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Medium Term Financial Strategy

2010-11 to 2012-13
Version 1



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Chapter 1: Executive Summary

- 1.1. The Council's Corporate Plan 2009-12, developed with partners across the city and agreed with cross-party support, sets out the Council's new vision - to make Oxford a world-class city for everyone. It also sets out how we are transforming the way that the Council does business so that we are better able to play our part in achieving this. We intend to become a world-class city council, delivering high quality services and excellent value for money for all our citizens.
- 1.2. This Medium Term Strategy acts as a corporate business plan for the Council, showing how we will finance and deliver the Council's Corporate Plan.
- 1.3. The context within which the Council works continues to change at a rapid pace. Nationally, economic conditions are turbulent. Since the publication of the previous MTFS in September 2008, the collapse of global financial markets and consequent recession has completely changed the economic environment in which we operate.
- 1.4. The banking crisis and falling interest rates has led to annual investment income now budgeted at around £400k per annum against £2.4 million per annum in early 2008-09. In addition, with £4.5 million of Icelandic investments at risk we have had to plan for potential losses with current CIPFA guidance on recovery resulting in a loss of £600k in 2010-11. At the same time the launch of the National Concessionary Fares scheme in 2008-09 has led to severe budget pressures since the special grant awarded underestimated demand in Oxford to the tune of £1.1 million. This was exacerbated by the award of an appeal to bus operators that cost the Council a further £900k per annum. Although agreement has been reached on a scheme for 2009-10 the funding gap for a demand led programme leaved the Council with an unavoidable budget pressure. The impact of the economic downturn has also seen reductions in income and increased demand for services such as Benefits.
- 1.5. The Council has demonstrated robust financial management in meeting the challenges presented by the Icelandic banking crisis and economic downturn, delivering significant in-year savings in 2008-09 to set aside for potential losses and meeting a much increased budget challenge for 2009-10 driven by falling interest rates and hence investment income, escalating unfunded costs from the National concessionary fares scheme, and significant income at risk from the recession.
- 1.6. The world around us is changing and the Council, if it is to deliver top-quality services for the city and its communities, needs to change as well. This is the purpose of the Council's transformation agenda aimed at improving services and value for money.

- 1.7. Our unprecedented efficiency drive continues apace. By the end of 2008-09, a General Fund budget reduction of £7.1 million, equivalent to 25% of the net budget, had been achieved over 2 years. The 2009-10 budget set out further savings of £4.3 million rising to £5.6 million by 2011-12. At the end of the CSR07 period, we will have delivered £9.0 million in efficiency savings, against a stretch target of £4.7 million.
- 1.8. New challenges lie ahead with uncertainty over the level of funding (but a clear expectation of reduction in grant) from central government from 2011-12 under CSR11. In order to continue to achieve savings the Transformation Programme has seven strands:
- 1.9. **Offices for the future:** To make the most effective use of our assets, the Council has developed an ambitious office accommodation strategy and rationalisation plan. One of the Council's offices has already been released, freeing up 909m² (12%) of office space with plans to reduce this by a further 1,441m², making a total reduction of up to 33%.
- 1.10. **Modernise corporate services:** To make the most effective use of our people and assets, the Council has developed a shared service partnership with Oxfordshire County Council for Information and Communication Technologies (ICT). This has resulted in annualised savings of £200,000 and an increase in service request completion from an average of 70% in 2008 to 90% in 2009.
- 1.11. **Future working – modernising workforce:** Starting with a restructure of the Council's Senior **Management** Team, we have already completed a full management restructure of all service areas, releasing 1 in 5 managers. This has supported the wider workforce reduction, reducing our total workforce by 5% from 1,351 staff to 1,273 staff during 2008-9. Single status is being introduced in October 2009 to move all staff to common terms and conditions.
- 1.12. **Fundamental service reviews:** The Council has created Partnership arrangements for the delivery of our Leisure services and Park and Ride that will create ongoing **annual** savings of over £3m and improved services for our customers. Waste and recycling services are currently being reviewed and we expect a £300,000 reduction in costs whilst improving performance and customer satisfaction.
- 1.13. **Customers First:** To be world-class, the Council is focused on serving our citizens and we have been working hard to join up our work across all service areas. This has included the successful introduction of a customer relationship management (CRM) **approach** in June 2009 for all 8,000 council properties, which manages over 300 transactions per day. Taken with the move to a 'one number for all services' contact centre in the early part of 2010 and the Council's broader customer contact improvement, this will constitute a major improvement in the way the Council interacts with its customers as well as reducing transaction costs.

