Medium Term Financial Strategy

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Medium Term Strategy

Executive Summary

This medium-term Financial Strategy comes at a time when the Council is embarking on a year which will see a major review of its priorities following the Comprehensive Spending Review, a second Local Area Agreement, to be agreed in the Spring, and local elections in May. The Council has resolved to roll forward its Corporate Plan without major fundamental changes until these developments have made both in the spring and a Corporate Plan review to be undertaken in 2008.

It is also a time of an unprecedented efficiency drive being implemented. The Council's net services spend in 2006-7 was £28.8 million. To balance the revenue budget £4.1 million in efficiency savings and de-prioritisation was agreed for 2007-8, of which 82% is likely to be achieved, the balance being met by alternative cost reductions. A further £3.7m of budget reductions have been agreed for 2008/9. A total budget reduction of £7.1 million, equivalent to 25% of the net budget will have been achieved over 24 months. There will be a need for this efficiency drive to be continued in 2009/10 and 2010/11. This strategy proposes a further 3% cashable savings be achieved in these years, in line with the annual efficiency target established in the Government's Comprehensive Spending Review. To achieve this level of efficiency savings the Council will:

- Review its Corporate Plan fundamentally in 2008, so the 2008/9 to 2011/12 three-year plan reflects the Oxfordshire Local Area Agreement II priorities which will be agreed in the Spring 2008 and will reflect the local priorities of the City following the elections in May 2008. This review will include a hard prioritisation exercise reducing expenditure on lower priority areas to enable investment in new priorities.

- Appoint a Corporate Property Manager with a remit to centralise asset management and improve the rate of return on the corporate portfolio and rationalise operational assets, including offices, depots and leisure facilities.

- Appoint a Transformation Manager with a remit to develop back-office shared service arrangements, modernise processes in the back office, create a fully empowered and integrated front of house customer service centre and improve the scope and take-up of Web transactional services.

- Agree a new corporate procurement strategy which involves market testing current in-house services on a five-year rolling programme as well as introducing "e" ordering and payment systems to reduce transaction costs.

- Agree a workforce strategy aimed at investing in workforce development, reducing lost time due to sickness, increasing productivity and reducing the workforce size by 2% a year, and implementing single status.

- Carry out risk assessments on the savings proposals and performance manage their implementation.

- Introduce an "Invest to Save" fund to pump prime efficiency projects using Prudential borrowing and revenue funds from in-year budget windfalls.

- Restructure the management of the authority creating Executive Director posts with accountability for service performance and value for money, as well as reducing the number of business manager posts and de-tiering structures in service areas aiming for only three management tiers below the Chief Executive.

- Use Prudential borrowing to reduce the asset repair backlog prioritising areas which impact on efficiency by energy conservation measures and income generating investments in trading areas.

In terms of the Council's Capital Investment Programme, the Council's major investment is meeting the Decent Homes Standard for its Council tenancies and sustaining the current level of expenditure on private sector housing. The Council wants to move away from funding non-HRA capital spending by selling assets as this is not sustainable. In future, asset sales will be banked into an investment fund to generate future revenue income. Borrowing will be used to fund investment where there is a sustainable business case. The medium-term aim of the Council's efficiency drive and asset management review is to generate an annual revenue contribution towards capital investment. This investment would be used to reduce the repairs backlog on the Council's retained assets and improve services.

This medium-term financial strategy is built on the following key policy commitments:

- Generate cashable efficiency savings of £7.1 million from the 2006/7 base by 2008/9. Thereafter generate 3% cashable savings a year.

- Maximise the long-term revenue benefit of its commercial assets.

- Not to reduce balances to fund ongoing revenue expenditure.

- To plan for a balanced budget.

- Reduce the repairs backlog on assets year on year.

- To use Prudential borrowing to reduce repair backlogs if the revenue impact can be afforded within a sustainable balanced budget and to use it for "Invest to Save" projects based on robust business cases with reasonable pay-back periods.

- To reduce the dependency on capital receipts to fund the General Fund Capital Programme.

- To set Council Tax increases at a level linked to but below the retail price index.

- Plan a sustainable housing revenue account and achieve the Decent Homes Standard by 2010.

Peter Sloman

Chief Executive

Medium Term Strategy

2. Purpose and Scope

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

2.2 The 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.

2.3 Oxford has been developing its medium term financial planning over the last five years. Last year we published our first Medium Term Financial Strategy covering years 2006-7 to 2010-11.

2.4 This Medium Term Financial Strategy builds on that first document. Crucially, we have incorporated high-level plans for several non-financial areas, and as a result is no longer only a "financial" strategy.

2.5 The aim is that this strategy becomes a reference document. For the second year we have drawn on the approach of Cambridge City Council who are nationally recognized as having excellent long-term planning systems.

<u>Scope</u>

2.6 This strategy provides an integrated view of the whole of the Council's services covering:

- Capital and Revenue spending
- Human Resources
- Information Technology
- Asset Management issues
- Treasury Management
- Risks and uncertainties
- Effects of Demographic change

Part A: Policy Context and Priorities

3. Policy Context

Aims and objectives

3.1 The Oxford Plan 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.

3.2 The 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

3.3 The Oxford Plan and key milestones are included in Appendix A.

Other pressures

3.4 There are other 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).

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

3.6 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 J.

A unitary Council or enhanced two tier working

3.7 In January 2007, after an extended due diligence assessment, the City Council agreed to prepare an application to the Government to create three new Unitary Authorities in Oxfordshire.

3.8 Since the City’s submission was not accepted, the City will be working within an “enhanced two tier” arrangement. This will mean District and County Authorities working towards better co-ordination of services, using a variety of different models possibly including; sharing some services and jointly procuring other functions. One of the major areas for joint working will be in waste collection and disposal – where the Oxfordshire Waste Partnership is already laying the foundations of this work.

Other policy documents

3.9 The Council has agreed a range of other policies and strategies, most of which have their own cost implications.

3.10 Four of the most significant are:

- The Community Strategy, prepared by the Oxford Strategic Partnership. This draws together a range of public agencies (e.g. the Health and Police).

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

- The Local Area Plan and related strategies, which set out land use in the City through to 2016.

- The draft Local Development Framework "Core Strategy" also written by the City's Planning Service. This document sets out a long-term vision for how the City area should be shaped over the coming 20 years.

3.11 Several other strategies may also affect our spending plans, they include the various leisure and our community centre strategy.

3.12 We are developing policies in other key areas, such as Human Resources.

Other financial targets

3.13 The Liberal Democrat Administration has set out main objectives for better finances. These are:

- Improve the Council's low rating on Value for Money (get to 3 by April 2009) and Use of Resources.

- Work on Capital Programme: how much will we have to spend in 3 year's time and what are the essential projects we need to fund.

- Maximise the return on our Assets.

- Build depreciation into the revenue costs of our assets.

- Distinguish between avoidable and unavoidable items in Maintenance backlog.

- Make sure new IT systems deliver savings.

- Continue investigations into how particular Shared Services can provide savings.

- Continue improvements in Council Tax Collection and in the performance of Revenues and Benefits.

- Ensure that any consultants the Council uses provide good value for money.

- Plug the budget gap for 2008-09, and for following years, and ensure that Service Savings are realistic.

- Monitor closely the impact of Single Status and Job Evaluation.

- Keep Council Tax increase to below inflation.

The Audit Commission's Annual Audit letter

3.14 Each year the Audit Commission publishes a "management letter". This letter sets out a set of high level recommended actions. The 2007 inspection letter highlights

The next steps for the Council are to develop a more ambitious approach to the medium and longer-term future on the City of Oxford, and to ensure that it is equally focused on the immediate priorities and needs of its citizens. To achieve this is likely to require a firmer approach to value for money, and to its quality of services, when compared with other Councils. This needs to be better integrated into its performance management systems. It also needs to work hard to ensure that its infrastructure, systems and support services will enable it to meet higher expectations. All these factors will be important in making the transition to more enhanced and effective roles in and for the local community.

The Council has worked hard to achieve the continued progress noted in this letter. It needs to maintain this momentum and translate it into a much better external reputation. This is essential, so that it can attract and unite partners; motivate, retain and recruit good staff; and help maximize its efforts to engage with and provide for its local citizens.

4. Public Consultation

4.1 We carry out a range of consultation projects. Every three years as part of the Best Value Performance Indicators (BVPI) we have carried out a general satisfaction survey as specified by central Government. The BVPIs have recently been replaced by the New Performance Framework and we are awaiting clarification on the consultation requirements for this scheme. We are also currently investigating carrying out annual satisfaction surveys.

4.2 In November 2007 we held a Citizens' Jury about budget setting and priorities. The jury was made up of local residents with the aim of having detailed discussions around budget priorities. A similar exercises was held with focus groups drawn from all sections of the Council's workforce.

4.3 We also have a Citizens Panel, Talkback, which is made up of 1,000 local residents that we regularly consult with. We send the panel 4 surveys a year on a range of topics. We also run focus groups and other detailed discussions with the panel when required.

4.4 A revised consultation strategy and action plan are currently being drawn up for 2008-9.

Part B: General Factors

5. National Economic Strategy

5.1 Budget 2007 reaffirmed the Government's economic objective to “build a strong economy and a fair society where there is opportunity and security for all”.

5.2 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.

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

5.4 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.

5.5 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.

5.6 Budget 2007
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. The budget is the first official notice we have of possible changes that impact on the Council.

5.7 There are 3 strands of important information, early information on likely funding – the Comprehensive spending review 2007, forecasts for pay & inflation, and forecasts of interest rates. Other policy strands of the budget that may impact on the Council (once more detail is known) are steps to tackle climate change like increase in fuel duties from 1 October 2007 and new measures to improve the energy efficiency of homes and changes to landfill taxation rates.

Comprehensive spending Review 2007 (CSR2007)

5.8 Budget 2007 confirmed the overall spending limits for the 2007 Comprehensive spending review (to 2010-11). The key element of the CSR is a comprehensive value for money programme which will be embedded and release the resources to meet new priorities. Headlines are:

- Efficiency savings of 3%. Savings to be net and all cash releasing
- Current spending to increase by 1.9% per year in real terms
- Public sector net investment to rise to 2.25% of GDP

5.9 Local Government finances are set to increase by 4.2% in 2008/09, 3.5% in 2009/10 and 3.4% in 2010/11. These figures include support for projects funded under the Private Finance Initiative. After removing this support, funding for Local Government will see real terms increases of 0.9% in 2008/09, 0.1% in 2009/10 and a decrease of 0.1% in 2010/11. In the formula grant settlement announced in December 2007 shire districts are faced with grant increases of 1.7% in 2008/09, 1.4% in 2009/10 and 1.3% in 2010/11.

5.10 This means that Oxford City must find efficiency savings to find extra resources to fund growth. As the authority moves into another year of efficiency savings, the savings become harder to achieve and may require more upfront investment.

5.11 On the same day as the budget report, Sir Michael Lyons published his report on the role and funding of local government "Place-shaping: a shared ambition for the future of Local Government". The government has addressed 2 of the key points of the review as follows:

a) <u>with more freedom, Local Councils can play a fuller role in building strong communities</u>

5.12 The government has said that it will "reduce specific grants and ring-fenced funding and examine the scope to minimize complex and time-consuming reporting and data provision". For Oxford City it is unclear what the impact of this might be, if specific grants are absorbed into the formula of the RSG, the authority may gain or lose funding. Similarly if funding is pooled into the new Local Area Grant, we don't know how much we may receive.

b) <u>Council tax should be retained and increases linked to prosperity</u>

5.13 The government agrees that Council tax should be retained and remained capped but there will be no changes in bandings or revaluations before the next general election.

Forecasts for pay and inflation increase

5.14 The measure of inflation for the country is the retail price index. This index reflects how costs are rising and is a key measure for government in determining pay increase. The retail price index is explained further below.

Retail Price Inflation

5.15 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.

5.16 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.

5.17 CPI rose from 2.0% in April 2006 to 3.1% in March 2007 before falling back to 1.8% in September 2007. This index has remained below 2.0% between July and September 2007 before rising to 2.1% in October 2007.

5.18 The level of RPI has also risen from 2.6% in April 2006 to 4.2% in October 2007.

5.19 The government has a CPI target of 2% and all pay policies are aligned to this.

5.20 For the purposes of financial planning, we have used 3% for general inflation to the Council's budget. For some purchases we have allowed for more where we know costs are rising more steeply (see appendix M for budget assumptions).

Pay Award

5.21 The government has made it clear that pay settlements must be consistent with the CPI inflation target of 2% and announced on March 1st 2007 that the headline awards for pay bodies in 2007-8 should aim to be less than the 2% and should average 1.9%.

5.22 Oxford employee's 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.

5.23 2007-08 was the first year following the three-year pay agreement and the pay award was finally settled at 2.475% in late 2007. The Head of Human Resources advises that this medium term strategy should continue to assume a 2.5% increase for the 2008-9 financial year.

5.24 Given that the pay modeling over the 5 year MTFS model requires us to make assumptions on pay awards, there is the likelihood of the award being different that than modeled. The table below demonstrates how a 1% error in the forecast impacts on cost.

5.25 A change of +/- 1% in the level of Pay Award for future years would have the following impact on each of the Council's service areas:

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

5.26 The other key impact on payroll costs is the impact of the current Single Status (job evaluation exercise). There is more on this in Chapter 8.

Interest Rates forecast

5.27 Interest rates are important to the City Council as we have between £40 million and £50 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.

5.28 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.

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

5.30 September 2006 saw rates rise to 4.75% and rise again quickly to 5% in November 2006. Since then the bank has applied a series of 0.25% rises and at July 2007 the base rate rose to 5.75%. Rates have now fallen to 5.5% and are expected to fall further to reach a low of 4.75% in 2009.

Effect of interest rates Oxford City Council

5.31 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.

Summary

5.32 The above paragraphs deal with the assumptions that the government made in producing Budget 2007. The Council has used those assumptions to help refine its own assumptions.

6. Demographic Factors

6.1 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

6.2 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.

6.3 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.

6.4 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).

6.5 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.

6.6 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

6.7 Population is an important factor to consider when undertaking budget forecasting for Local Authorities.

6.8 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.

6.9 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. The most conservative estimate of the City's population growth (see Appendix F) suggests that it will be in line with UK population growth over the period 2001-2011. Another estimate suggests that the City population will grow faster than the UK.

6.10 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)

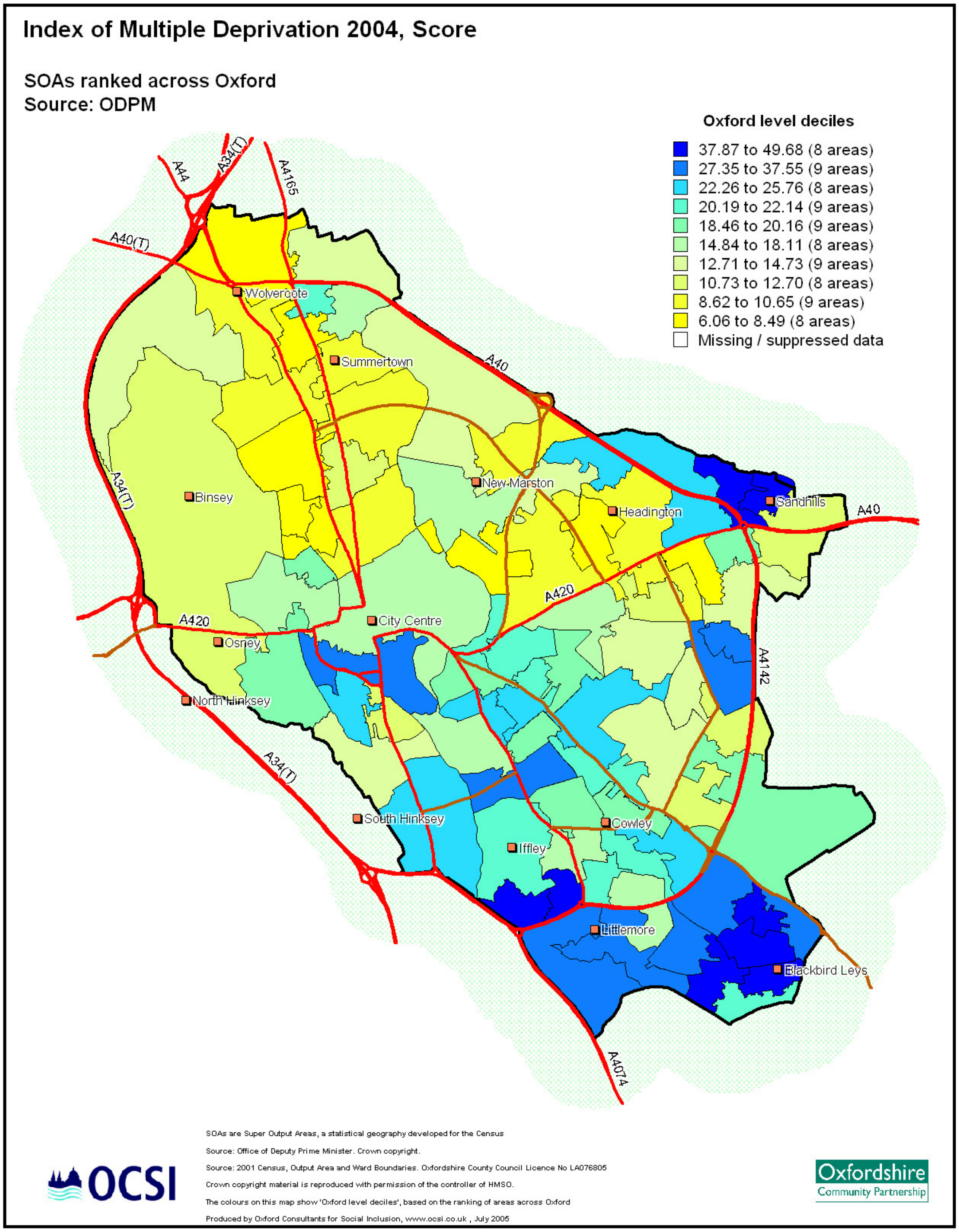
6.11 A variety of factors could explain this outcome. The high level of international migration attributed to the City and County could have been overstated (it is based on information from the International Passenger Survey). An overestimation of the impact of 'under-enumeration' in the 1991 Census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

6.12 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.

