooks	2763	abrooks@oxford.gov.uk
Capital	Emma Burson	2571	eburson@oxford.gov.uk
Housing	Dave Higgins	2470	dhiggins@oxford.gov.uk

General Fund Budget 2007-08
Controllable Cost by Directorate £

Appendix K

Bunit	Bunit(T)	Original Budget	Approved Changes	Approved budget	%	% excl CE	Savings target	% controllable cost
B06	Chief Executive	614,649	0	614,649				
B08	Corporate & Democratic Core	541,876	0	541,876				
CHEX	**Chief Executive**	**1,156,525**	**0**	**1,156,525**	**1.80%**			
B01	Strategy and Review	2,657,685	-35,500	2,622,185				
B03	Human Resources	2,147,671	0	2,147,671				
B20	Financial & Asset Management	3,115,500	-45,529	3,069,971				
B22	Legal & Democratic Services	1,857,044	38,120	1,895,164				
B24	Business Systems	1,438,582	34,770	1,473,352				
B26	Facilities Management	1,344,911	35,000	1,379,911				
B27	Revenues & Benefits	2,424,240	133,406	2,557,646				
FACS	**Finance & Corporate Services**	**14,985,633**	**160,267**	**15,145,900**	**23.60%**	**24.04%**	**526,575**	**3.48%**
B07	Area Co-Ordinators	480,641	0	480,641				
B40	Community Housing	4,350,759	2,407,149	6,757,908				
B41	Customer Services	1,190,894	-68,176	1,122,718				
B44	Neighbourhood Renewal	4,858,977	35,000	4,893,977				
B45	Environmental Health	2,392,992	50,000	2,442,992				
HHAC	**Housing, Health & Community**	**13,274,263**	**2,423,973**	**15,698,236**	**24.46%**	**24.91%**	**545,778**	**3.48%**
B60	Built Environment	2,473,830	39,000	2,512,830				
B61	City Works	13,338,666	-44,265	13,294,401				
B62	Planning	2,030,877	-38,090	1,992,787				
B64	Transport & Parking	4,707,190	0	4,707,190				
B65	Leisure And Cultural Services	9,696,186	-31,904	9,664,282				
PENV	**Physical Environment**	**32,246,749**	**-75,259**	**32,171,490**	**50.13%**	**51.05%**	**1,118,501**	**3.48%**
	Grand Total	**61,663,170**	**2,508,981**	**64,172,151**			**2,190,854**	

Appendix: L

GENERAL FUND BUDGET 2006-07 TO 2008-09

	2006-07			2007-08	2008-09
	Gross Expenditure £	Gross Income (incl internal recharges) £	Net Expenditure £	Net Expenditure £	Net Expenditure £
Business Units					
Strategy and Review	2,982,018	(1,394,340)	1,587,678	1,590,678	1,410,678
Human Resources	2,270,251	(1,594,260)	675,991	840,991	840,991
Chief Executive	731,556	(731,474)	82	82	82
Area Co-Ordinators	529,674	(295,079)	234,595	269,595	294,595
Corporate & Democratic Core	4,282,062	0	4,282,062	4,084,062	4,086,062
Financial & Asset Management	6,960,758	(8,603,128)	(1,642,370)	(1,802,370)	(1,852,370)
Legal & Democratic Services	2,628,393	(2,535,085)	93,308	53,308	36,901
Business Systems	1,656,777	(1,705,630)	(48,853)	(13,853)	(13,853)
Facilities Management	2,443,395	(1,704,279)	739,116	711,246	691,246
Revenues & Benefits	4,450,798	(1,807,618)	2,643,180	2,543,180	2,543,180
Local Cost of Benefits	49,250,000	(48,800,000)	450,000	400,000	400,000
Customer Services	1,508,118	(1,342,871)	165,247	167,247	147,247
Neighbourhood Renewal	6,723,965	(1,365,566)	5,358,399	5,339,668	5,299,668
Environmental Health	2,819,652	(419,265)	2,400,387	2,435,387	2,451,759
Housing Services	6,593,344	(2,058,272)	4,535,072	4,339,372	4,207,072
Built Environment	4,534,512	(3,842,959)	691,553	494,044	494,044
City Works	16,015,545	(10,550,532)	5,465,013	5,414,013	5,438,013
Planning	2,741,708	(966,877)	1,774,831	1,774,831	1,726,203
Transport & Parking	6,117,256	(5,819,023)	298,233	53,233	53,873
Leisure And Cultural Services	11,637,465	(4,457,847)	7,179,618	7,283,451	7,057,119
Total Business Unit Expenditure	**136,877,247**	**(99,994,105)**	**36,883,142**	**35,978,165**	**35,312,510**
Corporate Accounts					
Asset Management Revenue Account			(27,477,460)	(27,375,980)	(27,373,716)
Transfer To Capital Reserve			18,885,063	18,846,173	19,739,528
Investment Income			(2,081,650)	(2,028,450)	(1,717,750)
Interest Payable			1,500,341	1,231,690	1,128,213
Pension Increase (2.3%)			550,000	550,000	550,000
Total Expenditure			**28,259,436**	**27,201,598**	**27,638,785**
Funding					
External Funding (2% per annum)			15,719,866	16,021,464	16,341,893
Council Tax (4% per annum)			10,589,738	11,013,328	11,453,861
Less assumed parish precept (4% per annum)			(141,024)	(146,665)	(152,532)
Collection Fund surplus			150,000		
Total Funding Available			**26,318,580**	**26,888,127**	**27,643,222**
(Surplus)/Deficit for year			**1,940,856**	**313,471**	**(4,437)**
Estimated balances at 1 April			5,255,577	3,314,721	3,001,250
(Surplus)/Deficit for year			1,940,856	313,471	(4,437)