- 1.14. **Improve local decision making and involvement:** Improvements in the ways we consult with **communities** involves more than just achieving statutory requirements and aims to include all stakeholders in the strategic planning and prioritisation of services. Current projects include:
- a new 'City Wide' consultation this year – using our Citizen's panel Talkback, an online survey, a survey in the Council's 'Your Oxford' magazine that is delivered to every household in the city, and emailing key interest groups to consult extensively on priorities.
 - the development of an eConsultation database of citizens interests to enable tailored communication on a regular basis
 - the Regeneration Framework, which strives to improve services and the local environment for the least prosperous communities in Oxford, and also sustain the involvement of local people in shaping their areas.
- 1.15. **Carbon management:** Oxford City Council's carbon management programme has been cited by the Carbon Trust as an "*excellent example of best practice*". In 2008-9 the Council reduced its carbon emissions by over 800 tonnes or 8% of total emissions from its core operations and will reduce emissions overall by at least 25% by March 2012.
- 1.16. Given the potential budget pressures into the medium term, it is vital that the Council directs limited resources towards its key priorities. As part of the 2009-10 budget we carried out a prioritisation exercise with Members using an Activity Based Costing approach to consider if the costs of each service were commensurate with its outputs relative to Council priorities. Building on this, a medium term process for reshaping Council services around priorities is set out in Chapter 8. This starts with assessing services according to relative importance mapped against pressure to improve, and provides a framework and tools to assess the relative benefits of targeted investments set against possible areas for disinvestment.
- 1.17. The Council's housing services continue to perform strongly and the Council's major capital investment over several years to meet the Decent Homes Standard for its Council tenancies is set for completion ahead of the 2010 target date.
- 1.18. We are one of only two Councils in the south-east to be successful in our bid for grant from through the Government Challenge Fund and the National Affordable Housing Programme. We will invest £12.2 million in building new Council Housing, to be completed by March 2011, funded through £4.1 million of grant and a combination of internal funding and prudential borrowing.
- 1.19. The Council's General Fund capital programme is increasingly utilising prudential borrowing where a robust business case exists and is

leveraging external funding and working with partners to ensure that regeneration projects such as Barton can be delivered.

- 1.20. The Council's updated Asset Management Plan, currently under consultation, sets out key objectives and outcomes for property and highlights major projects. The development of the Asset Management Plan gives a framework under which we will develop a prioritisation process for capital investment, linked to the headroom for capital financing through prudential borrowing set out in our Treasury Management Strategy.
- 1.21. Within the medium term, key challenge for the General Fund will be to meet the pressures under CSR11. For the HRA, consultation on the reform of Council House Finance and self financing options has the potential to radically change the composition of the Council's balance sheet and much work is required to analyse the risks and opportunities going forward.

Chapter 2: Purpose and scope

2.1 This medium term strategy is the key document in Oxford City Council's corporate planning process.

2.2 The strategy:

- Sets out the contextual issues that impact on the Council's corporate planning processes
- Aligns strategy and resources
- Sets out the implications of decisions the Council has already made
- Models potential changes, such as the effects of inflation and changes in grant funding.

2.3 The strategy supports our long-term objectives of transforming the Council's services so that it can play its role in building a world-class city for everyone.

Scope

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

- National context
- Local context
- Council priorities
- Capital and revenue spending
- Asset management issues
- Treasury management
- Risks and uncertainties

Background

Chapter 3 – Policy Context

- 3.1. The national policy context has not changed significantly since our last Medium Term Financial Strategy. The improvement of our public services and increased efficiency has been a core policy theme for this Government and remains so. This theme cuts across all areas of service delivery. It continues to be supplemented by a concern with localism.
- 3.2. What has changed dramatically are the economic conditions within which we are working. The recession has added real urgency to the efficiency agenda and the need to look at new ways of delivering public services.
- 3.3. The efficiency agenda is challenging for district councils because of obvious issues around scale. It is particularly challenging for Oxford – and in the middle of a recession - where we are trying to deliver the needs of a city on the budget of a shire district.

Improvement of public services

- 3.4. The Government's ambitions in relation to public services are set out definitively in *Strong and Prosperous Communities: The Local Government White Paper*. The White Paper sets out a vision of high quality, efficiently delivered local services that are shaped by local authorities to focus on the needs of citizens. The role of local authorities in delivering this is emphasised in the 2009 *Strengthening Local Democracy* consultation.
- 3.5. This Government, in common with those that preceded it, has in general taken a centralized, standardized approach to public service delivery and improvement. While local authorities are responsible for delivering local services to address local needs, these must be developed and monitored within a tight framework of national standards. Oxford City Council's policy framework and current corporate priorities have developed within this context. Aspirations for greater equality and social cohesion have been at the heart of the national and local improvement agendas.
- 3.6. Last year the Government replaced the national indicators associated with the Best Value regime with a new set of national indicators linked to the Local area Agreement agenda. The new indicators allow central Government to retain its national framework of standards while at the same time relocating a degree of accountability to local partnerships.