6.13 There is a risk that, although our Relative Needs Amount 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

6.14 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

7. Treasury Strategy

7.1 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 26th March 2002).

7.2 The Treasury Management Strategy for 2007/08 was adopted by the Executive Board on the 19th February 2007, a full version of the Treasury Management Strategy for 2008/09 can be found at Appendix L.

Borrowing and Debt Strategy 2008/09 to 2010/11

7.3 The Council has £11.3 million of debt at 1st April 2007, 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.

7.4 The Council also has £2.3 million of long-term liabilities which is is an outstanding debt with South Oxfordshire District Council and is at a variable rate.

7.5 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 £7.5m and our borrowing is £11.3m, indicating that there is no need to undertake any external borrowing in the short-term.

7.6 The Head of Finance as S151 Officer 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. It is likely that longer term fixed rates will be considered if borrowing levels remain relatively low.

7.7 There have recently been some changes to the PWLB borrowing arrangements, they have introduced a new set of separate 'Premature Repayment' rates. This will mean we will need to consider other alternatives to PWLB for any borrowing that we may wish to undertake. Market lenders continue to offer borrowing rates at significantly lower levels than the PWLB, and with some of the advantages reduced by PWLB, market loans are now becoming an increasingly more attractive borrowing proposition.

Investment Strategy 2008/09 to 2010/11

7.8 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.

7.9 Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of further downward move from the current level of 5.5%, with a potential low of 4.75%. 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 Head of Finance as S151 Officer 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.

7.10 A draft version of the Treasury Management Strategy for 2008/09 is set out in Appendix L, this includes the prudential indicators and a copy of the full current counterparty list. This strategy will need to be revised in line with the budget approval process as some of the key figures used to calculate the prudential indicators will need to be amended.

Part C: Revenue

8. External Funding Projections - Revenue

8.1 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.

8.2 The 2007 grant settlement gave us a three-year provisional settlement. The figures are provisional at this stage and will be confirmed in late January/early February 2008.

Timing of Government funding announcements for 2008-9

Fund	**Provisional**	**Final**
General fund	6th December 2007	Late January 2008
Housing Revenue Account	7th December 2007	Late January 2008

Formula grant distributions

8.3 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.

8.4 The 2008-9 settlement continued the process of reducing the proportion of funding distributed in the form of ring-fenced grants.

8.5 The 2008-9 formula grant included statements that:

- 37 specific grants and the new regeneration fund have been pooled to form the new area based grant
- Costs from the new national concessionary fares scheme will be funded by a specific grant from the Department for Transport.

8.6 The formula grant continues to include funding for the expansion to the concessionary fares scheme that was introduced in 2006.

8.7 The floor adjustment in the grant system has been reduced over the period 2008/09 to 2010/11. The floors for district councils have dropped from 2.7% in 2007/08 to 1% in 2008/09 and 0.5% in 2009/10 and 2010/11.

Specific grants

8.8 The Government had indicated that 2007-8 would 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. This will take the form of a Housing and Planning Delivery Grant. The Government are consulting Local Authorities on the allocation method. Consultation closes on 17th January 2008.

8.9 As in previous years, although not formally ring-fenced, the custom is that these funds will be spent on the associated services.

New Growth Points

8.10 In October 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.

8.11 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.

8.12 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.

8.13 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.

8.14 The initiative is a crucial part of delivering an increase in house building 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.

8.15 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.

8.16 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

8.17 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.

8.18 New Growth Points will help to concentrate future growth at existing urban centres and presents 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.

8.19 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.

8.20 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.

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

Capping

8.22 The Comprehensive Spending Review 2007 stated that Council Tax increases should be “well below” 5% in each of the next three years.

Balance of Funding Review and the Lyons Inquiry

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

Council Tax Assumptions

8.24 The Council’s Council Tax income is based on five 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
- The eventual collection rate.

8.25 The Council has only limited influence over the first two of these five 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.

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

8.27 Oxford can influence the last three 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 and this has been carried forward into subsequent years.

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

8.29 The Council can raise extra income by increasing Council Tax, subject to National capping rules. The Liberal Democrat Administration has indicated that they wish to contain Council Tax increases to below inflation. Oxford's 2007-08 budget increased Council Tax by 3% with indicative Council increases of 2% in 2008-9 and 2009-10 respectively. A 2% increase has also been assumed for 2010-11.

8.30 2007-08 has seen a considerable slowing down in the growth in our number of dwellings. Also (primarily as a result of a Trevor MacDonald TV documentary) we have received a large number of banding reductions, some of which go back to April 1993. These changes indicate that the tax bases previously estimated for 2008-9 onwards were overstated. These have been amended accordingly resulting in a reduction in the estimates of the Council Tax yield.

Oxford City Council tax base (Band-D equivalents)

Year	**Tax base**	**Band D Average Council Tax**	**Amount raised**
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	46,180	£240.53	£11,107,675
2008-9 (est)	46,180	£245.34	£11,329,801
2009-10 (est)	46,642	£250.25	£11,672,160
2010-11 (est)	47,108	£255.26	£12,024,788

8.31 Comparing Oxford's data with all English Districts Councils our average Band D Council Tax for 2007-8 of £240.53 is the 11th highest.

Local Authority Business Grant Incentives (LABGI)

8.32 The LABGI scheme is a Government initiative that aims to "reward" Local Authorities that achieve significant growth in the business sector in their area.

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

8.34 In 2005 (Year 1 of the initial 3-year scheme) Oxford's rateable value benefited from several large new assessments. These included:

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

8.35 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 worked out at £613,056.52.

8.36 In 2006 there were fewer new developments, several major deletions from the business rate register, and an increasing number of appeals where ratepayers were successful in obtaining reductions in their rating assessments. As a result the City rateable value dropped by over £1.5m during 2006.

8.37 Despite this overall decrease in our rateable value during 2006, we received an initial Year 2 reward of £587,561. This was due partly to our increase in rateable value achieved during 2005 being rolled forward into 2006, and also because various types of Valuation Officer amendments (for example successful appeals) are disregarded for LABGI purposes.

8.38 We also received a further £185,385 following the court ruling in the judicial review proceedings brought against the DCLG by Corby and Slough Borough Councils. This was an additional grant payment to reward Authorities for all increases in Rateable Value (for example following an extension to a premises).

8.39 As at early January 2008, the DCLG has not yet published the formula to calculate the 2007 (Year 3) entitlement. However, unless there is a radical change in the formula used to calculate entitlement, we will receive an award – probably in Spring 2008. To date in 2007 we have been notified of new rating assessments with an aggregate rateable value of £3.2m. In addition RV increases total over £3m.

8.40 As regards 2008 onwards there is currently consultation (ending in December 07) seeking views on how best the LABGI scheme can be redesigned. The DCLG aim is to create a permanent incentive for Local Authorities that encourages sustainable economic growth, fully integrated within the Local Government finance system.

9. Revenue Spending Pressures and Opportunities

General (applying to more than one fund)

Employers pension fund contributions

9.1 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.

9.2 The fund was revalued in March 2005 and resulted in an increase in employers' contribution from 15.6% to 18.9%.

9.3 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.

9.4 The 2005-06 budget took account of the increases in pension contributions that took place in that year. The 2008-09 budget will have to take account of the next revaluation received in late 2007.

9.5 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.

9.6 The Government subsequently revoked the proposed regulations and final proposals are still awaited. In line with advice from County Council actuaries, the budgets for 2006-07 onwards have set aside 2.1% of pay to take account of the revocation in advance of the 2008 triennial review.

Pension Fund Revaluation

9.7 The increase to pension contributions from April 2008 has now been confirmed at 2.0%, which is within existing budget provisions.

Efficiency Tasks

9.8 CSR confirmed ambitious targets for efficiency savings, 3% per year across the whole of the public sector.

9.9 Local Authorities are expected to deliver these savings through:

- Increased rationalization of Local Authority back office functions and better staff productivity

- Smarter procurement – 1% of the 3% savings to be achieved through procurement.
- Better asset management.

9.10 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.

9.11 Budget 2007 has outlined a target of 3% cashable efficiencies from 2008-9. This is a step change from previous efficiency requirements in that all efficiencies must be cashable i.e. release resources for spending elsewhere.

9.12 The Council has always followed this approach when setting the budget. The continuing pattern of wage inflation outstripping increases in funding means that the Council has had to find either cashable efficiency savings or increased income to protect services.

9.13 Efficiency savings may require investment. In recent times the Council has invested in handheld technology for operatives in Oxford City Homes, invested in IT across the Council and bought in consultants to implement Lean/Systems thinking.

9.14 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 previous years.

9.15 The savings identified as part of the 2007-08 budget process were linked to the AES, through a set of summary savings schedules - which also clearly allocate management responsibility for delivering individual savings.

Cross Oxfordshire waste collection contract

9.16 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).

9.17 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). The contract would also name the other two authorities (City and Cherwell) as potential participants should they wish to join at a later date. The Official Journal European Union notice was issued at the beginning of November and it is anticipated that the contract would come into operation in 2009.

9.18 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.

Changes to recycling rules

9.19 The effects of these changes could be very significant. The Landfill Allowance Trading Scheme (LATs) affects all authorities in the country. If the Council can keep the amount of biodegradable waste it generates below its targeted allowance (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.

9.20 The current tonnages and recycling percentage achieved by the council’s alternate week collection scheme have achieved a favourable position for the City Council in that no fines are likely to be incurred and some credit may be generated. It is anticipated that the target will be achieved and that any fines would only become a reality in 2012/13.

9.21 To avoid these, the County Council is providing a food waste and garden waste processing facility in April 2009, whereby an increased number of tonnes can be diverted from landfill. As collection authority, the City Council must have in place the ability to collect such arisings. Therefore, the City Council will run a pilot food waste collection during 2008 at a cost of approximately £200,000. The council is applying for funding under the OWP (Oxfordshire Waste Partnership) “new initiatives” fund to support the trial.

9.22 The major risk for the authority is the commercial waste tonnage, that was excluded from the baseline information sent to Defra in 2001. The council is currently working with the Local Government Association (LGA) to ensure that it can either increase that allowance or have the tonnage excluded from the LATs allocation. If this position is not secured it will present significant fines for the authority in the region of £750k per annum.

Energy standards in buildings

9.23 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.

9.24 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.

9.25 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.

9.26 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.

9.27 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 -

9.28 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".

9.29 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.

9.30 It is expected that with job evaluation concluded in early 2008, pay modeling will allow the full costs to be evaluated in detail.

Procurement and process improvements

9.31 The Council has an established corporate procurement team responsible for managing all tender processes over £100k and this is underpinned by the Constitution and corporate procurement strategy. The corporate team are now generating £1 million a year through financial savings made in ongoing contracts and supported the others by opening up contracts to be used by all the Oxfordshire councils. The savings have accrued to the individual Services, rather than the procurement team.

9.32 Procurement processes have been substantially simplified, through the implementation of monthly consolidated invoices and corporate purchase cards. 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.

9.33 The Council has written a business case in support of implementing e-procurement and hopes to implement either the Agresso e-purchasing module or another option during 2008/9.

Leisure Review

9.34 The Leisure Service is being fundamentally reviewed. There is an officer Leisure Board set up to look at both operational aspects of Leisure and the future of the individual centres. The Council has ambitious plans for delivering improved facilities and all options are being pursued. Some of the options may need further investment in order to progress them.

Local Housing Allowances

9.35 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.

9.36 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. Initially it will only apply to Private Sector tenants.

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

- Potential changes to the local cost of benefits.
- A potentially simpler Benefit System, which may be cheaper to administer.
- Our Administration subsidy for 2008-09 will be £1,123,775, which is 3.2% reduction on 2007-08 figure.
- In addition the indicative figure for 2009-10 is £1,096,401 (2.4% reduction on 2008-09)
- In addition we have received £130,830 in 2007-08 and this is a provisional allocation of roll out funding for implementation of the Local Housing Allowance.

Westgate shopping development

9.38 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 park.

9.39 Planning permission has been secured for the development, and the property deal has recently been concluded. The development will proceed subject to the outcome of a Compulsory Purchase Inquiry, and a number of other conditions being met. Current time scales will see the redevelopment being completed by Autumn 2011 or Spring 2012. The City Council currently has a share of the Westgate shopping centre, which will be enhanced on successful completion of the development. 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

9.40 The Council rents offices at St. Aldate's 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).

9.41 Every fourteen years the landlord of St. Aldate's 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.

9.42 The potential rent review could add between £200,000 to £250,000 to the current £225,000 yearly rent and this is included in the 3 year forecast.

9.43 A developer has approached Oxford City Council with a view for a mixed use development to include the land on which SAC currently sits. Discussions thus far with the potential developer have focused on the relocation of staff currently located In SAC at a nil/modest cost.

9.44 If the development took place, we may still face an increased rental equivalent or greater than the increase projected for SAC, in alternative premises.

HRA

Housing Subsidy

9.45 The main uncertainty is around the national Housing Subsidy rules. The Draft Housing Subsidy Determination for 2007-08 was significantly worse than expected, and didn't compensate Local Authorities for restrictions placed on rent increases for the past two years. The Department for Communities and Local Government are exploring a wider reform of the subsidy system and has not set the subsidy formulae beyond 2008/09. This makes budget planning even in the short term difficult. Until clarification of the future of the subsidy system becomes clearer, which may in the longer term include it being replaced; medium and longer term planning will be extremely uncertain. If the subsidy determination continues to result in increasing amounts of subsidy being paid into the national pool the revenue contribution towards funding the decent homes capital works will not be possible and further asset sales would be required.

9.46 An expert in Housing Subsidy is reviewing the 2007/08 subsidy determination as it is felt that Oxford was unfairly penalised when it's guideline rent was set. If a subsequent special determination request to DCLG were successful the HRA would benefit by £290K In 2007/08, though this would taper to zero over the following four years.

South Oxfordshire Housing Association (SOHA) Contract

9.47 OCH has a contract with SOHA until the end of March 2008. It narrowly failed in being awarded a further contract. It is expected that the workforce affected will be reallocated to work currently being undertaken by external contractors, mainly relating to decent homes capital works. The contribution from capital works will replace the contribution from SOHA and will not affect the budget. This would continue beyond the 2010 deadline for meeting the decent homes target. Decency will need to be maintained beyond 2010 as part of an ongoing capital program and as part of the HRA Stock, Decent Homes Strategy, the Council's sheltered accommodation is being remodeled.

Single Status

9.48 The same uncertainties that apply to the General fund apply to the HRA. The HRA's fund is £646k, with an ongoing budget provision of £215k.

Southfield Park

9.49 The lease for Southfield Park was due for renewal in 2005/06. Negotiations with the landowner have not resulted in agreement. A tribunal will now decide the annual rental. Provision has been made for £112k p.a. in future year budgets and for any backdating. The tribunal may decide that the annual rent should be more than the provision made.

Capital Programme Funding

9.50 Members have recently approved the HRA Stock, Decent Homes Strategy. This gives direction for immediate, medium and longer term future of the stock. For the sheltered schemes this involves selling four properties and using the proceeds to fund decent homes and re-modeling works on the remaining blocks. For the tower blocks all five blocks will be brought up to decent homes standard by 31 December 2010 and a specialist consultant will be used to appraise future options. This will include producing a report setting out a realistic timescale and financial profile. The Council owns a number of ‘Non-traditional’ properties that have known defects. They are currently being assessed. The result of which will determine their longer-term future.

9.51 Funding the HRA capital programme, most of which relates to decent homes, is dependant upon a number of sources of finance. This includes revenue contributions, asset disposal (capital receipts) and major repairs allowance. If enough funding is not raised from capital receipts the HRA would need to look at prudential borrowing, the repayments of which could mean reducing service provision.

Housing and Regeneration Bill

9.52 The recently announced Housing and Regeneration Bill includes measures that are intended to remove barriers to councils building their own social housing. There is also a provision that will allow some Councils to opt out of the HRA subsidy system. These possibilities will be examined as the details of the proposals become clearer.