HOUSING REVENUE ACCOUNT BUDGET 2006-07 TO 2008-09

	2006-07 £	2007-08 £	2008/09 £
Income			
Dwelling Rents (Gross)	(26,988,330)	(28,591,800)	(29,229,000)
Non Dwelling Rents (Gross)	(840,000)	(840,000)	(840,000)
Charges for Services & Facilities	(1,440,800)	(1,470,600)	(1,497,100)
Recharge to General Fund	(1,874,673)	(1,883,234)	(1,914,689)
Sub Total	**(31,143,803)**	**(32,785,634)**	**(33,480,789)**
Expenditure			
Repairs & Maintenance	9,436,937	9,674,444	9,640,836
Supervision & Management	7,477,976	7,468,080	7,487,844
Rents, Rates, Taxes & Other Charges	68,664	71,788	75,068
Subsidy Payable	12,327,910	12,625,486	13,549,269
Capital Charges & Depreciation	38,074,622	38,074,622	38,074,622
Contribution to Bad & Doubtful Debts	125,000	125,000	125,000
Sub Total	**67,511,109**	**68,039,420**	**68,952,639**
Net Cost of Services	**36,367,306**	**35,253,786**	**35,471,850**
Interest & Adjustments			
Interest Payable	1,573,338	1,471,858	1,469,594
Interest Receivable on Cash Balances	(170,000)	(170,000)	(170,000)
Appropriations :- FRS17 Pension Adjustment	44,978	44,978	44,978
Pension Provision	224,000	224,000	235,200
AMRA	(38,074,622)	(38,074,622)	(38,074,622)
Total HRA	**(35,000)**	**(1,250,000)**	**(1,023,000)**

General Fund Projected Balances - July 2006

Appendix M

2006-07	**General Fund**	**HRA**
Closing Balances at 31 March 2006	(5,810,815)	(2,777,178)
Proposed carry forwards	154,547	340,000
Available balances as at 1 April 2006	**(5,656,268)**	**(2,437,178)**
Balances used/(returned to balances) in 2006/07 budget	1,940,856	0
Impact of creation of single HRA unit	107,000	(107,000)
Direct Revenue Funding of capital spending	0	544,178
IRP recommendations on Members' Allowances	24,904	0
Member priorities	86,300	0
Revised balances at 31 March 2007	**(3,497,208)**	**(2,000,000)**
Balances used/(returned to balances) in 2007/08 budget	313,471	0
Impact of creation of single HRA unit	16,000	(16,000)
Direct Revenue Funding of capital spending	0	16,000
IRP recommendations on Members' Allowances	63,024	0
Member priorities	45,890	0
Revised balances at 31 March 2008	**(3,058,823)**	**(2,000,000)**
Balances used/(returned to balances) in 2008/09 budget	(4,437)	0
Impact of creation of single HRA unit	(81,000)	81,000
Direct Revenue Funding of capital spending	0	(81,000)
IRP recommendations on Members' Allowances	91,224	0
Member priorities	45,890	0
Revised balances at 31 March 2009	**(3,007,146)**	**(2,000,000)**
Recommended minimum level of balances	(3,000,000)	(2,000,000)