Efficiency

- 3.7. Efficiency has been the key to the Government's agenda from the beginning. The 1999 Act that introduced Best Value attempted to embed efficiency and effectiveness into public service improvement and was the first step in linking efficiency and shared services. This was strengthened by the 2000 Act which, through the creation of community strategies and local strategic partnerships, explicitly advocated shared services arrangements.
- 3.8. Chapter 7 of the Local Government White Paper relaunches the efficiency theme under the service transformation banner. Service Transformation involves:
- Business process improvement (redesign around customer needs)
 - Collaboration
 - Smarter procurement and use of competition
 - Better use of technology
 - Asset management.
- 3.9. The Business Transformation Strategy which is now embedded at Oxford City Council reflects these themes.
- 3.10. Subsequent Government directives on efficiency and shared services have become increasingly impatient and directive.
- 3.11. As a result of the 2007 Comprehensive Spending Review (CSR07) all public services were set a specific target of achieving at least 3% net cashable efficiency gains per annum over 2008-09 to 2010-11. This amounts to £4.9 billion for local authorities. The Gershon report was adamant that these efficiencies could only be achieved through large scale shared service arrangements. The 2009 budget has however set the expectation that a further 1% increased efficiency target for the public sector will be added to the total savings target taking it to at least 4% in 2010-11. This increases the target from £4.9billion to £5.5billion; this additional £600million will be retained by Councils to reinvest in services.
- 3.12. Central Government provided a major impetus to the efficiency/shared services agenda when it decided last year to review local governance arrangements in England. That review aimed to make local governance more efficient through the imposition of either unitary or enhanced two-tier arrangements. The outcome of that process was the creation of several very large unitary counties.
- 3.13. The Local Area Agreement 2 process is at least in part a mechanism for encouraging/enforcing shared working, particularly in two tier areas.
- 3.14. Oxford City Council's recent responses to these developments in national policy carry a very positive message for our future direction of travel.

- 3.15. Oxford City Council's bid for unitary status in January 2007 was not successful. However, the process of preparing it has had a significant impact on the city council's post-bid ambitions. The shift in relationships between local authorities in Oxfordshire during the course of the bidding process has reinforced this impact.
- 3.16. The most important of these involves partnership working. Oxford City Council's bid clearly identified the key challenges facing the city. It remains the Council's view that a unitary authority for Oxford could best meet the challenges facing our urban multi-cultural space. However, these challenges must be met, regardless of whether there is unitary or enhanced two-tier governance. Under the system decided by central Government the City and County Councils have joint custodianship of the city's interests. The City Council's post-bid ambitions have been articulated in these partnership terms.
- 3.17. Oxford's bid proposed replacing current governance arrangements in Oxfordshire with three new unitary authorities; shared services would have been at the heart of new service delivery arrangements. Post-bid, the city council is working towards better coordination of services with both district and county councils, using a variety of different models.
- 3.18. The City Council is now playing a key role in the MKOB partnership, the Oxfordshire Partnership and the key thematic partnerships that have been developed to deliver the LAA and other priorities. The recent Annual Audit and Inspection Letter notes the Council's effective work on partnership and the benefits that this has brought the city, whether in local communities or in bringing affordable housing, jobs, and improved retail and cultural opportunities to the city centre.
- 3.19. The City Council's appointment of a Partnership Development Manager to improve partnership working has been very successful. The post has helped to improve communication and coordination across Council services and to ensure members and staff understand partnership developments and are able to effectively input into discussions about service delivery. This post has also ensured that the City Council is effectively represented at key partnership meetings and that the City's needs are taken on board and addressed within a range of partnership strategies. This ensures that more effective and efficient services are delivered in the City.
- 3.20. Having a stronger leadership role has meant that the City has been able to influence the adoption of some key objectives which will help to address the needs of the City, such as Breaking the Cycle of Deprivation in the Oxfordshire Strategy 2030. This in turn has influenced the prioritisation of Local Area Targets will eventually influence the allocation of the Area Based Grant.

- 3.21. The Chief Executive has taken a lead across the districts in Oxfordshire in coordinating and prioritising District Local Agreement Priorities. This has led to the District Councils jointly agreeing their top 12 priorities and to these being contained within the Local Area Agreement. The District Councils are now directly delivering a number of these targets. This has led to improved collaboration on the delivery of these services across the county.
- 3.22. As a result of this success the City Council has been funded through the MKOB and South East Centre of Excellence to develop enhanced two tier working within the county. This will enable us to further develop collaboration across district councils so that they can add weight, influence and effectively engage with the Oxfordshire Partnership, Public Service Board and Key Theme Partnerships.
- 3.23. The City Council has also been involved with a review of all the key partnerships in Oxfordshire with a view to ensuring effective governance arrangements for all those partnerships involved in allocating the Area Based Grant and Local Area Agreements, including: simplifying and strengthening reporting arrangements, ensuring effective membership and reducing duplication.
- 3.24. The Oxford City Local Strategic Partnership has adopted a new Community Strategy, with the key themes of:
- Affordable Housing
 - Health and Social Inclusion
 - Climate Change
 - Quality of the Public Realm for Residents and Visitors
 - Safer, Stronger, more Cohesive City.
- 3.25. This strategy demonstrates how it will contribute towards the draft Oxfordshire Strategy 2030 and the delivery of Local Area Agreement Indicators and Targets. The Partnership has reviewed and extended its membership to better reflect the priorities contained within the Strategy and to encourage improved collaboration across key agencies within the City.
- 3.26. These partnership initiatives represent a significant shift in strategic direction on the part of the City Council. In time this will result in a similar shift in the way that we deliver services for our citizens. The transformation journey on which the Council is now embarked will guarantee this.
- 3.27. Our approach to partnership has now gone beyond creative participation in and, often, leadership of sub-regional partnerships. The city is now using partnership as a way of delivering key services.