10. Revenue Forecasts and Reserves

General Factors

10.1 The major assumptions on which the revenue forecasts are based are summarised in Appendix M.

10.2 These are based on the analysis in previous sections of the strategy.

10.3 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 I, 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

10.4 The three-year budget for 2007-08 to 2009-10 approved net expenditure of £28,476,795 for 2007-08, which included £1,514,471 drawn from balances. The use of £1200k more from balances than previously planned was possible following a comprehensive review of reserves and provisions, and utilizing £706k from the remainder of the DWP not required when that claim was settled. New expenditure of £735,000 was included utilizing the Policy Space. The budget maintained balances above the minimum level of £3,000,000.

10.5 Details of the calculation of the budget savings target for 2008-09 is explained in Section 14. Budgets have been modelled for three years using the assumptions in Appendix M.

10.6 A summary of the draft General Fund budget for 2008-09 is included as Appendix R.

General Fund Projection 2008-09 to 2010-11

	2008-09 £'000	2009-10 £'000	2010-11 £'000
Total Business Unit budget from 2007-08 (adding back turnover)	32,879	33,947	35,502
Changes to base	(498)	(62)	
Updated base	32,381	33,885	35,502
Inflation	1,566	1,617	1,670
Inflated net spending	33,947	35,502	37,172
Policy changes and Corporate pressures			
Revenue contribution to maintenance backlo	200	400	400
Headroom for risks	290	695	683
Contribution to HRA for iWorld	157	157	157
Concessionary fares	(300)	(300)	(300)
New pressures Dec 07	366	366	366
Westgate agreement	-	-	-
Rent review St Aldates Chambers		225	225
Revised net spending	34,660	37,045	38,703
Corporate Accounts			
Capital charges and SLAs	1,324	1,414	1,479
less: Asset Management Revenue Account	(1,228)	(1,233)	(1,236)
less: Transfer to capital reserve	(3,197)	(3,197)	(3,197)
Local Cost of Benefits	-	-	-
Investment Income	(2,315)	(1,950)	(1,800)
Interest Payable	1,378	1,373	1,373
Pensions increase	567	567	567
	31,189	34,019	35,889
less: 2008-09 budget proposals	**(3,663)**	**(4,676)**	**(4,741)**
Remaining savings target	**-**	**(1,276)**	**(2,538)**
Total Net Spending Requirement	27,526	28,067	28,610
less: External Support	(16,366)	(16,570)	(16,766)
less: Income from Council Tax	(11,159)	(11,496)	(11,844)
Contribution (to)/from balances	0	0	(0)
Target for additional efficiencies and review of discretionary spend		500	1000
Balance to find		776	1,538

Yield from options to increase Council Tax			
3%	109	226	352
4%	219	455	710
4.99%	327	684	1,072

10.7 **Three year perspective**
Each year the effects of inflation mean that there is a savings gap. Proposals so far identified have largely focussed on what can be delivered from 2008-09 onwards and savings of £1.3 million in 2009-10 and £2.5 million in 2010-11 remain to be secured.

10.8 In line with government efficiency (Gershon) targets to deliver 3% cashable savings each year, further efficiencies will be sought through process review, workforce reduction, active asset management, shared services and procurement initiatives.

10.9 A Council Tax increase of 2% per annum has been included in these budget proposals. The above table summarises the three year position and indicates the yield from a range of Council Tax increases:

Housing Revenue Account

10.10 The 2007-08 budget approved surplus levels of £835k for 2007-08 and £830k for 2008-09 onwards.

10.11 A summary of this budget is shown in Appendix R.

10.12 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 £2.7m 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.

10.13 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.

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

<u>Recommendation on Level of Reserves</u>

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

£3 million for General Fund
£2 million for HRA

10.16 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.

10.17 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 J.

10.18 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.

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

10.20 For 2007-8 an increase in General Fund reserves to £3.5m was considered based on the potential substantial expenditure from both Concessionary Fares and Single Status (Job Evaluation). These are both detailed in the Areas of Uncertainty. In the end specific provisions have been made for both these areas and therefore the recommended level of balances remained at £3 million.

10.21 HRA balances were also recommended to remain at the level set previously, £2 million.

10.22 Recommendations on Council by resources for 2008-9 onwards will be made to Council as part of the final budget report. Again an assessment will be undertaken to arrive at this figure.

11. Part D: Capital

GENERAL FUND

Capital Programme Pressures

11.1 The City Council continues to rely on asset disposals to fund the Capital Programme. The General fund is exploring prudential borrowing and also increasing contributions from revenue to fund Capital. The HRA is developing both Sheltered Block and Tower Block strategies to help reduce the expenditure required to meet the Decent Homes Standard.

11.2 General Fund
The key aim of the capital programme is to invest in the assets that deliver the Council's services and aims and objectives. The major part of this is to tackle the buildings backlog that has built up over a number of years of reduced investment. Current estimates of the building backlog are circa £9.5m which is rising by approx £0.75 per annum. The current capital programme earmarks approx £4.4m over three years for Building Improvements.

11.3. In addition there is substantial investment required in Leisure facilities. The Leisure Board review will help prioritise those facilities that need urgent investment and suggest remodeling where necessary. £900k has been allocated for works to keep the Leisure centres operational over the next 3 years. Key projects for the Leisure Board are reviewing the Temple Cowley facility and planning for the redevelopment of the West End of Oxford from which the Ice Rink would be displaced. The Council would look to fund any new facility through prudential borrowing funded by a revenue income stream.

11.4 The Council wishes to move more towards prudential borrowing instead of relying on asset disposals. Asset disposals are not sustainable long term. If the Council pursues asset disposals, delivery will become more risky and the disposals will impact more on revenue streams. The Council will instead concentrate more on achieving better returns from the assets it holds.

11.5 The predicted asset disposals give sufficient resources to fund the current approved capital programme but there is no spare funding to fund the projects that service managers would like to see. A project that the Council wishes to prioritise is the roll out of food waste recycling planned for 2009-10. The Council will need to reprioritise existing projects or find additional revenue contributions to enable this scheme to happen.

11.6 The Capital Programme will be managed through the recently formed Finance Board. This Board will review progress on schemes on a monthly basis against milestones for each project. As resourcing of the programme is limited the Finance Board will make recommendations in respect of projects to be held back or accelerated as both funding and progress are reviewed.

11.7 The Council continues to fund Area Committee capital projects and the authority's contribution to Private Housing Grants through asset disposals.

Housing Revenue Account

HRA – Funding

11.8 The overall funding shortfall for the HRA capital programme is £1.2m. The key strategy for funding the HRA shortfall is the identification and sale of surplus property. Sales of surplus hostels (Houses in Multi Occupation) have provided £4.4m, with a further £3.7m from other sales. A further £12.1m of other asset disposal has been approved.

11.9 The level of additional disposals required is determinate on longer-term strategic decisions on the tower blocks and 'Non-traditional' properties.

11.10 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.

11.11 The HRA is expected to fund capital expenditure of £0.8m in 2007-08 and onwards from the revenue account. The revenue budget shown in the revenue section of the MTFS shows an ongoing surplus of £0.8m. Any reduction in funding from revenue will mean further proceeds will be required from asset disposals.

11.12 The HRA Stock, Decent Homes Strategy gives direction for the future make-up of the Council HRA housing stock and the funding levels required. The strategy will enable the Council to meet Decent Homes requirements in the timescale set by government (though this may be revised with the agreement of GOSE for tower blocks, depending on the appraisal of their future options). 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.

HRA - spend

11.13 The capital program includes estimated costs for decency and remodeling of the Sheltered Accommodation. The majority of the proposed expenditure relates to decent homes and is based on the initial data from Savilles collected in 2003. This estimated costs by cloning similar housing types. The HRA are undertaking an on-going survey of all houses which is informing the spend figures included in the programme for 2007/08 to 20010/11.

11.14 The key assumption in the spend figures is that the capital programme excludes major structural works on the tower blocks. Should the long-term decision be to undertake this work there may be a delay in meeting the decent homes target. From a value for money perspective, it is prudent to deal with the longer-term strategy sooner rather than delay.

11.15 The decisions will determine the level of funding required. The Government of the South East (GOSE) office has indicated that an extension to the decent homes deadline for tower blocks is feasible, provided there is a clear longer-term strategy and an approved plan for financing the expenditure.

12. Capital Plan Forecast

Capital Programme - General Fund

£'000s

	2008/9 Budget	2009/10 Budget	2010/2011 Budget
MT Vehicles/Plant Replacement Prog.	1,852	1,340	1,447
Funded by Supported Borrowing	(1,852)	(1,340)	(1,447)
Developer Contribution projects	3,100	14	
Funded by Developer Contribution	(3,100)	(14)	
Private Housing Grants Expenditure	800	800	800
Funded from Govt Grant	(320)	(320)	(320)
Private Housing Grants - Oxford City Contribution	480	480	480
Area Committee Projects	200	200	250
Loft insulation - means tested scheme	100		
Community Centres	250	575	575
New Christmas Lights	43		
Cowley Centre Local Council Office	40		
Provisions for Orlit Redevelopment (note 1)	500		
Warren Crescent	375		
Jericho community centre (OCC contribution)			100
Leisure Centre Improvement (note 2)	300	600	
Building Improvements (note 3)	590	900	900
Total	2,878	2,755	2,305
Funded by Revenue contributions	200	400	400
To be funded by Oxford City Council	**2,678**	**2,355**	**1,905**
Balance of Capital Receipts b/fwd	**2,200**		
Funding Gap each year	**- 478**	**- 2,355**	**- 1,905**
Total General Fund Capital Expenditure	8,150	4,429	4,072

If future capital receipts are not used to support the capital programme then Prudential Borrowing must be used and funded within the General Fund Revenue Budget. This will only be feasible once the revenue budget has been balanced by savings over the three years to 2010-11.

Notes

1. Not expected to be needed
2. If required and best value

3. Subject to review of asset management plan.
The funding gap in 2008-09 should not occur because elements above are provisions which will not all be needed. Building Improvement works will not be commissioned if they create a funding gap.

Oxford City Homes

Capital Programme & Funding Summary

	2007/08	2008/09	2009/10	2010/11
	£000's	£000's	£000's	£000's
Capital Spend Requirement				
Decent Homes	8,132	9,228	7,137	6,614
Other-Disabled Adaptations	500	500	500	500
Sheltered-Decency and remodelling	1,268	4,057	3,556	3,236
Tower Blocks-Decency and other essential works		2,750	2,750	2,754
Other-Mascall Avenue	1,400	1,778		
Inflation @ 3% per year		328	609	900
Shops/100 acres		150	150	200
Funds Required	11,300	18,791	14,702	14,204
Funds Available				
Supported Borrowing	546	546	546	
MRA	5,190	4,900	4,850	4,800
RCCO's	2,224	830	830	830
Capital Receipts				
- Right To Buy's	300	300	300	300
- Other - Actual/Contracted	7,102	5,783	0	0
- Other - Approved	4,749	1,988	4,268	3,405
	20,112	14,347	10,794	9,335
Funding Surplus / (Shortfall) per year	8,812	(4,444)	(3,908)	(4,869)
Cumulative	12,021	7,577	3,669	(1,200)

Part E: Budget Strategy and Process

13. World Class Financial Management

13.1 In 2005 the Audit Commission published a study of best practice in 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.

13.2 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 - modelling and showing the effects of inflation.
- Treating fees and charges as a corporate as opposed to Service resource.
- Making budget choices at Directorate rather than Service level.
- Starting the process significantly earlier in the financial year 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.

13.3 A Budget Working Group of officers and Members, including representatives from neighbouring Local Authorities and the Audit Commission, reviewed the progress made for the 2007-08 budget and recommended that for the 2008-09 budget further improvements should be introduced:

- An earlier start to allow full evaluation and review of savings and spending proposals.

- A clear timetable published early in the process setting out the stages of review for Members.

- Corporate Plan priorities driving the budget choices and linkages made more clearly throughout the process.

- Earlier consideration of bids, and a system for their prioritisation and risk assessment by officers to inform the Members' debate.

14. Budget Definitions and Ground Rules

Responsibilities

14.1 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.
- A sensible timetable is agreed and stuck to.

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

14.2 In terms of the budget process, Executive 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

14.3 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

14.4 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.

14.5 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
- Savings on local cost of benefits until a zero level is reached – savings beyond this level should be a directorate amount
- 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.

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

The budget process

14.7. We carried out a wide-ranging review of budgeting arrangements in mid 2006. We drew on the “World Class Financial Management” publication and best practice from “excellent” authorities.

Starting point

14.8. We take the existing 2008-09 budget as a starting point (this was published as “year 2” of last year’s budget). We add inflation. We then adjust for any other changes approved since the budget was originally agreed.

Inflation

14.9 The cost of inflation is the major budget pressure, different types of spending rise at different rates – so we estimate different inflation rates for pay, general supplies, energy costs and so on. We also model the effect of staff earning additional increments on the wage bill.

Other cost pressures/savings

14.10 There may be other major corporate cost pressures (see below). We add these other corporate cost pressures to the net inflationary pressure. For 2007-08 we added a further specific sum; a £500,000 policy space. We have not included this in the 2008-09 budget.

Reserves and provisions

14.11 We work out if we need to add to or take from reserves or provisions in the coming year. We try to model future spending as accurately as we can – so provisions reflect likely future spending.

The budget gap

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

14.13 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.

14.14 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. We share savings across Directorates in line with their controllable budgets (ie excluding overheads and corporate costs).

14.15 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.

14.16 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

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

Inflation

14.18 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.

14.19 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).

14.20 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.

14.21 We also provide an across the board inflation on fees and charges, we identify exceptions where charges are set by law, or where services must break even. Directorates can:

- Raise fees and charges by more than this inflation amount – in which case the additional income counts towards the Directorate savings, or

- Set a lower than inflation increase – but the deficit must be met from within the Directorate.

14.22 There are specific arrangements where Area Committees have a say on levels of fees and charges – for example in suburban car parks.

Major corporate cost pressures/variances

14.23 In addition to inflation, there are a few major <u>unavoidable</u> cost pressures, which we will also manage centrally, in effect sharing the burden across the whole Council. These 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.

Corporate vs Directorate Costs

14.24 The S151 Officer decides which costs are corporate or directorate. Examples of major unavoidable corporate cost pressures include the effects of the concessionary fare scheme.

14.25 There may be occasions where a Directorate benefits from a windfall, for reasons similar to those of corporate pressures (eg a change in legislation – or indeed a national decision on concessionary fares).

14.26 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

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

14.28 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.

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

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

14.31 The S151 Officer will list all cost pressures he judges are material as part of the budget process. This allows 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

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

14.33 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

14.34 Growth items can be funded in two ways:

- By the Directorate finding compensating savings elsewhere.
- By Members taking a view at consultation budget time that additional savings should be found to pay for proposed spending.

14.35 Proposals for growth items going forward for Member review must be supported by a business case set out in the form defined by the S151 Officer.

14.36 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 S151 Officer.

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

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

- The corporate plan, a risk assessment, a business plan, a spend to save option

14.39 Growth bids might include:

- Replacement IT equipment/software not increasing controllable fees and charges by the rate of inflation, mainstreaming an externally funded post or service, spend-to-save proposals.

Conclusion

14.40 These proposed budget principles are based on good practice in other local authorities, they have been slightly amended from 2007-08 budget principles to take account of decisions made by Members to date.

15. Budget Savings Targets

GENERAL FUND

15.1 The savings target has been calculated after taking into account inflation assumptions, reviewing the budget base and incorporating decisions made through the Cross Party Working Group meetings.

2008-09 Budget base

15.2 In the 2007-08 budget process, Directorates identified £2.8 million of budget pressures at Directorate level (in addition to inflation and Corporate pressures) which, whilst significantly increasing their savings targets had the benefit of creating a realistic budget base from which to assess savings potential.

15.3 Some of the Directorate budget pressures were target savings set in earlier budget rounds that were considered to be unachievable. Others of these (earlier) savings were progressed in addition to the requirements of the 2007-08 budget. In 2008-09 there remained incremental savings from the 2006-07 budget round for three Services, and in setting the base for 2008-09 we have removed these savings in the interests of creating a fair starting point for this budget. These savings were:

- Leisure & Culture £100,000
- Community Housing £50,000
- Financial & Asset Management £50,000

15.4 Although this will increase Directorate savings targets this upholds the principle of considering savings on a Directorate rather than Service basis.

15.5 Savings agreed as part of the 2007-08 budget where the level of savings changes in 2008-09 and is included in the 2008-09 budget base have been confirmed to Heads of Service.

Inflation

15.6 General assumptions including inflation have been reviewed and these are set out in Appendix M.

15.7 Exceptions to a standard inflation include:

- Car park income – no increase has been included in the base following the changes to tariffs agreed as part of the 2007-08 budget

- Planning charges – where fee levels are set by central government.

- Concessionary fares – no increase applied. The scheme will change materially in 2008-09.

- Grants budget – no increase applied.

- Commercial property rents – no general increase applied, budget based on specific lease events.

Staff pay assumptions

15.8. The impact of staff increments has been re-modelled based on staff employed in July 2007 and as a result the estimated uplift for increments has been reduced from 1.5 to 1%, a saving of £187k for the General Fund.

15.9 In the 2007-08 budget staff turnover savings (previously in business unit budgets) were held at Directorate level and standardised at 2% of pay. During 2007-08 establishment control has been introduced and staff costs have been monitored in detail to track these savings and other staff related savings agreed in the 2007-08 budget. From 2008-09 onwards no turnover savings will be assumed in base budgets but headcount reduction targets have been set as one of the levers to generate efficiency savings. The amount that would have been attributed to turnover savings has therefore been added to the general savings target.

15.10. Summary of movements from 2007-08 budget to 2008-09 savings target

	Jan 08 £k
Inflation (pay 3.5%, other costs 3%, less income increases)	1,572
Council Tax increase and RSG (both 2%)	(566)
Movements in budget base and interest income	(630)
Add back use of balances in 2007-08 budget	1,514
Subtotal	**1,890**
Policy decisions and Corporate items	
Reduce Local cost of Benefits to 0	(200)
Charge General Fund with share of iWorld costs	157
Revenue Contribution to Maintenance Backlog	200
Budget contingency	290
Concessionary Fares	(300)
Land charges pressure	130
OX1 Bid (levy)	14
Leisure review of base budget	222
Add turnover savings now included as part of headcount reduction	620
Add savings included in 2007-08 plan for 2008-09 to ensure included in 2008-09 savings totals	640
Final savings target for Directorates	**3,663**

Significant Risks and Uncertainties

15.11 A material risk to the budget is uncertainty around the ultimate cost of implementing single status. Although budget provision has beenmade, until pay modelling has been completed and negotiations concluded, final costs will not be known. The national concessionary fares scheme also imposes costs on the Council, the full extent of which will not be known until the scheme is operational and usage data is available.

HOUSING REVENUE ACCOUNT

15.12 Three year projections for the HRA have been prepared, under the same inflation assumptions but taking account of specific factors such as the HRA target rent constraints. Materials inflation of 6% has been included.

15.13 The budget set in February 2007 for 2008-09 showed a surplus of £830k. The draft calculations reported in May showed a deficit of £200k. Revisions to take account of increased garage rental income, to amend employee inflation from 4% to 3.5% and to transfer £157k of iWorld costs to the General Fund (as noted in Table 1) leave the HRA with a headline surplus of £585k. Savings of £245k are therefore required to achieve the original budget.

15.14 A significant uncertainty that remains in setting the HRA savings target is the level of Housing Subsidy that will be payable to government. The draft subsidy determination was received in December 2007 and we have commissioned a specialist housing consultant to review the likely impacts on the 2008-09 and future year budgets. The level of HRA surplus impacts directly on the funding for Decent Homes capital expenditure.

Appendix A – Council Priorities

The Council Priorities

This Corporate Plan sets out six strategic priorities, which the Council identified. These have been developed with Members of the Council and are designed to ensure that the Council has clearly set out the direction in which it proposes to move and change over the next three years. We had a range of consultation exercises including a Citizens' Jury in November 2007 to help shape our objectives for the coming year.

The Council aims to continually improve its services. This requires us to become an excellent value for money Council. We will be monitoring the achievement of all our objectives through our business plans. Progress updates will be reported regularly to Executive Board, Scrutiny and all staff. Reports can be seen on our performance page of the website www.oxford.gov.uk/performance

Priority 1
Be an excellent value for money Council

Total 2008/09 Budget for Priority = £2,399,511

The Chief Executive is focusing on 6 improvement areas

*** Performance** *** Workforce Capabilities** *** Use of Assets**
*** Value for money** *** Devolution & Governance** *** Customer services**

By **2009** we will:

- Improve performance; performance indicators to be above average (against a baseline of 2008)
- Implement the management restructure
- Increase web take up
- Introduce a corporate Customer Relationship Management system to manage customer interface and improve information to customers, tracking service requests and complaints. (links to LAA target)
- Open the Cowley One Stop Shop
- Reduce waiting times on phone call centres
- Improve Area Committees to ensure responsiveness to local needs and priorities

BY **2011** we will:

- Improve performance; be within performance of excellent councils by 2010 (against a baseline of 2008)
- Achieve excellent leisure facilities at excellent value for money
- Achieve Investors in people
- Achieve cashable efficiency savings of 25% over the next three years
- Achieve workforce reduction targets (3% in 2007/08 then 1% thereafter)
- Explore joint services with other districts and county
- Achieve 1% a year procurement savings
- Implement a new asset management plan with the aim to improve by at least £250K a year income from commercial property by 2011
- Implement Single status by 2010

The Council Priorities

Priority 2
Improve the local environment, economy and quality of life

Total 2008/09 Budget for Priority = £9,881,339

By **2009** we will:

- Gain at least 1 additional green flag status for parks every year.
- Divert waste from landfill by following the waste strategy hierarchy (reduce resuse and recycle) - Increase domestic recycling rate for Oxfordshire to percentage?? (*links to LAA target, state internal target*)
- Complete Bonn Square
- Start West End regeneration project with shopping centre development
- Improve street cleanliness in Oxfordshire to 89% of acceptable streets (*links to LAA target, state internal target)*
- Pilot and evaluate a food waste separate collection with the aim of reducing waste going to landfill

BY **2011** we will:

- Refurbish play areas (3 in 2009, 4 in 2010, 2 in 2011)
- Increase domestic recycling rate to percentage?? (*links to LAA target, state internal target*)
- Improve Clean Streets in Oxfordshire to 91% of acceptable streets *(links to LAA target, state internal target)*
- Improve public satisfaction with their neighbourhood by xxx? from the 2007 baseline

Priority 3
Reduce crime and anti-social behaviour

Total 2008/09 Budget for Priority = £1,387,215

By **2009** we will:

- Complete the roll-out of our Neighbourhood Policing Programme with Thames Valley Police, resulting in improved co-operation between street wardens, neighbourhood police officers, park rangers and PCSO's.
- Ensure there is no significant increase in the levels of burglary and autocrime (from our lowest recorded result for ten years during 2007/8). Despite reducing burglary and car crime by over 65%, these offences remain a significant concern for our communities.
- Provide positive activities for young people in the four most deprived areas in Oxford by spending £120,000 on free holiday activities for 5-19 years olds.

BY **2011** we will:

- Implement the Government guidance on tackling sexual violence in Oxford
- Reducing the level of assault with injury against victims of domestic violence and alcohol related violence. (LAA target)
- Increasing our satisfaction of our communities in dealing with local concerns about anti-social behaviour and crime (LAA target) – baseline is talkback 2007

The Council Priorities

Priority 4
More Housing, better housing for all

Total 2008/09 Budget for Priority = £5,546,771

By **2009** we will:

- Target? for affordable homes *(links LAA target state internal target)*
- Reduce the use of temporary accommodation in line with the government's target of a 50% reduction by 2010, compared to 2004 *(links LAA target, state internal target)*
- Reduce the cost of delivering the Council's strategic housing services through greater efficiency
- Make 88% of council homes comply with the Decent Homes Standard, in line with the government's target of 100% decency by 2010
- Introduce a pilot discretionary licensing provision for Houses in Multiple Occupation.

BY **2011** we will:

- Achieve the Decent Homes Standard for 100% of relevant Council homes
- Achieve a sustainable 50% reduction in the use of temporary accommodation (compared to 2004)

Priority 5
Tackle climate change and promote environmental resource management

Total 2008/09 Budget for Priority = £3,923,594

By **2009** we will:

- Reduce the Council's carbon footprint by investing the £400,000 given for carbon reduction projects, in energy efficiency, renewable energy technologies and approaches *(links to LAA target, state internal target)*
- Supply practical advice and information on how individuals, businesses and communities can reduce their impact and better prepare for climate change.
- Provide £100,000 of fuel poverty grants, which will improve energy efficiency and occupancy health & comfort.
- Enforce sustainable energy/low carbon standards set out in our planning policies
- Develop a climate change adaptation plan to address the vulnerabilities, risks and the impacts a changing climate will have on our services, businesses and communities.

BY **2011** we will:

- Reduce carbon dioxide emissions from Oxford City Council's buildings and operations by at least 25% compared to 2005 levels
- Reduce carbon dioxide emissions in Oxford City by 15% compared to 2005 levels
- Be better prepared for the future impacts of climate change (e.g. hotter, drier summers and heat-waves, warmer, wetter winters and floods) by implementing a climate change adaptation plan

The Council Priorities

Priority 6
Reduce inequality through social inclusion

Total 2008/09 Budget for Priority = £11,735,494

By **2009** we will:

- Publish the Oxford Community Strategy 2008/2012
- Meet Level 2 of the Equalities Standard for Local Government (measured by self-assessment)
- Have supported seven community associations to obtain VISIBLE accreditation for their community centres
- Raise the use of free swimming by children living in areas of high child poverty by 2%
- Increase benefits take up by 20% of the 600 cases already identified as eligible for Housing / Council Tax Benefit.

BY **2011** we will:

- Have transferred two community centres to community management
- Meet Level 3 of the Equality Standard for Local Government (measured by external assessment)
- Have worked with others to raise levels of physical activity in the city by 4% since 2006 (measured by Active People Survey)

Appendix B
PEOPLE STRATEGY v1 6 March

Introduction

The principle behind the formation of this strategy is:

Achieving a plan that focuses on developing a committed capable workforce that achieves the Council's objectives.

What is the challenge?

- Providing high quality services and good value for money
- Developing what customers need
- Addressing absence levels
- Delivering the equality agenda
- Having a low unemployment locally
- High cost area of living

What change is predicted?

- Pay modernisation
- New ways of working/services via Unitary/Partnership/shared services
- Financial pressures
- Further equalities legislation
- Flexible working practices
- Aging workforce
- Aging population

How will the people strategy be delivered?

- HR re-structure
- HR Business partner via Service level agreements
- Partnership working with Trade Unions and others

How will success be measured?

- Mori survey
- Staff turnover
- Staff sickness
- Complaints
- Disciplinary

- Grievance
- Exit interview
- BVPI & Local targets
- Achievement of level 5 Equalities Standard
- IIP for all

CHAMPIONING DIVERSITY

- Corporate Equality Policy
- Develop a range of flexible policies
- All to be treated with dignity and respect
- Positive action to redress imbalances
- Challenging discrimination

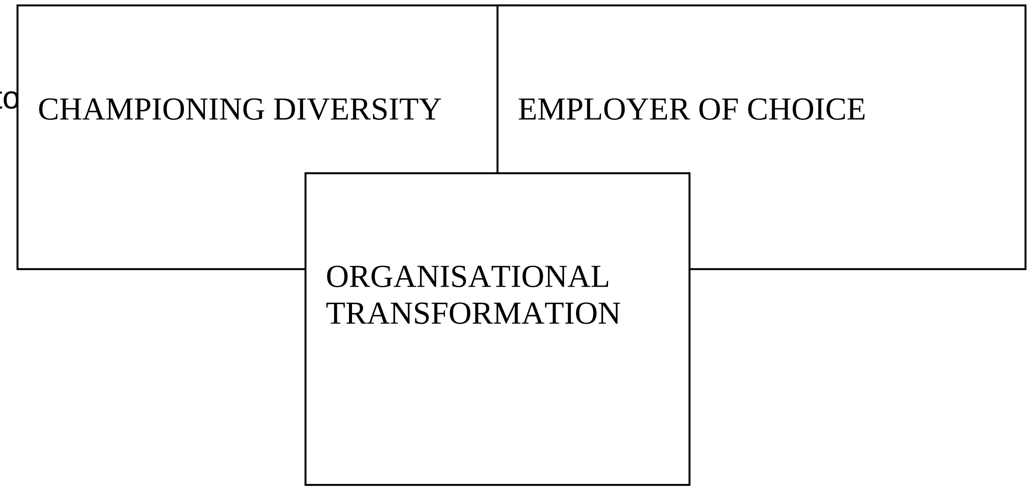
EMPLOYER OF CHOICE

- Review of recognition and reward systems
- Effective employee engagement
- Policy and guidelines
- Flexible employment to deliver new ways of working
- Safe and healthy
- Workforce and succession planning
- Innovative Recruitment & retention
- Right tools to do the job
- Building capacity to manage change
- Leadership
- Professional development
- Continuous learning
- Mentoring & Coaching
- Consistent management approach

ORGANISATIONAL TRANSFORMATION

- Robust Performance Management
- Partnership working
- Workforce re modelling
- Change Management practices
- Workforce cost minimised
- Culture, values and beliefs
- Effective communications

to


CHAMPIONING DIVERSITY
EMPLOYER OF CHOICE
ORGANISATIONAL TRANSFORMATION

Appendix C: ICT Strategy 2007-2010

1 Document History

Version

Version 2, published March 2007, last updated 5 March 2007

Author

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2 Context

Business Systems People Organisation

The Council's ICT Service is delivered by *Business Systems* and reports to the Director of Finance and Corporate Services

The ICT Service is centralised and provides support to the full range of Council services The Unit employs 23 FTEs organized into four teams (alphabetically)

- Applications Services
- Governance
- Infrastructure Services
- Service Desk

The service is committed to:

- A strong customer focus
- Service excellence
- Cost effective service delivery
- Improving efficiency
- Delivering to corporate priorities

Hardware technology

All PC and central server hardware is Dell branded for:

- Full life-cycle costs
- Robustness and reliability
- Effective and efficient asset support, maintenance and management
- Energy efficiency
- End of life environmental impact and disposal compliance

All printer hardware is HP branded for:

- Full life-cycle costs

- Robustness and reliability
- Effective and efficient asset support, maintenance and management

All network / switch hardware is centered on CISCO and HP for:
- Cost / Reliability
- Support and maintenance

Software technology

Microsoft operating systems and Office tools are deployed as standard on all desktops, laptops and tablets.

The Standard PC (desktop, Laptop, Tablet) software platform is:
- MS Windows XP
- MS Office 2003 Professional edition under a Select agreement
- Internet Explorer 7
- Adobe Reader 8
- Adobe Flash reader 8

Purchasing software under a Microsoft Select agreement permits software to be deployed on downgraded versions (eg purchase Office 2007 and deploy Office 2003) and does not mandate financial commitments beyond the one-off purchase.

Windows Vista and Office 2007 will replace Windows XP and Office 2003 as the standard deployment platform from 2009/10.

The Standard server software platform is:
- MS Windows 2003
- Delivered under VMWare
- Oracle or MS SQL Server databases

However, not all business applications will run under this technology mix. Alternative technologies will be considered and supported, providing they are considered commercially robust and supportable.

Telephony is managed by the Council's Facilities team; Business Systems provide support as required.

3 Business Themes

Customer Self-service

Internet based technologies continue to develop and offer new opportunities for collaborative working with customers and other partners.

Delivery and support of additional Internet based services will place further demands on the Council's communications network; this will be upgraded in line with demand.

Flexible working

We will deliver ICT infrastructure and supporting processes to facilitate flexible working practices including mobile and home working arrangements.

Loss of business

We face the potential of loss of business as some of the Council's services are sold off or migrated to independent trusts. Whilst the ICT services can be scaled-down this will not always be proportionate. This may bring new challenges in maintaining some skill sets; fixed overheads will fall more heavily on remaining services

4 Business alignment and engagement

Service delivery

We will continue to focus our resources on supporting and delivering business-led initiatives. A comprehensive Account Management service will be implemented (commencing March 2007) that will ensure our activities and services are focused on Customer need.

Monthly account reviews with Customers will focus on performance against SLA, Application lifecycle management, planning for new services / initiatives.

Service desk

We are creating a centre of excellence for managing customer enquiries and service requests that pans the broad spectrum of ICT services we provide. We will **seek** to improve services and reduce costs by introducing a package of measures including education, practice and process automation.

Customer satisfaction

We will continue to formally seek customer feedback through an annual satisfaction survey. We will publish the results of our findings and use the customer feedback to improve services appropriately.

5 Staffing

Deployment

We will continue to use internal staff where possible to deliver the Councils IT services. External consultants and contractors will be used where we have specific short term capacity constraints and skill gaps.

Skills
We will continue to grow and develop the Unit's management and technical capabilities. Particular focus will be given to embedding PRINCE and ITIL practices within the Unit.

6 Infrastructure

Data centre

The Council operates its own data centre from the 3rd floor of SAC. This is a significant, yet ageing facility that was originally designed and established some decades ago for the Mainframe computer.

The potential redevelopment of SAC by Carlyle (the leaseholder) is providing a catalyst to redevelop / relocate the Data centre. We are exploring options to co-locate our server equipment with another authority, potentially, the County Council.

Desktop lifecycle management

Desktops will continue to be centred on Dell's range, and will be replaced in year 6 of service. The Council currently operate around 1250 PC devices, with growth of around 50-100 devices per annum. We expect to install around 300 new units per annum.

Virtualisation is a key theme in the development of PC technology; the main benefits are reduced hardware cost and operational management and support. We expect to pilot the deployment of Virtual PC technology during 2008/9 as a potential alternative to conventional PCs.