- Leisure. We have carried out a fundamental service review of our underperforming leisure service. As a result, a partnership agreement with Fusion Lifestyle, a not for profit trust, has now been signed and – as of Sunday 29 March – Fusion are managing the Council's leisure centres on our behalf. This will generate annual savings of around £700k for the Council and enable substantial investment into our leisure service. Higher use and customer satisfaction are already evident.
- Park & Ride. The Council's decision to transfer our Park and Ride sites to be managed alongside those operated by the County Council means that we can give commuters a better deal by enabling them to park for free, reduce the number of cars coming into our city, and save the Council £1m over the next five years.
- ICT. The City Executive Board has agreed a business case to transfer management of our ICT service to the County Council. This took effect as of Wednesday 1 April. This will enable us to improve the quality and resilience of our service and save £1m over the next five years.
- Internal Audit. We have now re-tendered this service as a joint exercise with Cherwell DC that will save both Councils together £100k over 3 years. As of April 1, PwC are the Council's internal auditors.

3.28. The procurement hub that the City Council is leading will facilitate further partnership working within the regions.

Localism

- 3.29. Central Government's vision in relation to public service improvement has shifted to the extent that it has been seeking to position itself in relation to the localism debate. This is an important development so far as Oxford City Council is concerned given that we already have a strong track record of working to engage local people in the decisions that are important to their communities.
- 3.30. Government's first localist formulation was through the concept of double devolution – central Government devolves to local government and then local government devolves to the community. Recently, the Government has strengthened and refined this message.
- 3.31. The Sustainable Communities Act 2007 is based on the principle that local people know best what needs to be done to promote the sustainability of their area. The City Council has recently submitted a number of proposals to improve the quality of life in the city.
- 3.32. In his foreword to the Cabinet Office paper *Excellence and Fairness: achieving world class public services*, Gordon Brown places the concept of world class public services at the heart of any civilised society and citizen empowerment at the heart of world class services. Being world class should involve a three-way partnership in which:

- Citizens are empowered to shape services
- Public service professionals act as catalysts for change
- Government provides strategic leadership.

3.33. The Empowerment White Paper, *Communities in Control*, includes a duty to promote democracy that will encourage a range of actions including:

- Improved engagement with young people
- Programmes to develop leadership skills for community leaders
- The involvement of residents in delivering services or managing council amenities.
- Updating and making more visible to the public the powers of overview and scrutiny, e.g. local senior public officers may be required to face public scrutiny as a result of a resident's petition.

3.34. The Government continues to express interest in giving local communities direct influence about how specific budgets are spent.

3.35. This policy shift is important in that it can contribute to our own thinking about devolution. The Area Committee system was intended to move us in this direction and we are looking to further improve our arrangements for community engagement.

3.36. The terms in which this policy shift is expressed also raises potential problems. The use of the term "local" in recent Government pronouncements often refers to people at the local level rather than local authorities. This potentially raises issues for us in terms of equity and efficiency.

The Council's Priorities 2009–2012

Local context

Contemporary Oxford - while still with its historic core and green spaces - is a densely packed urban space, with around 150,000 people living in a 46 sq km area. It is first out of 354 of LAs for turnover population young people and students. Oxford is ethnically and culturally diverse, with the third highest minority ethnic population in the South East. Around 32% of Oxford's population consists of 16-29 year olds. Social inclusion and cohesion are important issues for us.

Oxford is a global brand for a diverse range of industries. However, average earnings of residents are lower than the regional average and the city contains pockets of severe and multiple deprivation. Current economic circumstances threaten not just workers in the car industry but in other areas of the local economy as well.

Oxford faces an affordable housing crisis. House prices are almost ten times greater than annual incomes and there are large concentrations of homes in multiple occupation and significant numbers of homeless and other vulnerable groups. This problem is likely to be exacerbated if the recession is prolonged.

This Corporate Plan 2009-12 sets out the council's six strategic priorities for the next three years. These have been developed with reference to the social, demographic, economic and environmental character of the city and through consultation with residents and other stakeholders. This approach has allowed the council to develop specific, focused objectives designed to tackle the most pressing and difficult issues facing the people of the city.