We will continue to operate and support Microsoft operating systems and Office tools on the desktop, with a migration away from Windows 2000 and Office 2000 to Windows XP and Office 2003. Longer term, we'll migrate to Windows Vista and Office 2007, but not before FY 2009/10. All new software purchased from February 2007 will be upgradeable to Windows Vista and Office 2007 at no extra cost.

Server lifecycle management

Servers will continue to be centred on Dell's range and will be replaced in year 6 of service. Virtualisation (consolidation) of the existing physical server base will continue throughout the mid term with a view to replacing as many single physical servers as is practical. Note, not all servers can be virtualised.

Where possible, we will continue to operate and support Microsoft operating systems

Data Storage Management

Demand for computer based storage continues to grow, this trend that will not be reversed in the mid term. We will implement a package of practice, education, policy and technology (including comprehensive data and email archiving) to contain the incremental demand and associated cost for additional data storage. The solutions we implement will reduce the need for additional storage in the short term and help contain storage management costs.

Computer printed output

The Council operates a large number of stand-alone and network connected printers. Commencing in 2007/8, we will implement a package of practice, education, policy and technology to reduce the volume of computer generated printed output, delivering both financial and environmental benefits.

Data Networks

Increasingly sophisticated business applications and the general increased demand for ICT services generates a growing demand for network capacity. We will monitor and match network capacity in line with demand.

Older and slower network components will be upgraded; more use will be made of secure Wireless networks, particularly in environmentally sensitive locations (eg Town Hall).

Voice and Data integration

The integration of voice and data communications is driving new opportunities to improve service delivery and reduce operating costs. Having operated a successful VoIP pilot during 2006/7, we will seek “self funding” opportunities to rollout this infrastructure during the course of the mid term and VoIP-enable components of the network infrastructure during planned and routine lifecycle maintenance.

7 Efficiency and automation

Benchmarking

We will benchmark our services against those provided by other Public Sector organisations through SOCITM. We will use the benchmarking results to identify targets for service, cost and efficiency improvements.

Tools

We will continue to deploy new tools and technologies to enable the unit to improve its operational obligations, efficiency and effectiveness.

8 Governance

Procurement, Vendors and contract management

We will continue to strengthen our management of key vendors with a view to establishing value added partnerships where appropriate. All purchases will be completed in line with the Council's procurement policies, contracts will be constructed to protect the Council's interests.

Software licensing and compliance

We will enhance our software asset management practices with the view to gaining ISO 19777 accreditation.

Hardware asset management

We will enhance our hardware asset management practices with the view to full and effective life-cycle management.

Project Management

We will use Prince2 methodologies to manage all non-trivial projects.

ICT process development

We will extend the deployment of ITIL based management process across the scope of ICT Service Management.

Collaboration and Shared services

We will continue to strengthen our relationship with other Authorities, seeking opportunities to collaborate for mutual benefit. We will support our internal customers in delivering their shared service and collaboration initiatives.

We will continue to innovate delivery of the Council's ICT services, with a view to improving range, quality, effectiveness and efficiency.

Financial management

We will continue to manage our finances well and to operate within budget. We will continue to contribute towards the FCS directorate cost reduction plan.

Business Continuity & Disaster recovery

We will continue to expand the scope of services covered by our DR capability, in line with business demand and fire-drill our DR procedures annually.

We will seek to integrate the Council's BC and DR plans with scenario based emergency drills

Security

We will continue to take all reasonable steps to ensure the Council's systems are protected from internal and external security threats including but not limited to personal abuse, hacking attempts and the effects of malware.

Email

The Council is increasingly dependant upon an available and reliable email service. We will continue to grow the email service in line with demand. Viruses and SPAM are the greatest threats to the sustainability of email systems worldwide; we will work with ISPs, Anti Virus & Anti-span partners to reduce, and if possible eliminate, the threat of viruses and SPAM to the Councils' systems.

APPENDIX D

ASSET MANAGEMENT STRATEGY - PROPOSED REVISION 2007

Background

The current Asset Management Plan (2006) follows the format as was required for submission to Government Offices from 2000 onward.

There is no longer a specific requirement to submit an annual Asset Management Plan to the Government Office of the South East, but since the introduction of the Comprehensive Performance Assessment (CPA), the Council must show it has an Asset Management Plan which is up to date and relevant. This is assessed annually by the Audit Commission using the Key Lines of Enquiry (KLOE) for the Use of Assets.

The challenge that the Asset Management team has faced to date has been that service strategies have not been formulated to a position where property implications could be extrapolated.

This plan has formed an excellent basis for understanding the portfolio and focussing on key themes.

The way forward

We are now attempting to move from a property led Asset Management Plan, to a ***Service led Asset Management Strategy***. The key to the strategy is answering questions surrounding where the council sees itself in 5 – 10 - 50 years? (The Council Vision / Direction), incorporating a long term view of the Council's objectives.

Each service strategy should be answering the following questions in relation to their property interests:

- What property are we holding?
- Where are we holding property?
- Why are we holding it?
- How do we provide for the need? (options)
- When do we need more / less etc?
- Do we want to increase, decrease or hold property within each property group?
- Are we getting best value from our asset base?

Each strategy must be cognisant of governmental directives and initiatives, environmental influences (eg market conditions, population projections etc), and of course the council's own priorities and objectives.

See Table A for the Draft Structure.

Categorising Individual properties

It is intended that each individual property will be categorised as follows:

A **KEEP** - Property viewed as a long-term high standard property. Carry out Maintenance Backlog works + Minimum Maintenance + Programmed maintenance + improvements.

B **KEEP** – Property we wish to keep in an acceptable condition. Carry out Maintenance Backlog works + Minimum Maintenance + Programmed maintenance.

C **DISPOSE / REDEVELOP** – Property identified for redevelopment or disposal. Operating property (tenant or service). Do not carry out any maintenance backlog work but continue with minimum maintenance only (H&S / Watertight / Legislative / contractual rqmts)

D **VACANT & DISPOSE** – Property vacant and identified for disposal. Do not carry out any maintenance backlog work and continue with less than minimum maintenance

Costs associated with R&M backlog, minimum maintenance, programmed maintenance and improvements will be built up so that the cost implications of categorising a property in a certain way will be apparent. It will take some time to build up this information, as it is not easily accessible.

Officers will make an initial evaluation, after which consultation with counsellors and others will follow. See Appendix B for an example.

Interrelated Strategies

It will follow that the following strategies will fall from the service strategies and will mesh with and support each-other:

- Repairs & Maintenance Backlog
- Treasury Strategy
- Capital Strategy

Other key components

Other key components of the Asset Management Strategy will include:

- Compliance with the Royal Institute of Chartered Surveyors (RICS) guidance – expected Spring 2008.
- Compliance with the 2008 CPA Key Lines of Enquiry requirements.

- An evaluation of the functional, organisational and financial structure of property functions with in the council.
- Council wide evaluation of property related opportunities (inter-service opportunities)

HRA Asset Management

It is suggested that a similar process as this be undertaken in parallel for the HRA and that again an over-view be taken of the two strategies, so that council objectives can be met, and a consistent approach be taken.

Strategy for 2008/09

Asset Management

The strategy for 2008/09 will follow the strategy set out in the 2006 Asset Management Plan. Work will commence with Heads of Service and Executive Directors to assist in the development of each service strategy in relation to property.

Repairs & Maintenance

Work will commence on the financial model discussed above, and repairs & maintenance expenditure will continue in a holding pattern of carrying out minimal maintenance to stay within budget constraints.

An additional £200k on top of the annual budget has been included in the draft budget for 2008/09 to tackle the R&M backlog. Precise details of where this will be spent have yet to be worked up, but examples of areas currently being considered for this expenditure are:

- Repairs and refurbishment of roof areas and rainwater goods on the Town Hall to maintain the fabric and prevent longer term damage,
- External repairs decorations to properties in the City Centre (Broad street etc.) to maintain the fabric and meet lease requirements,
- Repairs to stone walls around Parks and Cemeteries to prevent further deterioration and meet Health and Safety requirements,
- Upgrading and repairs to lifts in Admin Buildings to meet current requirements.

Capital Strategy

The capital programme for 2008/09 will contain itself in undertaking committed works, but any new bids will be subject to the service strategies developed.

TABLE A - ASSET MANAGEMENT STRATEGY

Draft Structure

Financial

- R&M Backlog
- Whole life Costing
- Budget vs projected ongoing R&M costs required to support strategy
- New assets – budgetary considerations

Council Vision / Direction

Where does the council want to be in 5 – 10 – 50 years?

Functional / Organisational

- Centralisation of property portfolio leads to control, efficiency and responsibility
- People / Resourcing / Skills
- Financial reporting / revenue / cost centre location

Strategies

Key Questions:

What are we holding?
Why are we holding it?
Where are we holding property?
How do we provide for the need? (options)
When do we need more / less etc?
Do we want to increase, decrease or hold property within each property group?
Are we getting best value from our asset base?

Property Group Priorities:

Leisure Centre
Community Centres
Investment Properties (sub categories required)

Then:
Parks & Cemeteries
Admin Buildings
Town Hall
Non HRA Housing
Other

Development / Acquisition

- Development of council properties and land to fulfill Council's goals (eg Affordable Housing, West End etc)
- Acquisition for strategic ends.

External initiatives & Environmental influences

- CPA - Key Lines of Enquiry
- Performance Indicators
- Quirk Review – Community ownership / control of assets.
- RICs guidance
- Shared Service Agenda
- LAA
- Council's Priorities
- Input from Area Committees
- Population projections
- Economy (incl Property Mkt)

Capital & Funding Strategy

- Assumptions
- Treasury Strategy
- Funding – Rev / Cap / Prudential Borrowing etc
- Life cycle of capital spend

HRA

- Similar process in parallel with this strategy.

Oxford City Council
Risk Register 2007/08

Appendix E

Potential (Negative) Impacts

Risk No.	Specific risk	Missed opportuniti	Management distr	Service Disruption	Impaired Performa	Breach of contract/asset lo	Staff morale	Govt. intervention	Financial C	Damaged Reputati	Health and Safety	Inefficiency	Strategy change	Impact (VH,H,M,L)	Probability (VH,H,M,L) after mitigation
	Risks to the Council														
1	Failure to ensure sufficient management capacity for the Council through management restructure	■	■	■	■		■	■	■	■		■		H	M
2	Failure to produce and deliver a balanced budget which allows the successful delivery of priorities	■	■	■	■			■		■		■	■	H	M
3	Failure to ensure the Council has robust future plans which can be delivered and it can measure achievement against these plans	■	■		■		■		■	■			■	H	L
4	Failure to achieve a performance culture throughout the Council	■		■	■		■		■	■		■		H	L
5	Inability to recruit, retain, develop and manage appropriatley skilled key staff	■	■	■	■	■	■	■	■	■		■		H	H
6	In the event of a disaster, failure to be able to continue to provide services	■		■	■			■	■	■	■	■		M	L
7	Failure to produce and fund a capital programme into the medium/long term	■	■						■	■		■		H	M
8	There is a serious Health and Safety incident to Council staff, contractors or the general public	■	■	■			■		■	■	■		■	M	M
	Risks to Oxford														
9	We do not bring about changes to reduce inequality through social inclusion	■	■	■	■			■	■	■				M	M
10	Increase in perceived crime/anti social behaviour in the City	■	■	■			■		■	■	■			M	L
11	Deterioration in the perceived quality of the local environment	■	■			■			■	■				M	L
12	Failure to engage with key partners on city-wide issues (eg long term economy)	■	■	■	■				■	■		■		M	M
13	Housing Supply in terms of quality and quantity does not meet local requirements	■			■			■	■	■				M	L

Appendix F: Demographics

Key points:

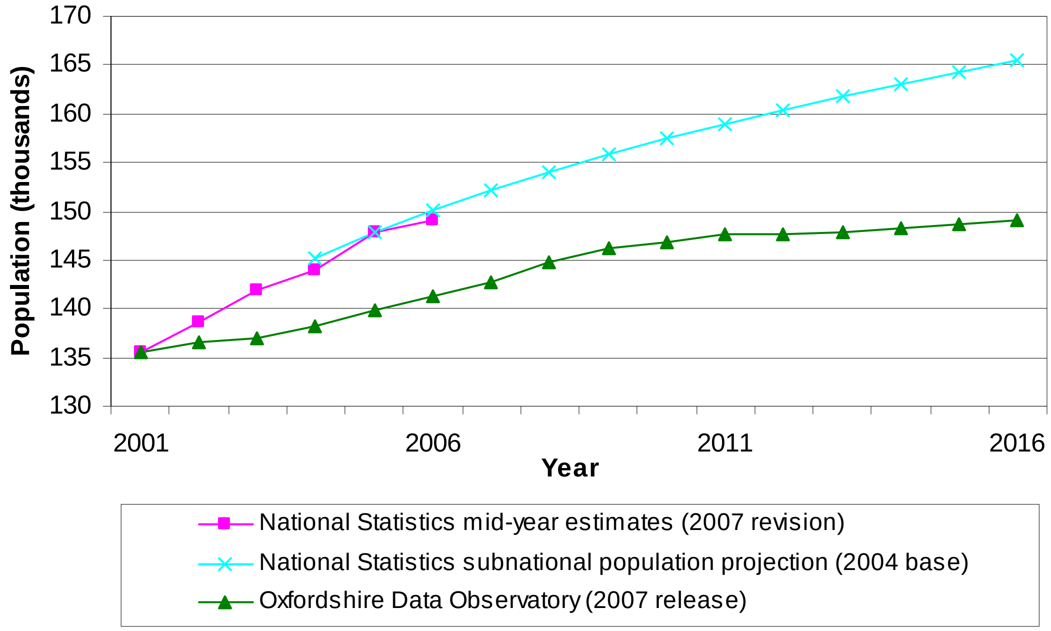
- Projections of Oxford's population indicate that it has increased since the Census 2001 figure of 134,248 and will continue to increase to 2011-12
- There are different estimates of the rate of this increase
- The wards with the largest population increases are predicted to be St Margaret's, Barton & Sandhills and Northfield Brook wards
- A 13% increase in households is predicted between the years 2001-11, with a decrease in the number of people per household
- The age and gender structure is predicted to remain relatively stable in the period to 2011
- National Statistics estimate that by mid-2004 the non-white population had increased to 15.3% from 12.9% in 2001. The largest increases are predicted in the Chinese, Black African, Indian and 'other ethnic group' populations. The ethnic minority population is likely to continue growing in size.
- 2095 new EU migrants applied to work in the Oxford area in the three years following April 2004, the majority from Poland. There is likely to be continued migration from existing and future EU accession countries.

Total population

Projections of Oxford's population indicate that it is has increased since the Census 2001 figure of 134,248 and will continue to increase to 2011-12. However two different models used to estimate this change differ considerably over the rate of the increase.

It is important to understand that population projections tell us what the population will be if recent trends continue into the future. In reality these trends will almost certainly alter due to future policy changes, changes in economic climate etc.

Oxford population – estimates and projections 2001-2016



The graph above shows population estimates and projections produced by National Statistics compared with those commissioned by Oxfordshire Data Observatory from the Greater London Authority.

The two estimates take as their start point the 2001 National Statistics mid-year estimate of a 135,500 population. They predict very different trajectories after this point:

- National Statistics estimates indicate a rapid increase in Oxford's population to 149,800 in mid-2006 and 159,000 in mid-2011. This is much faster than the projected rate of population growth for the UK.
- Data Observatory estimates predict a more modest increase to 137,800 in 2006 and 139,800 in 2011, declining thereafter. This is in line with the projected rate of population growth for the UK.

The major difference between the two models is that the Data Observatory projections take into account District planning data on actual and planned housing completions. Clearly future planning policy in Oxford, the County and the region will have a significant impact on the actual change in the size of Oxford's population.

A key issue for the City Council is the impact that an inaccurate population estimate can have on financial resources allocated by central government. This is illustrated by the significant difference between the pre- and post-Census 2001 mid-year estimates – a shortfall of around 15,000 residents. The wide disparity between the two projections presented above indicates the possibility of a similar downward adjustment to the financial resources allocated to the Council following the 2011 Census.

National Statistics do not produce a separate projection of the change in the number of households. However the Data Observatory projections indicate an increase from 51,732 households in 2001 to 54,302 in 2006 and 58,219 in 2011. This is a larger projected increase than the increase in population i.e. predicting a decrease in the number of people per household.

National Statistics have not produced population projections at a sub-Oxford level. However Data Observatory projections indicate that the largest population increases will occur in St Margaret's, Barton & Sandhills and Northfield Brook wards.

Gender and age structure

The key characteristic of Oxford's age structure is its very large young student population – according to the 2001 Census Oxford had the largest proportion of 16-24 year-olds of any local authority in Britain. Due to its size, changes in the university student population substantially affect the size of the whole city's population. The most up to date statistics show that in the four years since the Census, the Oxford University student population has remained a similar size, whilst the Oxford Brookes population has increased by some 3,000 students.

The age structure is not predicted to change significantly in the period to 2011, though a slight increase in the proportion of 25-64 year olds is indicated. Additionally, the projections agree that there will be a slight decline in the size of the female population relative to males over the period 2001-11, equivalent to one less female per 200 people.

Ethnicity

The Census 2001 estimated that Oxford had a minority ethnic population of 12.9%. It also showed that the ethnic profile of the City varies considerably with age – only 3.6% of those aged 65 years and over were from minority ethnic groups, compared to 19.8% of under 16 year olds. As such it is to be expected that the ethnic minority population of the city will increase over time.

Indeed, National Statistics estimate that by mid-2004 the non-white population had increased to 15.3% (as above, Data Observatory projections show a slower rate of increase). The largest increases are predicted in the Chinese, Black African, Indian and 'other ethnic group' populations.

Effect of international migration

The population projections produced by National Statistics attempt to capture the effect of migration on changing populations. The Oxford population has changed since the Census due to migration from new European Union countries, though the extent of this change is difficult to evaluate.

Statistics from the Worker Registration Scheme show that 2095 new EU migrants applied to work in the Oxford area in the first three years of the Scheme, the majority from Poland. However there is no data to show how long these individuals stayed for. Other statistics show that 5,100 foreign nationals applied for National Insurance numbers during 2005/06, a doubling of the 2004/05 figure. The largest group (around 900) were Polish nationals.

Over the next four to five years there may be new patterns of international migration which will effect the Oxford population. In the European context there may be an increase in migrants from Romania and Bulgaria as working restrictions are lifted, with the prospect of Croatia joining the EU by the end of the decade.

Appendix G - Context

Oxford is significantly different from any other population centre in Oxfordshire. It is economically dynamic, culturally and ethnically mixed, and with a youthful population. The City covers 17.6 sq miles and is home to around 150,000 people. Oxford is a densely packed urban space, with a high incidence of traffic congestion and pollution. It is a City, with all the advantages and many of the disadvantages that cities bring.

This fact is at the heart of the City Council's policy and service delivery dilemma. Oxford is trying to deliver the needs of a city on the budget of a shire district.

Awareness of a number of key issues needs to feed into the Council's medium-term strategy.

Population

1. Within its existing boundaries, Oxford City Council has a population of approximately 149,800, accounting for around 23.9% of the County population.

2. The population has grown 10% in the five years 2000-05 – the fastest growth of any Local Authority district in the South East.

Local Economy

3. Oxford is a global brand for education, health, bioscience, information technology, publishing, the motor industry and tourism. Around 3,300 businesses provide 108,000 jobs. Seven of the ten largest employers in the Oxfordshire sub-region are within Oxford.

4. The knowledge economy is key, with Oxford and Oxford Brookes:

   - providing educational services of international standard

   - driving the emerging research and development industries

   - leading in the creation of hi-tech spin-off companies. Staff from Oxford University have formed 80% of the 114 technology-based spin-off companies in Oxfordshire. Spin-offs employ around 3% of the County's workforce.

5. The hi-tech sector:

   - has stimulated cluster development and business networking

- includes newly emerging areas, such as ICT, bioscience, and pharmaceutical companies and also traditional businesses which have embraced technological advances (e.g. BMW and the publishing houses).

6. The car industry continues to play a role, with the Mini still selling well.

7. Tourism is a significant part of the economy. More than 7.8 million visitors spend over £410 million annually.

8. The City is an important sub-regional shopping centre and is expanding capacity by redeveloping both the central Westgate Shopping Centre and the West End area of the City Centre.

9. Local small to medium sized businesses are fundamental to the prosperity of Oxford and the wider sub-region.

10. There has been little change in the total number of jobs in Oxford over the last 30 years. As manufacturing has declined, these jobs have been replaced by employment in the health, education and service sectors. 88% of employees now work in services, including 19% in retail, hotel and catering. While a successful level of business competitiveness has kept unemployment at low levels there is a clear need for business development and growth (within constrained boundaries).

Housing

11. The adopted local plan (2005) sets a minimum density of 40 dwellings per hectare (dph) for the city. Oxford has, over recent years, been building around 60 dwellings per hectare, taken as an average across the City. In 2005/06, 80 dph were built.

12. The City is facing an affordable housing crisis as a result of large service economy and restricted land supply due to tight boundaries, the risk of flooding in many areas and the need to protect and enhance the natural and historic environments.

13. This results in high demand and extremely high house prices. The average Oxford house now costs roughly ten times average income. As a result, housing choices are limited.

14. The percentage of owner-occupiers is relatively low in the City – 56.1% compared with the South East (75.6 %) and England (69.9%). The percentage of private rented accommodation, on the other hand, is high – 22.1% in Oxford compared with 10.9% in the South East, and 10.4% in England.

15. There are large concentrations of private rented sector houses in multiple occupation, often in a poor state of repair, particularly in the east of the City. Two Super Output Areas in Oxford are among the poorest 10% of Super Output Areas in England for living environment. The whole of St. Mary’s Ward is in the top ten most deprived Super Output Areas in this category. Oxford has the highest proportion of households without a bath, shower, or toilet in the South East, and the fifth highest in England and Wales.

16. The most significant consequence of housing need is homelessness. In 2006, 13.4 in every 1000 households were in temporary accommodation, more than double that of any other district in Oxfordshire sub-region and compared to a regional average of 2.9.

17. Currently around 720 households in the City live in temporary accommodation provided by Oxford City Council alone. The true figure - including those housed by Social Services, asylum seekers, those moving on from hostels into insecure intermediate accommodation and those households placed in temporary accommodation in the city by other District Councils - is harder to calculate accurately. It is well in excess of 1000 households.

18. The number of people accepted as homeless is far higher in Oxford than in other centres across the County. In 2005/06, Oxford accepted 396 homeless individuals, Cherwell 179, Vale of White Horse 89, South Oxfordshire 69, and 59 in West Oxfordshire.

19. The average time spent in temporary accommodation by homeless households in the city is high, with 46% spending more than 2 years in such accommodation, compared to a national average of 14%. The average wait for a household requiring a 3 bedroom property is around 5 years, while households requiring larger properties can spend up to 10 years waiting for a suitable property to become available.

20. There are currently over 4,000 households on the City's waiting list for social housing, including 661 households for whom the authority has accepted a statutory homelessness duty. Almost half of those on the waiting list will never be housed by the Authority.

21. The annual cost of homelessness to Oxford City Council is over £4 million, and we face high demands for housing benefit and resources to tackle deprivation on housing estates.

Ethnicity

22. Oxford is ethnically and culturally diverse. It has:

- a minority ethnic population of 12.9% compared with 4.9% in the rest of the County, and 8.7% in England and Wales. This is the third highest minority ethnic population in the South East

- a lower percentage of residents from white ethnic groups than the rest of Oxfordshire and twice the proportion of people from a mixed ethnic background

- the second highest proportion of people born outside the UK in the South East

- the City's south Asian community is the 9th largest in the South East. The Chinese community is the largest in the South East, the fifth highest proportion in the country.

23. Oxford, because of its large student population, is youthful and mobile, with:

- the highest proportion of 20-24 year olds in the County (16% of Oxford's total population compared to approximately 5% for the other Districts)

- a larger proportion of 16-24 year olds than any other Local Authority in Britain

- the largest concentration of students in England and Wales – 26% of the working age population.

Deprivation

24. Relative to the rest of Oxfordshire, Oxford has high levels of deprivation. The Indices of Deprivation 2004 rank Oxford 144th out of 354, placing it amongst the 40% most deprived Local Authorities in England. Of the 85 Super Output Areas in Oxford, ten are among the 20% most deprived in England, with one of these among the most deprived 10%.

25. While the average of 3.3% unemployment is comparably low, there are geographic and demographic pockets of high unemployment (including young Black Caribbean men). Oxford has just under 9,000 residents claiming benefits – the highest percentage among the county's districts. 22% of our under-16 year-olds are living in low-income households.

Appendix I – Risks and Opportunities

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

(a) All Funds

Ref:	Description	Impact/Mitigation
(1) Risk	**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) Risk	**VAT** • effects of the partial exemption regulations. The Council has taken measures to reduce the likelihood of a breach of the threshold. These measures have been successful to the extent that the provision held against a likely breach was returned to balances in the 2007-8 Budget.	Any future 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) Risk	**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.	Asset Management review of property status

Ref:	Description	Impact/Mitigation
(4) Risk or Opportunity	**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.	VFM reviews offer choice for implementation
(5) Risk or Opportunity	**Joint Working and Services Funded Jointly with other Organisation** • 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.	Ensure Oxford City Council is fully represented on all working groups and attendees are fully briefed
(6) Risk or Opportunity	**Implementation of Strategies** • There are a number of strategies in progress at any time. The outcome of consultation may lead to significant changes to services. • Impact of White paper	

Ref:	Description	Impact/Mitigation
(7 Risk or Opportunity	**Housing Green Paper** Housing & Planning delivery grant (not just PDG)	The Housing Green Paper proposes a number of initiatives which could benefit the city in terms of development funding routes. It remains to be seen which if any of these routes will actually deliver additional funding. A number of policy statements are expected around December 07/January 08 which may clarify further risks and benefits from this strand of Government thinking.
(8) Risk	**Job Evaluation** • The financial impact of Job Evaluation will not be known until early 2008. The Council has a £800,000 ongoing budget for this but information from other Councils suggests this may well be insufficient.	The Council has a provision of £0.5m, and has approached DCLG for permission to capitalize back pay. Any Equal pay settlement must be affordable for the Council and negotiations will take place to ensure affordability

Ref:	Description	Impact/Mitigation
(10) Risk or Opportunity	**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.	The office move will only take place if suitable, alternative accommodation is found/provided
(11) Risk	**Westgate** Delivery Impact on City Centre	Impact fully costed and risks fully explored & mitigated against. Reputational risk if project does not go ahead or overruns.
Risk	**Income Uncertainty** Reliance on income generation in budget (quote figures) Car Parks Leisure Property	Monthly monitoring of all income streams to pick up problems early
(12) Risk	**Business Systems Unit:** IT Infrastructure. Business Systems have identified an investment programme over the next 5 years to bring IT equipment up to date. The Council has agreed Year 1 of the programme only. If the Council does not invest in IT there is a risk of systems failing.	Three broad areas of risk • Equipment failure o Increased risk of major service outages for extended periods, possibly days at a time o Increased risk of minor systems failures resulting in poorer ICT service provision to staff delivering both front-line and back office services o Increased support costs (internal and external labour) likely to result in a demand for additional internal heads

Ref:	Description	Impact/Mitigation
(12)		• Obsolescence o Risk that Business Systems will not be able to upgrade Core Business Applications in line with statutory requirements, because the underlying infrastructure is no longer supported by the Application software vendor o Lack of available skills and spare parts to effect repairs resulting in an inability for Business Systems and its partners to keep the Council’s systems operational o Demand for major investments at short notice to resolve critical systems failures o Risk that a solution to a major fault may take weeks or months to implement, due to the interdependencies of systems components and their incompatibility • Opportunity cost o Systems are so out of date that they prevent the operational Business Units implementing their step change improvements required for efficiency and productivity gains o Unable to implement new services as the underlying technology is either not supported or does not have capacity to support the additional workload demands

Ref:	Description	Impact/Mitigation
		• Mitigation o Reduce service levels to accommodate lower service availability o Divert additional revenue spend to fund extended support agreements for out of warranty equipment o Defer all non-essential work within Business Systems whilst staff are diverted to maintain failing equipment o Re-assign newer / higher specification equipment between staff where necessary o Close down lower priority operations Source equipment and spares from the “recycled” market

(b) General Fund

(i) Revenue

Ref:	Description	Impact/Mitigation
(1)		
(2)	**Revenues and Benefits Unit:** <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)	

Ref:	Description	Impact/Mitigation
	Local Cost of Benefits 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.	The 2008-9 budget budgets for a net income from Local cost of benefits of £200k per annum. This requires sustained high levels of recovery of overpayments. This is monitored monthly.
(3)	**Neighbourhood Renewal Unit:** 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.	

Ref:	Description	Impact/Mitigation
(4)	**<u>City Works</u>** **Waste Partnership – Waste Credits** The Council has a lower allocation of waste credits from 2009-10 onwards than is necessary to cover the tonnage of waste collected from both domestic and trade waste. The allocation formula is a key debating point of the Oxfordshire Waste Partnership and the different formulaes result in a different hit for Oxford. Food Processing? Section 42 transfer?	The cost is uncertain, it depends on the price of waste credits in 2009/10 but may be as much as £0.5m. Officers are working on possible options for reducing the financial hit including appealing to Defra for a review of the allocated credits and options around Trade Waste (incl. Increased recycling) and the Waste Partnership formula.
(5)	**Community Housing Unit:** <u>Supporting People</u> The national 3 year financial settlement for Supporting People is expected in December. It is likely that the level of funding for Oxfordshire will be cut by up to 10%. The SP funding will cease to be ring fenced in 2009/10. There is a risk that the administering authority (County Council) could divert funds to	The SP Partnership have pursued a conservative financial strategy, leading to a predicted £1M surplus in the budget for 08/09 on current funding. This would be sufficient to absorb a 5% cut in funding without reduction in services. Any greater cut would lead to the need to make further efficiencies, and the Core Strategy Group are taking recommendations on this to the Commissioning Body in December. A special meeting of the Commissioning Body will take place in November to formulate a strategy for taking the SP agenda forward. It is likely to propose keeping the funding

	priorities other than housing related support, in order to meet political priorities not shared by the districts. Home Choice Current funding levels are adequate; risk remains attached to the scheme in terms of the shortfall of available properties/landlords willing to take up the scheme, and the potential for falls in HB levels due to restructuring of the Rent Officer Service. Any decline in uptake of the scheme would lead to increases in the cost of temporary accommodation. **Homeless Grant** We receive approximately £600K per annum from the CLG programme in relation to rough sleeping and hostel accommodation. In 2007 we have received an additional £22K in recognition of our performance, and been awarded Regional Homelessness Champions status.08/09 funding will be at the same level.	un-pooled in most cases, and to either retain the current structure, or incorporate the SP function into the Oxfordshire Housing Partnership. The Home Choice team are seeking to develop relationships with new landlords, including those whose properties have been removed from use as temporary accommodation. We are lobbying at Ministerial level and directly with the Rent Officer Service in an attempt to mitigate the effects of the restructuring. It is essential that performance levels are maintained in order to continue receiving this funding. Our service planning should ensure that targets are met.

Ref:	Description	Impact/Mitigation
(6)	**Planning** **Section 106** The Government is consulting on a change in Section 106 arrangements. The proposal is	

Ref:	Description	Impact/Mitigation
	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. **Update for latest developments?** In the Housing Green Paper the government has suggested a number of options ranging between the current S 106 and PGS and is inviting comments, indicating that it will not introduce PGS if a better alternative can be found. **What about uncertainty over PDG?** The Housing Green Paper is heralding a Housing and Planning Delivery Grant but the Green Paper contains little detail. **New Growth Point – what does that mean?** The City’s status as a NGP is awaiting confirmation in the SE Plan. In the meantime work continues in the context of the renaissance of the West End to send a Development Programme with a funding bid to DCLG by 1st October. However the scale of any funding received will depend on the outcome of CSR07.	
(7)	**Transport and Parking Unit**	

	Concessionary Fares There is a provision for increased costs of concessionary fares for both 2006/7 and 2007/8. The bus companies are appealing the reimbursement formula and a final decision will be made by DfT. 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. **UPDATE for provision created in 07-08 budget & anything new on new scheme** **Park & ride transfer?**	Provision, impact of all possible reimbursements modeled, waiting for hearing
(8)	**<u>Environmental Health Unit</u>** **Contaminated Land** Parts of the Contaminated Land Strategy have not been progressed since it was adopted by the Council in July 2001, due to budgetary constraints. The duties to inspect potential contaminated land have been extended to include radio active contaminated land.	Risks of claims for loss or damage arising from failing to carry out inspections of contaminated land.