The Corporate Plan 2009-2012 is a development of the Corporate Plan 2008-2011. The new plan retains the same corporate priorities. The priority previously referred to as 'Stronger and more inclusive communities' has been renamed 'Tackling inequalities and supporting communities' in order to more accurately describe the intention behind the priority and to emphasise our commitment to equalities. The priority previously referred to as 'Tackle climate change and promote environmental resource management' has been renamed 'Tackle climate change and promote sustainable environmental resource management'. Objectives and targets have been rolled over and stretched to maintain or improve our progress against these same priorities.

We have identified 33 objectives for 2009/10 and have set challenging targets for improvement against each of these. The targets for 2009/10 through to 2012 have been developed to ensure that the Council is clear about the direction in which it proposes to move, and the changes that it proposes to make, over the next three years. We will be monitoring the achievement of these—and all our objectives—on a monthly basis. Progress updates will be reported regularly to Executive Board, the Corporate Performance Board, Scrutiny Committees and our staff. The public and employees will be kept informed of progress in an annual report, the staff newsletter, and the publication 'Your Oxford' which goes to all households in Oxford City, as well as the council's website.

More housing, better housing for all

There is a housing crisis in Oxford. The population is growing - Oxford is the second fastest growing city in the UK as measured by percentage population growth - as is the number of households requiring housing (up from 45,000 in 1991 to 55,000 in 2006).

Oxford is the least affordable city in the UK in terms of housing. Average house prices are much higher in Oxford (£340,615 in November 2008) than nationally (£158,442 November 2008) and prices have only fallen by 2% over the last year in the city. Owner occupied housing is increasingly out of the reach of people on lower incomes in the city. The ratio between the lowest quartile house price and lowest quartile annual income was 10.86 in 2006, having doubled since 1997 when it was 5.41. This poor affordability puts severe strain on the social housing sector, with over 5,000 households in

need on the housing register, and homelessness, though much improved, is over twice the national average.

We are making good progress in tackling and reducing homelessness with the number of households living in temporary accommodation reduced from 1,100 in 2004 to less than 450 (December 2008) and we continue to focus on preventing homelessness occurring and helping people sleeping rough into settled accommodation. We aim to increase the quality and quantity of affordable housing that is available for families in housing need and 811 new affordable homes have been built in the city since 2004/05. Oxford has a very large private rented sector, which is a valuable housing supply for many people who are vital to our economy, including students and new arrivals to the city. We are using our powers to ensure that houses in multiple occupation are managed safely and responsibly.

By March 2010 we will:

- Ensure that 150 new affordable properties are built in Oxford
- Increase the number of Council-owned homes meeting the Decent Homes standard to 94.24%.
- Further improve homelessness prevention, reducing the number of people in temporary and emergency accommodation by 10%.
- Implement a stock retention strategy.
- Launch an accreditation scheme for landlords in the private rental sector to drive up standards in rental housing.

By March 2012 we will:

- Ensure that an additional 400 new affordable properties are built in Oxford between 2010 and 2012
- Fully meet the Decent Homes standard for all council owned homes
- Implement the New Growth Points programme and ensure 1,200 homes are built in Oxford from April 2008, of which at least 50% should be affordable on sites of over 10 units.
- Reduce the use of temporary accommodation for the homeless to below 150 households.
- Further develop the services for homeless people which co-ordinate housing, advice and training opportunities, and helps them into employment.

Tackling inequalities and supporting communities

Oxford appears to be a thriving and affluent city with good opportunities for work and leisure. The reality is that there are major inequalities in life chances and in life expectancy within the city and ten areas of Oxford are amongst the 20% most deprived in England. In some areas, half of all adults have no qualifications and this tends to be linked to lower incomes, poor health and child poverty. Citizens living in the most deprived areas can expect to live ten years less than those in the wealthiest areas.

Outside these areas, there are some population groups – notably people with disabilities, the elderly and some black and minority ethnic groups – who, on average, do worse in terms of education, employment and health. Relative to the rest of Oxfordshire, Oxford has high levels of deprivation. The Indices of Deprivation 2007 rank Oxford 154th out of 354, placing it amongst in the top half most deprived Local Authorities in England. Of the 85 Super Output Areas in Oxford, ten are among the 20% most deprived in England. Oxford is estimated to have an unemployment rate of 6.1%, which is higher than the 5.3% national average. There are geographic and demographic pockets of high unemployment in the City (including young Black Caribbean men). Oxford has over 9,000 working age residents claiming benefits – the highest percentage in the county. 26% of Oxford's under-16 year-olds are living in low-income households.

We aim to reduce the extent of inequality and to improve the lives of the most vulnerable members of our society. We want to support social and economic regeneration, particularly in deprived neighbourhoods, and ensure that the economic vitality of the city delivers benefits to all sections of the community.

By March 2010 we will:

- Continue to promote the Bus Concessionary Fare Scheme for the elderly and people with disabilities
- Commission voluntary sector organizations to provide financial and other advice to individuals and families through provision of grants totalling £500,000
- Commission arts and cultural organisations to work in and with disadvantaged and less involved sections of our community through grants of over £300,000.
- Maintain the national 'VISIBLE' standard at two of our community associations and achieve the standard for two more. (This standard recognises the quality of the associations' work in their communities.)
- Work in partnership with the Primary Care Trust to reduce the number of children in primary schools categorized as obese
- Undertake a survey of users of community centres to assess current satisfaction levels and aspirations for future developments.