(II) Capital

Ref:	Description	Impact/Mitigation
(1)	**Capital Receipts** • The Capital Programme (apart from government support for DFGs) is wholly dependent on capital receipts, developer contributions and occasional specific Government Grants. This severely restricts the ability of the Council to deliver all its capital aspirations. If the Council does not make disposal decisions it can not fund capital schemes and risks not delivering initiatives like IT investment.	Impact - Capital programme can not be delivered Mitigation – approve capital programme within resources. Continue to only allow capital schemes to proceed when funding is in place.
(2)	**Bonn Square** Risks around project, delivery timetable?	Full risk register and mitigation to Exec Board in September. Start on site January 2008.
(3)	**Disabled Facilities Grant** Demand exceeding Govt grant	
(4)	**<u>Leisure & Cultural</u>** Implementation of service restructuring proposals Establish work force plans which reduce costs of running leisure centres Establish charging strategies which increase income and support broader strategic aims of the Council Establish centre opening	Prolonging timescale Dependant on the restructure of the service Political wishes

	hours to reduce costs and improve effectiveness	
	Commission a marketing and session scheduling plans for each centre to increase occupancy levels	Cost not budgeted
	Commission staff and customer satisfaction research	Cost not budgeted
	Ensure repair and maintenance plans and performance are adequate and investment plans are reviewed	Life expectancy of current buildings versus cost planning for new facilities
	Examine options for a leisure/corporate Oxford resident discount card	Cost
	Co-ordination with community centre provision	Cross sector liaison and political wishes
	Agree Leisure Strategy including role of community centres, leisure centres and non-premises based sports development	Dependent on the co-ordination with community centre provision
	Market test comprehensively or selectively the service	Cost
	Complete the Best Value Review report	

(c) Housing Revenue Account

(I) Revenue

Ref:	Description	Impact/Mitigation
(1)	**Housing Subsidy** • the key factor will be changes to the formulae. The Budget assumes increases to management and maintenance allowances and guideline rents. If the subsidy determinations are significantly different this will impact on subsidy. May be negative or positive. • Special determination request made to Government following the 07/08 settlement. External expert assisting with this claim and other issues	Work with the Director and members to lobby and try to influence Government policy and decision-making bodies.
(2)	**Right to Buy Sales** • the number of sales dropped significantly since 2004-05. Indications so far in 2007-08 suggest that they are likely to remain low. The implications are that additional rental income will continue.	Monitor trend and take into account for future year budgets
(3)	**Rent Restructuring** • The DCLG is currently reviewing the system of compensating the HRA for the loss of income due to the capping of rent increases. At this stage it is not known what the level of compensation will be.	Impact could be detrimental to the HRA, which would reduce the amount of revenue financing towards decent homes capital funding. Would need to raise more from asset disposal.
(4)	**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	
(5)	**Choice Based Lettings** • Due to be launched in Dec 2007. May increase void times, not known by how much & what the financial consequences may be.	Monitor the void times to see if is having a detrimental effect.
(6)	**SOHA *contract/partnership*** • Failure to win the contract.	Some staff would be subject to TUPE rules. Would need to review overheads from 1 April 2009, although possible changes to the capital programme may mean costs could be absorbed.
(7)	**Value for Money** • Inability to demonstrate value for money improvements	Project plan to demonstrate VFM. On going benchmarking and monitoring of outcomes. Being successful in the Partnership contract with SOHA will help with benchmarking. Establish effective SLA agreements and reduce total charges.
Ref:	**Description**	**Impact/Mitigation**
(9)	**Tenants** • Failure to engage with	New tenant participation structure

	customers or live up to their expectations	and Compact launched. Greater participation by tenants (and Leaseholders). Manage expectations.

(II) Capital

Ref:	Description	Impact/Mitigation
(1)	**HRA Stock Decent Homes Strategy** • to bring the Tower Blocks and Sheltered Blocks up to new design standards will require investment over and above that included for Decent Homes.. Member approval of the strategy and subsequent funding decisions are required.	Failure to agree a long-term strategy and funding decisions will mean a piecemeal approach and not provide value for money.
(2)	**Right to Buy Sales** • the number of sales have dropped significantly since 2004/05 Indications so far in 2007-08 suggest that they are likely to remain low.	The level of anticipated funding from this source is reflected in the Capital Programme. This will be under continual review.
(3)	**Decent Homes Funding** • Failure to achieve level of Capital Receipts required for funding Decent Homes	Regularly review and understand what the financial requirements are. Management plan has identified a means of funding the shortfall. Continually review the asset base and look at disposal of non-strategic assets.

Appendix J - 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 L - Treasury Management Strategy 2008-9

Executive Summary

1. **Capital Expenditure** – the projected capital expenditure for 2007/08 and 2008/09 is expected to be:

	2007/08 Estimate £000's	2008/09 Estimate £000's
General Fund	9,108.8	8,029.8
HRA	11,300.0	12,941.0
Total	**20,408.8**	**20,970.8**

2. **Investments** – the Council has investments of between £40 million and £50million at any one time during the year, loans are made at or close to prevailing interest rates in order to achieve our current indicators of 3 month and 7 day Libid.

3. The budget for investment income for 2007/08 is £2.5m and we are currently predicting to achieve this target, this will be dependent on the fluctuations in the interest rates obtainable on the money market.

4. **Debt –** the Council had £11.3m of external debt as at 1st April 2007, a repayment has been made in 2007/08 reducing this debt down to an estimate of £7.7m by the end of the financial year. All of which is 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.

5. **Debt Requirement –** the Council's capital programme will be funded from resources such as government grants, capital receipts and revenue funding, although there is an element that will not be funded from these direct resources.

6. In synchronisation with the corporate plan and the long term financial plan of the organisation the Council is looking to invest future capital receipts in

the aim to earn additional interest, and to use revenue resources to fund capital spend. This spend may be in year spend or used to fund prudential borrowing over a number of years. If the later is chosen this is classified as unsupported borrowing and will therefore increase the Councils Capital Financing Requirement (CFR) each year. The table below shows our CFR for the current year and 2008/09.

	2007/08 Estimate £000's	**2008/09 Estimate £000's**
Housing	6,911	7,457
Non Housing	3,957	5,279
Total	**10,868**	**12,736**

7. Key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable.

8. The Council intends to undertake prudential borrowing over the medium term, and any interest costs associated with this will be budgeted for. As potential schemes are put forward they will be assessed on an individual basis to ascertain their inclusion with the prudential borrowing scheme. This will look at the schemes and their ability to spread the costs over a number of years, alongside the affordability, prudence and sustainability of the scheme and its funding.

Introduction

9. This report outlines the Council's prudential indicators for 2008/09 – 2010/11 and sets out the expected treasury operations for this period. It fulfils three key reports required by the Local Government Act 2003:
   - The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities;
   - The treasury strategy in accordance with the CIPFA code of Practice on Treasury Management;
   - The investment strategy in accordance with the CLG investment guidance;

10. 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 26th March 2002). This adoption meets the requirements of the first of the treasury prudential indicators.

11. The Constitution requires an annual strategy to be reported to Executive Board and Full Council 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. A further treasury report is produced after the year-end report on actual activity for the year.

12. This report revises the indicators for 2007/08, 2008/09 and 2009/2010 and introduces new indicators for 2010/11. Each indicator reflects the outcome of the Council's underlying capital appraisal systems.

13. The Council's current Treasury Management Strategy was approved at Executive Board on 19th February 2007, and at Council on 30th April 2007. This strategy covered the period of 2007/08, and included our prudential indicators for that period.

14. 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 and financing of these decisions.

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

16. 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.

Interest Rates

17. Interest rates are of particular importance to the City Council as we have between £40 million and £50 million of funds lent out (the amount varies during the year). Our loans are made at or close to prevailing interest rates.

18. Since November 2006 the Bank of England has applied a series of 0.25% rises and at July 2007 the base rate rose to 5.75%, where it has stayed until December 2007, when the Bank of England reduced the base rate to 5.50%. Current forecasts suggest that the base rate will fall further to a potential low of 4.75%.

19. Finance and Asset Management manage the council's cash investments. Assuming average cash holdings of £50 million, a quarter point increase in interest rates is worth £125k.

Borrowing and Debt Strategy 2008/09 – 2010/11

20. The Council had £11.3 million of external debt as at 1st April 2007, all of which is 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.

21. During 2007/08 a loan of £3 million has been repaid back to Public Works Loan Board (PWLB), and this will reduce our external debt to £7.7 million by the 31st March 2008.

22. The Council also has £2.3 million of long-term liabilities; this is an outstanding debt with South Oxfordshire District Council and is held at a variable rate, this reduces to £2.1m by 31st March 2008.

23. 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, as at 1st April 2007 is £7.5m and our external borrowing is £11.3m, indicating that there is no need to undertake any external borrowing in the short-term.

24. The position as at the 31st March 2008 is expected to be, our CFR at £10.9m and our borrowing to be £9.9m. This would indicate a need to borrow on the external market, in the near future if all schemes on the current capital programme are to go ahead, unless revenue or other funding sources are used.

25. The risks associated with long-term fixed interest rates are expected to be for higher rates over the medium term. The Head of Finance as S151 Officer 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. It is likely that longer term fixed rates will be considered if borrowing levels remain relatively low.

26. There have recently been some changes to the PWLB borrowing arrangements; they are:
    - Maturity brackets with a uniform length of six months
    - Rates expressed in increments of one basis point
    - A separate set of rates is to be applied to early repayments

27. This will mean we may need to consider other alternatives to PWLB for any borrowing that we may wish to undertake. Market lenders continue to offer borrowing rates at significantly lower levels than the PWLB, and with some of the advantages reduced by PWLB, market loans are becoming a more attractive borrowing proposition.

<u>Prudential Borrowing</u>

28. Under the prudential system, individual authorities are responsible for deciding the level of their affordable borrowing, having regard to CIPFAs code. The system is designed to encourage authorities that need, and can afford to, to borrow in order to pay for capital investment.

29. Key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable.

30. The Council intends to undertake prudential borrowing over the medium term, and any interest costs associated with this will be budgeted for. As potential schemes are put forward they will be assessed on an individual basis to ascertain their inclusion with the prudential borrowing scheme. This will look at the schemes and their ability to spread the costs over a number of years.

31. The prudential system provides a flexible framework approach within which capital assets can be procured, managed, maintained and developed. At a strategic level it allows authorities to make their own decisions about the balance to be struck between revenue intensive or capital intensive methods of procuring services. It also allows capital investment to proceed where the authority can fund it within prudent and affordable limits. As a consequence these arrangements permit ‘spend to save’ schemes to proceed where they are not only affordable but also prudent and sustainable.

32. Any prudential borrowing undertaken will affect the Councils prudential indicators, and when deciding on our levels of prudential borrowing we need to consider how this will affect our prudential indicators, and the Council must also have regard to:
    - Affordability eg; implications for Council Tax
    - Prudence and Sustainability eg: implications for external borrowing
    - Value for money
    - Stewardship of assets
    - Service Objectives eg: strategic planning for the authority
    - Practicality

33. A fundamental aspect of the prudential system is the ability of each local authority to determine locally the need for capital investment against the option of revenue expenditure.

34. Many local authorities have appraised potential prudential borrowing from within an 'invest to save' framework. This has been justified on the grounds that mainstream capital programming has to make decisions about the merits of alternative competing priorities whereas a sound invest to save scheme does not have an opportunity cost in terms of other capital schemes foregone to finance it.

35. Financial planning has to take into account the range of options for revenue funding and capital investment by:
    - Establishing whether the authority considers it is affordable and prudent to bear the additional future revenue cost associated with additional investment, eg: financing and running costs
    - Establishing whether this use of existing or new revenue resources to finance capital investment should have precedence over other competing needs for revenue expenditure
    - Establishing the scope for capital investment to generate future revenue savings or income, taking into account the risks associated with such proposals.

36. Some examples of the types of schemes that the Council may wish to consider using prudential borrowing for are:
    - Spend to save schemes, where there can be seen to be financial savings over the life of the scheme,
    - Energy improvement schemes,
    - Purchase of vehicles, to replace the previous leasing scheme.

Investment Strategy 2008/09 – 2010/2011

37. 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:
    a. 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.
    b. 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.

38. Expectations on shorter-term interest rates, on which investment decisions are based, shows a likelihood that the fall to the current level of 5.50% as being the start of a further decline in rates, with a potential low of 4.75%. 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, subject to over riding credit counterparty security. The Head of Finance as S151 Officer has delegated powers to undertake the most appropriate form of investments depending on the prevailing interest rates at the time.

Criteria for approving counterparties

39. A counterparty list will also be maintained in compliance with the following criteria and will be reviewed on a regular basis. This will be submitted to Council for approval annually or as required. The Counterparty list contains all those banks and building societies that meet our given criteria, but many of those on the list may not be used. This criteria is separate to that which chooses Specified and Non-Specified investments as it selects which counterparties the council will choose rather than defining what its investment are.

- Banks – the Council will use banks which have at least the following ratings
    - Fitch Short Term = F1
    - Fitch Long Term = A
    - Moody's Short Term = P-2
    - Moody's Long Term = A3
    - S&P's Short Term = A1
    - S&P's Long Term = A-
    - Individual/Financial Strength = C
    - Support = C
- Building Societies – the Council will use all Societies with assets in excess of £0.5billion
- 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 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
Banks					
Upper Limit Category	*F1+/AA-*	P-1/Aa3	A1+/AA-	£8.0m	>364 days
Middle Limit Category	F1/A-	P-2/A3	A-1/A-	£5.0m	<365 days
Building Societies					
Lower Limit Category	Asset base between 0.5bn and 2bn			£2.5m	183 days
Upper Limit Category	Asset base greater than 2bn			£5.0	< 365 days
Other					
Other Institution Limits	-	-	-	£8.0m	364 days

40. 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.

41. 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.

42. A Specified investment is one that is not more than 1year from inception to repayment, or those which could be for a longer period but where the Council has the right to be repaid within that period if it wished. Non-specified investments are any other type of investment.

43. The current counterparty list is attached at Appendix A for information, and approval.

The Expected Movement in Interest Rates

44. The general outlook for the British economy has deteriorated over the past few months due only in part to the turbulence in financial markets and the possible emergence of a credit crunch. Several particular features cloud the outlook: an expected slow-down in the economy and the possible emergence of a mild form of 'stagflation' (rising inflation alongside slow output growth); the emergence of a substantial twin deficits: (a large external payment deficit and a substantial and worsening budget deficit); the prospect of falling house prices; dilemmas in the conduct of monetary policy, and uncertainties arising from continued financial market turbulence.

45. To date, the main areas of concern for the MPC can be itemised as follows:
- The aggressive pricing intentions of the corporate sector
- The persistent buoyancy of retail spending
- The strength of money supply and credit growth
- The apparent lessening of competitive pressure from Chinese exporters
- The lack of spare capacity in the UK economy after 10 years of upbeat growth
- The current rise in oil prices
- The increased use of crops for bio-fuels
- The increase in house prices and the rising risk of repossessions

46. Some of these factors have shown signs of responding to the tightening of policy, notably corporate pricing intentions. Either companies have achieved their planned price increases, or a weakening in domestic demand has frustrated their intentions.

47. The prospective deterioration in households' finances will combine with the shock delivered by the Northern Rock crisis to undermine consumer confidence. Retail spending growth is in danger of coming to a rapid halt and with it the main support of company pricing power.

48. Growth in the economy is likely to slow quite significantly this year, several factors are combining to weaken the growth outlook: consumers' expenditure is likely to moderate as households seek to raise their savings ratio; government expenditure is likely to be less expansionary and house prices will certainly weaken. Furthermore, while the Bank of England is likely to lower bank rates, effective interest rates for many house-holds are likely to rise for two reasons: market rates may not fall in line with official rates, and at least 1.4 million households on short-term fixed interest rate mortgages will face re-fixes at higher rates of interest. For these households, the rise in interest rates during 2006 and last year has yet to

make a real impact. Generally interest rate adjustments can take up to two years to take effect.

49. The Bank of England has emphasised three factors likely to weaken growth in the coming year: a likely fall in equity prices, a squeeze on consumers' expenditure, and the delayed impact of the strengthening of sterling on the foreign exchange markets.

50. The economy is also vulnerable to the impact of the rise in oil, energy and commodity prices, continued uncertainty in financial markets and a possible credit crunch, weaker house building, and a weakening in consumer confidence. The Financial Services Authority has also warned of difficult times ahead for lenders.

51. The Bank of England has recently argued that inflation is a serious threat in the economy.

52. CPI has been above the central 2% target for several months since late 2006 and the Bank of England currently forecast that it will remain above target for most of this year.

53. The Bank of England cut the base rate by 0.25% in December, and this was a unanimous decision of the MPC. The factors cited as influencing the MPC's decision were the uncertainties in financial markets and the prospect of a weakening economy. More generally, the Bank of England's Inflation Report issued in November suggested that, while there are inflation concerns most especially in the short run, the central forecast was that the 2% inflation target would be met on the basis of market interest rate expectations that implied two cuts of 0.25%. It is likely, therefore that there will be further cuts in interest rates over this year.

54. Interest Rate Forecasts 2007-2009

	End Period	Bank Rate		Gilt Yields	
			5-yr	20-yr	50-yr
2007	Sept	5.75	4.5	4.8	4.4
	Dec	5.50	4.4	4.5	4.3
2008	March	5.25	4.6	4.6	4.4
	June	5.00	4.7	4.7	4.5
	Sept	4.75	4.7	4.7	4.5
	Dec	4.75	4.7	4.8	4.6
2009	March	4.75	4.8	4.8	4.6

Butlers forecast

55. Medium Term Rate Forecasts (averages)

	Bank Rate	5 yr Gilt	20 yr Gilt	50 yr Gilt
2007/08	5.6	4.3	4.9	4.5
2008/09	4.8	4.7	4.8	4.6

2009/10	4.8	4.8	4.7	4.6
2010/11	5.0	4.9	4.8	4.8
2011/12	5.2	5.3	5.2	5.1

Butlers forecast

Prudential Indicators

56. The Strategy also includes the Prudential Indicators, which the authority is required to consider before determining its budget and treasury management arrangements for the new financial year. These indicators are split into two categories the first is affordability. Our Affordability indicators are listed below:

57. **Estimates of Capital Expenditure**, split between GF and HRA, this is based on the current capital programme, but will be reviewed once the 2008/09 budget is finalised.