By March 2012 we will:

- Increase investment in our Leisure Centres that will improve the facilities offered and secure better value for money, increased public satisfaction and increased take-up by young people and hard to reach groups.
- Demonstrate leadership in employment and service delivery best practice by achieving 'excellent' accreditation for the equalities standard.
- Raise the levels of adult participation in sport by 4% as reported by the Active People Survey undertaken by Sport England
- Maintain the national 'VISIBLE' standard for four of our community organisations and achieve the standard for another two.

- Review the usage of our community centres and community needs and increase user satisfaction by 10%
- Spend £2.5 million to refurbish the Old Fire Station for training and work creating a solid enterprise space

Improve the local environment, economy and quality of life

Oxford's citizens place a very high priority on the quality of the local environment. Citizen's panels have shown that residents want parks, play areas and green spaces to be safer and cleaner, and our objective is to ensure they are safe places for people to visit and offer a good range of leisure opportunities. To improve the condition of our streets and parks we have set challenging targets both for 2009/10 and through to 2012. We want our streets and neighbourhoods to be amongst the best in the country for cleanliness and tidiness.

Talkback Panels, and other consultations, remind us that recycling is an important priority for our residents. Between 2005 and 2006 we recycled just 20% of our domestic waste in Oxford and we land-filled over 37,000 tonnes of waste. For 2007/08 the figure for recycling was 36% and the tonnage land-filled was down to 30,500 tonnes. We are working to further reduce waste and to maximise reuse, recycling and composting, with a long-term goal of reducing land-filled waste to zero.

We are taking action to prevent fly-tipping, littering, graffiti and inappropriate development, taking enforcement action where necessary. We are seeking to promote 'home zone initiatives', a 20mph zone for the whole city, and the campaign for clean air.

Oxford is a global brand for education, health, bioscience, information technology, publishing, the motor industry and tourism. Around 3,400 businesses provide 108,000 jobs and seven of the ten largest employers in the Oxfordshire sub-region are within Oxford. However, 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.

We recognise that the economy is a concern for our residents and local businesses and we have set targets for a proportion of the money spent by the council to be spent with local businesses. The City Council is working in partnership with the County Council and others to deliver a coordinated response to the negative local impacts of the economic downturn. We are tackling the problems in practical ways, for example helping residents to get back into work or training and alleviating the pressures on businesses by paying bills more promptly and increasing opportunities for businesses to meet buyers in the public sector.

Over 8 million tourists visit the city each year and tourism plays a key part in the local economy. Together with the city's youthful population, tourism has

generated a vibrant night-time culture which also brings its own consequences in terms of pressures on the Council's budgets. We are aiming to improve the value rather than the quantity of tourism. This will include improving the physical environment and increasing the number of hotels.

By March 2010 we will:

- Increase the percentage of materials recycled or composted to 40%
- Ensure that 93% of our streets are free from litter
- Retain Green Flag Status for 3 of the main parks
- Increase the proportion of our spending with local businesses to 30%
- Conduct a satisfaction survey of visitors to the city
- Assess the percentage of our residents who are satisfied with their neighbourhood
- Create and adopt Area Action Plans based on the findings of these surveys and other consultations, and on local members' proposals
- Begin the modernisation programme for our playgrounds. We will spend £2.5 million over the next 3 years to ensure that all playgrounds are fully modernised

By March 2012 we will:

- Increase the percentage of our materials that are recycled or composted to 45%
- Ensure that 95% of our streets are free from litter
- Increase by 10% the proportion of local residents who are satisfied with their neighbourhood.
- Improve visitor satisfaction by 10%
- Increase spend with small local business to 40%
- Adopt an Area Action Plan for the Northern Gateway including the allocation of 1 million sq ft of employment floor space to provide 4,500 jobs

Reduce crime and anti-social behaviour

Crime and the fear of crime have an adverse effect upon all communities, and we are aiming, with our partners, to make Oxford a safer place. Our recent citizen's panel survey showed that tackling environmental anti-social behaviour and criminal damage remains a priority for Oxford residents. It also told us that people in the Cowley and South East areas feel less safe walking at night than people living in other areas, and that women, people with a disability, older people and young people feel less safe than other people. We will continue to address these concerns through the Neighbourhood Action Groups and through our partnership with the Thames Valley Police.

We seek to divert young people away from crime and anti-social behaviour by supporting projects that improve the well-being of young people in Oxford, particularly those who are at risk of offending.

Oxford has a vibrant and diverse evening economy, and we want people to enjoy the attractions that are available. Our Talkback survey showed that a

fifth of people felt less safe visiting the city centre in the evening during the past year. We will work on these issues through our Nightsafe scheme to achieve the Civic Society's Accreditation for Oxford's nightlife and improve the feeling of safety for everyone who visits our city.

By March 2010 we will:

- Step up enforcement action against environmental offences by 25% to 100 cases and implement an education and public relations programme to reduce environmental problems
- Provide free holiday activities for over one thousand young people between 5–19 in the most deprived areas in Oxford
- Achieve Civic Society Accreditation for the standard to which the city centre is managed at night
- Reduce the number of assaults with injury in violent incidents by 5% and all alcohol-related crime and violence by 5%
- Work in partnership with the County Council and other partners to transform Oxford by improving the management of the public realm in Oxford city centre.

By March 2012 we will:

- Increase the level of enforcement for environmental offences by a further 50% and continue the programme of education and public relations
- Provide free holiday activities for an additional 100 young people in the most deprived areas in Oxford
- Maintain Civic Society Accreditation relating to the standard to which the city centre is managed at night.
- Increase residents' satisfaction with the methods of dealing with local concerns about anti-social behaviour and crime
- Draw up and put into action a plan to strengthen social and community cohesion.

Tackle climate change and promote sustainable environmental resource management

As a large organisation the Council seeks to play a major role in reducing the impact we have on the environment, tackling climate change and developing a coherent adaptation strategy. In the first year of implementing our carbon reduction plan (Getting our House in Order), we have put measures in place to reduce carbon dioxide emissions from our buildings and operations by over 800 tonnes per year (8% reduction on 2005/06 levels). We are continuing to work towards the ambitious carbon reduction targets set out in that plan.

Through strategic partnerships with other agencies and organizations we will develop and implement city-wide carbon reduction initiatives. We are also working with partners to combat the adverse effects of climate change, including the increased incidence of flooding.

By March 2010 we will:

- Undertake a programme that will reduce the Council's carbon footprint by 800 tonnes per annum (8% reduction compared to 2005/06 levels).
- Improve the SAP Rating (energy efficiency standard) of council managed housing stock to 70%.

By March 2012 we will:

- Reduce carbon dioxide emissions from Oxford City Council's buildings and operations by at least 28% compared to 2005/06 levels.
- Reduce carbon dioxide emissions in Oxford City by 15% compared to 2005 levels.
- Improve air quality through a jointly managed action plan with the County Council to secure a Low Emission Zone for the City Centre
- Attain level 3 accreditation for our Climate Change Adaptation Plan

Transform Oxford City Council by improving value for money and service performance

We are aiming to be recognised by our customers, staff and auditors as an excellent Council. We want to improve the quality and accessibility of our services, improve customer satisfaction (measured at 50% in mid-2007), improve performance and offer good value for money.

In order to achieve these objectives we are transforming the way in which the Council works, with the aim of delivering better services to customers first time and every time, and achieving better value for money. To secure this, we have developed an ambitious 5-year programme with six themes:

- offices for the future – to enable more effective use of our offices
- modernise corporate services - to provide services for the Council and customers which make full use of new ways of working
- future working – to ensure we have the right structures, processes and skills to reduce waste and deliver improved services for customers
- fundamental service reviews – to identify customers' top priorities and the areas or services which could be delivered in a different way
- customers first – securing better access to the Council's services, for example through the implementation of a customer relationship management system
- improve local decision making and citizen involvement, as required by government policy

Oxford City Council has demonstrated good recent progress, highlighted by an improved use of resources and value for money assessment from level 1 (2006/7) to level 2 (2007/8). We have achieved some of our key targets, including £3.5m efficiency savings and a reduction in carbon emissions of 800 tonnes by March 2009. However, the Council faces new challenges in 2009/10 if it is to meet the ambitious target of becoming a world-class city for everyone.

By March 2010 we will:

- Implement cost and efficiency savings of £3 million from our 2008/09 base
- Develop a comprehensive asset management plan that rationalises our property holdings, releases capital for investment and ensures that our buildings are properly maintained.
- Reduce the number of employees by 1% by improving performance and operational systems
- Increase staff attendance to 96%
- Ensure that 90% of our customers can reach us first time on the Council's main service lines
- Increase the number of online transactions (including financial) by 5% from the 2008 base
- Introduce a corporate approach to managing our customers and dealing with complaints.

By March 2012 we will:

- Secure formal recognition from the Audit Commission that the City Council has improved strongly.
- Achieve 10% efficiency savings overall from the 2008/09 base and be assessed as 'good for value for money' by the Audit Commission.
- Increase staff satisfaction to 75%.
- Achieve Investors in People accreditation.
- Increase public satisfaction by 10% from the baseline 2006 result.
- Develop a corporate procurement strategy that reduces costs of goods and services bought in by 1% a year.
- Increase the number of online transactions by 10% from the 2008 base.

Other Corporate Commitments

Council has also agreed financial support for other priorities, including:

- Refurbishing all the city's play areas over the next 2 years
- Achieving positive outcomes from the Football Development programme.
- Delivering improved value for money, service improvement and increased participation in leisure activities through the Fusion Partnership
- Introducing a food waste collection scheme from October 2009
- Continue funding transformation projects through a £900k fund, with a further £ 750k earmarked for transformation at the end of 2008-09.