	2007/08 Original Estimate £000's	2007/08 Revised Estimate £000's	2008/09 Estimate £000's	2009/10 Estimate £000's	2010/11 Estimate £000's
General Fund	11,137.1	9,108.8	8,029.8	4,429.0	4,071.5
HRA	11,900.0	11,300.0	12,941.0	11,340.0	10,930.0

58. **Actual and Estimate of the ratio of financing costs to the net revenue stream**, this identifies the trend in the cost of capital against the net revenue stream and show GF and HRA separately.

General Fund	2006/07 Actual £000's	2007/08 Original Estimate £000's	2007/08 Revised Estimate £000's	2008/09 Estimate £000's	2009/10 Estimate £000's	2010/11 Estimate £000's
Interest Costs	1,292.3	1,040.8	1,034.5	1,298.8	1,361.5	1,509.9
Investment Income	-2,228.0	-2,286.0	-2,413.0	-2,425.0	-2,348.0	-2,161.2
Net Financing Cost	-935.7	-1,245.2	-1,378.5	-1,126.2	-986.5	-651.3
Revenue Stream	28,363.1	27,201.6	27,772.4	27,544.2	27,544.2	27,544.2
Ratio	-3.3%	-4.6%	-5.0%	-4.1%	-3.6%	-2.4%

Housing Revenue Account	**2006/07 Actual £000's**	**2007/08 Original Estimate £000's**	**2007/08 Revised Estimate £000's**	**2008/09 Estimate £000's**	**2009/10 Estimate £000's**	**2010/11 Estimate £000's**
Item 8 Interest	1,316.3	1,206.5	1,206.5	1,238.7	1,232.4	1,235.0
Investment Income	-86.1	-170.0	-320.0	-320.0	-320.0	-320.0
Net financing Cost	1,230.2	1,036.5	886.5	918.7	912.4	915.0
Revenue Stream	15,422.5	15,966.3	16,013.7	14,162.4	16,116.0	15,973.8
Ratio	8.0%	6.5%	5.5%	6.5%	5.7%	5.7%

59. **Estimate of the incremental impact of capital investment decisions on the Council Tax**, this shows the impact of any decisions that are made on investment through the capital programme and how this will ultimately affect the Basic Band D Council Tax.

60. The figures in the table below have been calculated by looking at those schemes that are currently uncommitted on the current capital programme and looking at the impact they will have on Council Tax. The figures in the table show the impact this spend will have on the full year Band D basic amount of Council Tax.

61. The first line of the table shows the gross impact of those capital schemes, but the Council intends to cover this funding by the sale of assets, and the use of available capital receipts, therefore this would have a nil impact on the Council Tax, which is shown in the table.

62. The Council will not enter into any uncommitted capital scheme until the sale of assets is confirmed, therefore not allowing this capital spend to have an impact on Council Tax.

63. In summary if the Council were to spend £1million on a new capital project without asset sales to finance it, this could potentially impact on Basic Band D Council Tax by £1.19.

	2007/08 Original Estimate £	2007/08 Revised Estimate £	2008/09 Estimate £	2009/10 Estimate £	2010/11 Estimate £
Capital spend impact on Council Tax Band D	10.73	8.40	10.13	7.52	7.05
Capital receipts impact on Council Tax Band D	-10.73	-8.40	-10.13	-7.52	-7.05
Overall net impact on Council Tax Band D	0.00	0.00	0.00	0.00	0.00

64. **Estimate of the incremental impact of capital investment decision on housing rents**, this shows the impact any decisions made on our capital investments will have on our weekly housing rents.

65. The figures in the table below have been calculated by looking at those schemes that are currently on the capital programme with funding resources coming from the revenue account, and looking at the impact this will have on the weekly housing rents.

66. The first line of the table shows the gross impact of those capital schemes, but the Council also intends to cover this funding by the sale of assets, and the use of available capital receipts, therefore this would have a nil impact on the Weekly housing rents, which is shown in the table.

67. The Council will not enter into any uncommitted capital scheme until the sale of assets is confirmed, therefore not allowing this capital spend to have an impact on the housing rents.

68. The key driver for setting our housing rents is the rent formula from Central Government, capital spend should not affect the rent we charge, therefore the net impact of capital spend will be zero.

69. For every £1 million that the Council spends on new capital projects without asset sales to finance it will have an impact of £0.13 per week on rents.

	2007/08 Original Estimate £	2007/08 Revised Estimate £	2008/09 Estimate £	2009/10 Estimate £	2010/11 Estimate £
Capital spend impact on Weekly Housing Rents	1.29	0.30	0.10	0.10	0.10
Capital receipts impact on Weekly Housing Rents	-1.29	-0.30	-0.10	-0.10	-0.10
Overall net impact on Weekly Housing Rents	0.00	0.00	0.00	0.00	0.00

70. Dwelling rents are increased in line with Government rent restructuring policy. The value of a property influences the level of rent charged.

71. **Estimate of capital financing requirement (CFR),** this is the total outstanding capital expenditure that has not yet been paid for from either capital or revenue resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR.

	2006/07 Actual £000's	2007/08 Original Estimate £000's	2007/08 Revised Estimate £000's	2008/09 Estimate £000's	2009/10 Estimate £000's	2010/11 Estimate £000's
Housing	6,365	6,911	6,911	7,457	8,003	8,003
Non Housing	1,152	3,839	3,957	5,279	6,163	7,125
Total	**7,517**	**10,750**	**10,868**	**12,736**	**14,166**	**15,128**

72. **Authorised limit for external debt,** this represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

	2007/08 Original Estimate £000's	2007/08 Revised Estimate £000's	2008/09 Estimate £000's	2009/10 Estimate £000's	2010/11 Estimate £000's

Borrowing	25,000	20,000	20,000	20,000	20,000
Other Long Term Liabilities	4,000	2,400	2,200	1,900	1,700
Total	**29,000**	**22,400**	**22,200**	**21,900**	**21,700**

73. **Operational boundary for external debt,** this is based on the expected maximum 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.

	2007/08 Original Estimate £000's	2007/08 Revised Estimate £000's	2008/09 Estimate £000's	2009/10 Estimate £000's	2010/11 Estimate £000's
Borrowing	20,000	11,500	13,500	15,000	17,000
Other Long Term Liabilities	3,000	2,400	2,200	1,900	1,700
Total	**23,000**	**13,900**	**16,000**	**17,800**	**19,200**

74. **Net Borrowing v Capital Financing Requirement (CFR),** the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2008/09 and the next two financial years. This allows some flexibility for limited early borrowing for future years.

	2007/08 Original Estimate £000's	2007/08 Revised Estimate £000's	2008/09 Estimate £000's	2009/10 Estimate £000's	2010/11 Estimate £000's
Total Debt 31 March	9,857	9,857	10,937	8,144	6,752
Investments	35,000	40,000	45,000	45,000	45,000
Net Borrowing	-25,143	-30,143	-34,063	-36,856	-38,248
CFR	10,750	10,868	12,736	14,166	15,128
Net Borrowing v CFR	**35,894**	**44,011**	**46,799**	**51,023**	**53,377**

75. **Compliance with the CIPFA Code of Practice for Treasury Management in the Public Sector,** the Council can confirm that it has complied with this code throughout 2007/08.

76. **Upper limit on fixed and variable interest rate borrowing and investments,** the purpose of this and the following two prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse

movement in interest rates. This indicator identifies the maximum limit for fixed interest rates based upon the debt position net of investments.

	2007/08 Original Estimate %	2007/08 Revised Estimate %	2008/09 Estimate %	2009/10 Estimate %	2010/11 Estimate %
Upper limit on fixed rate borrowing	100	100	100	100	100
Upper limit on fixed rate investments	100	100	100	100	100
Lower limit on fixed rate borrowing	25	25	25	25	25
Lower limit on fixed rate investments	20	20	20	20	20

77. **Upper and Lower limit for the maturity structure of borrowing,** these are used to reduce the Council's exposure to large fixed rate sums falling due for repayment at the same time.

	2007/08 Revised Estimate Upper %	2007/08 Revised Estimate Lower %	2008/09 Estimate Upper %	2008/09 Estimate Lower %	2009/10 Estimate Upper %	2009/10 Estimate Lower %	2010/11 Estimate Upper %	2010/11 Estimate Lower %
Under 12 months	30	0	30	0	30	0	30	0
12 months to 2 yrs	30	0	30	0	30	0	30	0
2 yrs to 5 yrs	80	0	80	0	80	0	80	0
5 yrs to 10 yrs	50	0	50	0	50	0	50	0
10 yrs and above	50	0	50	0	50	0	50	0

78. **Upper limit for principle sums invested for periods longer than 364 days,** this indicator is used to reduce the need for early sale of an investment, and is based on the availability of funds after each year-end.

	2007/08 Original Estimate %	2007/08 Revised Estimate %	2008/09 Estimate %	2009/10 Estimate %	2010/11 Estimate %
Investments for periods longer than 364 days	20	20	20	20	20

Appendix M: Budget Assumptions

The main assumptions included in the budget forecast are:-

Ref.	Assumption
(1)	Base – 2007/08 Approved Budget,.
(2)	General inflation on expenditure – included at 3.0%
(3)	Employee budgets include: - cost of pay award allowance 2.5% - actual incremental progression £varies by Service (average of 1% estimated for overall impact) Managers will be advised of any adjustments to pay budgets for the purposes of the 2008/09 budget process.
(4)	Employee budgets – No turnover saving.
(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.
(7)	Income and Charges – general assumption of 3.0% built into base, but reviews of all charges required by committees.
(8)	Interest rate – based on latest market projections 5% for 2008-09 then 4.75% for subsequent years
(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 N: CAPITAL STRATEGY

Capital Strategy

The Council has reviewed its previous Capital Strategy and concluded that changes in the way that capital spend is funded are required as well as management of the schemes approved for delivery.

Past Strategy

The previous strategy has delivered the Council some key projects like a new pool at Barton, a redeveloped Ferry Pool, the Rose Hill redevelopment and many more.

Good practise in prior years has been the use of prudential borrowing for New recycling vehicles, now extended to other vehicles and the introduction of Area committee capital budgets directing resources to areas of local priority.

Criticism of prior years is the over reliance on asset disposals to fund capital projects where perhaps the Council should have been trying to make revenue contributions to capital over a number of years e.g. Repairs and Maintenance Backlog, investment in IT. For the General Fund, asset disposals have not been pursued vigorously but the Council has taken the opportunity to dispose where assets were considered surplus to operational need.

New Strategy

The Councils key objectives in relation to Capital are:

- invest in the assets that deliver the Council's services and aims and objectives
- to reach Decent Homes Standard
- to improve the condition of the Council's assets (through repairs and maintenance)
- respond proactively to National developments like the quirk revew and Housing Green paper
- Undertake a major review of the Council's Asset Management Plan to inform capital investment
- Expand the use of prudential borrowing beyond the successful vehicle replacement project
-
- To carefully balance the need for a balanced revenue budget by investing capital receipts versus spending receipts on the Capital programme

Appendix P: Key contacts

Topic	Contact	Tel	E-mail
General	Peter Sloman	2400	psloman@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 2008-09

Appendix R

	Gross Expenditure £	Gross Income £	Net Controllable Expenditure £	SLAs And Capital Charges £	Total Budget £
Business Units					
Strategy and Review	2,335,753	(812,412)	1,523,341	(133,960)	1,389,381
Chief Executive Business Unit	687,361	0	687,361	(687,361)	0
Corporate & Democratic Core	625,579	0	625,579	2,971,912	3,597,491
Chief Executive	(236,175)	0	(236,175)	0	(236,175)
Chief Executive	**3,412,518**	**(812,412)**	**2,600,106**	**2,150,591**	**4,750,697**
Area Co-Ordinators	532,249	0	532,249	(207,655)	324,594
Community Housing	6,242,145	(2,557,010)	3,685,135	509,636	4,194,771
Neighbourhood Renewal	4,173,420	(410,385)	3,763,035	1,168,801	4,931,836
Environmental Health	2,667,985	(703,373)	1,964,612	431,324	2,395,936
Built Environment	3,054,598	(879,951)	2,174,647	(1,163,208)	1,011,439
Planning	2,401,261	(1,087,527)	1,313,734	543,017	1,856,751
Housing Health & Community	(134,000)	0	(134,000)	0	(134,000)
City Regeneration	**18,937,658**	**(5,638,246)**	**13,299,412**	**1,281,915**	**14,581,327**
Revenues & Benefits	2,995,473	(1,640,441)	1,355,032	1,821,764	3,176,796
Customer Services	1,293,627	0	1,293,627	(1,246,001)	47,626
City Works	19,122,079	(9,901,482)	9,220,597	2,277,979	11,498,576
Transport & Parking	4,896,109	(7,062,767)	(2,166,658)	1,755,777	(410,881)
Leisure And Cultural Services	5,943,592	(3,372,591)	2,571,001	2,008,791	4,579,792
City Services	**34,250,880**	**(21,977,281)**	**12,273,599**	**6,618,310**	**18,891,909**
Human Resources	2,148,241	(12,117)	2,136,124	(1,286,568)	849,556
Financial & Asset Management	2,957,292	(6,354,760)	(3,397,468)	(1,435,840)	(4,833,308)
Legal & Democratic Services	2,051,330	(80,200)	1,971,130	(1,738,321)	232,809
Business Systems	1,329,804	0	1,329,804	(1,329,804)	0
Facilities Management	1,390,627	(580,272)	810,355	(358,420)	451,935
Finance & Corporate Services	(40,000)	0	(40,000)	0	(40,000)
Support Services	**9,837,294**	**(7,027,349)**	**2,809,945**	**(6,148,953)**	**(3,339,008)**
Total Business Unit Expenditure	**66,438,350**	**(35,455,288)**	**30,983,062**	**3,901,863**	**34,884,925**

Corporate Accounts	
Local Cost Of Benefits	(100,000)
Asset Management Revenue Account	(1,286,280)
Transfer To Capital Reserve	(5,553,019)
Investment Income	(2,428,922)
Interest Payable	1,441,690
Pension Increase (2.3%)	567,000
Total Expenditure	**27,525,394**
Funding	
External Funding (2% per annum)	16,365,705
Council Tax (2% per annum)	11,332,954
Less assumed parish precept (4% per annum)	(173,265)
Total Funding Available	**27,525,394**
(Surplus)/Deficit for year	**0**

Housing Revenue Account **Appendix R**
Budget 2008/09

	Service Description	Unapproved Budget for 2008/09
INCOME		
	Dwellings - Rent	(29,851,599)
	Service Charges	(692,333)
	Shops/Garages/Furn./Other Rent	(1,897,690)
	Interest On Balances	(320,000)
	Contracting	(13,069,686)
	Fees/Other	(1,225,700)
	National Subsidy Payment	15,689,176
	Item 8 Interest Payable	1,238,651
	Net Income	**(30,129,181)**
EXPENDITURE		
Tenancy Services		
	Local Housing Management	1,151,575
	Rent/Income Collection	907,879
	Tenant's Participation	272,854
	Tower Blocks And Flats	542,849
	Caretaking Services	641,981
	Furnished Tenancies	383,869
	Contact Centre	523,914
Contracting Prime Costs		10,712,556
Repairs Service		
	Day To Day Responsive Repairs	2,790,232
	Planned Maintenance	4,583,852
	Operational Management	2,178,915
Overheads		
	Management/Infrastructure	4,427,686
	Major Projects/Policy/Technical	738,226
Depreciation		7,232,232
	Total OCH Expenditure	**37,088,620**
Net Cost - OCH		**6,959,439**
Other Costs and Appropriations		
	AMRA	(7,232,232)
	CDC, Pension & Retirement Costs	219,763
	Appropriations - HRA	42,935
	Job Evaluation	215,280
	Pension Increase Due	224,802
	Total Other Costs & Appropriations	**(6,529,452)**
Total HRA Surpuls -/Deficit for 2008/11		**429,987**
	One off Savings/ Contributions	(1,259,987)
	Proposed Budget	(830,000)

Appendix S

General Fund and HRA Projected Balances - March 2008

2006-07	**General Fund**	**HRA**
Balances as at 31 March 2007	**(4,711,807)**	**(3,968,768)**
Approved carryforwards	26,296	685,662
Available balances at 1 April 2007	**(4,685,511)**	**(3,283,106)**
Balances used/(returned to balances) in 2007/08 budget	1,514,471	(934,000)
Direct Revenue Funding of capital spending		934,000
Forecast variances as at September 2007		(192,392)
Flooding - estimated cost falling on the authority, after Bellwin grant reimbursement	77,000	
Supplementary Estimate - Cowley Community Centre (EB 14.09.07 and Council 03.09.07)	56,407	
Projected balances at 31 March 2008	**(3,037,633)**	**(3,475,498)**
Recommended minimum level of balances	(3,000,000)	(2,000,000)