The Broader Policy Framework

3.37. The Council has agreed or is party to, a range of other policies and strategies, most of which have their own cost implications. These policies and strategies are fully reflected in the Council's Corporate Plan and performance management framework.

3.38. Six of the most significant are:

- Oxford City's Sustainable Community Strategy, Oxford: A World Class City for Everyone, prepared by the Oxford Strategic Partnership. This strategy has been jointly prepared and is jointly owned by a range of agencies (e.g. Local Authorities, the Police, PCT, Universities and others).
- Oxfordshire's Sustainable Community Strategy, Oxfordshire 2030: A Partnership Plan for improving quality of life in Oxfordshire. This strategy has also been jointly prepared and is jointly owned by a range of agencies.
- Flowing from the Sustainable Community Strategies is the Local Area Agreement. This consists of 35 priorities agreed with the Government. These priorities aim to reflect the needs and aspirations of local communities, whether they live in urban areas, market towns, or rural areas.
- 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" sets out a long-term vision for how the City area should be shaped over the coming 20 years.

Future Policy Development

3.39. We have developed and embedded a Business Transformation Strategy 2008 to 2012. Business Transformation is about making fundamental changes to the way the Council works, so that we deliver better services to customers first time, every time, at better value for money.

3.40. Our strategic approach to transformation follows these principles:

- Improve while we change – make both strategic and incremental improvements to secure benefits in the short term and longer term
- People based change – customers, members, staff and other stakeholders at the heart of any change with proactive involvement, consultation, communication and feedback. We will make the change real for people with local changes owned by local staff
- Use of strategic partnerships and resources – take advantage of good practice and services via partnerships and resources that are local, regional and national to improve and deliver services
- Technology as an enabler, not as a leader of change – technology should help change, not be the reason for change
- Financial savings built into budgets – financial savings will be built into department's budgets to help secure the benefits we are seeking. Invest to save benefits will be shared 50% to the department and 50% to the corporate fund

- Performance managed change – all change will be managed to ensure improvements to performance are obtained and linked to outcomes that the Council desires
- Use of innovative solutions to achieve our aims as well as ensuring we provide the basics
- Integrated change – change will be integrated across the Council avoiding bureaucracy but building in controls to ensure consistent change.

3.41. The principles underpinning the Business Transformation Strategy are informing other important areas of policy development e.g. Customer Contact, Asset Management, Incomes Fees and Charges, and Human Resources.

Other issues

3.42. There are other issues 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.
- Concessionary Fares
- New laws and regulations (e.g. the replacement of Housing Benefit with local allowances and potential reform 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 and demand for web based services.
- Local effects of climate change.

3.43. We have modelled the financial effects of some of these and other factors. Financial risks identified by services are set out in Appendix E – Financial Risks from 2009-10 Service –Risk registers.

3.44. 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 of the analysis completed for the 2009-10 budget are set out in Appendix F – Minimum Level of balances analysis.

The Audit Commission's Annual Audit letter

3.45. Each year the Audit Commission publishes a "management letter". This letter comments on performance over the relevant audit period and sets

out high level recommended actions. The inspection letter for 2007/08 is even more positive than that for 2006/07 and gives an independent assessment of the Council's improvement journey.

- 3.46. According to the management letter, Oxford City Council "has shown a robust and focused approach to improvement over the last year, in line with its priorities". "Through strengthened collective leadership it has displayed greater ambition and vision. It has made some bold decisions that are helping achieve better value for money and has an improved emphasis on partnerships".
- 3.47. The Audit Commission's comments reflect well on the Council's strong improvement in delivering value for money. "Among some extensive and impressive actions, it has reduced its running costs by 25% (£7.1m) over two years, without detriment to services. It is committed to sustaining this pace, with radical plans for 2009/10 to transform its front-line waste, street cleaning and parks services, while saving a further £4.5m".
- 3.48. The Audit Commission says that the Council has "established a strong improvement track record and the capacity to develop further".
- 3.49. The Audit Commission has also recognised our Strategic Housing service and our Regeneration service as being among the best in the country.
- 3.50. Our Use of Resources scores for 2008-09 (announced in September 2009) reflect improvements coming through and that the transformational change programme is delivering outcomes. The Council's scores were:

Use of Resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources	2

Public Consultation

- 3.51. We consult widely across a range of issues. We have recently carried out the Place Survey as directed by the Audit Commission. The Place Survey is one way in which we, and our partners, will be able to get information on the views of local people. We will use the evidence to build a robust understanding of the City and its people.
- 3.52. 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. Over the last year the panel have been consulted about waste and recycling, community safety (anti-social behaviour, neighbourhood policing and

- feelings of safety), the quality of our website, customer services, the key priorities of our citizens and Leisure services.
- 3.53. In autumn 2008, we carried out extensive consultation on budget setting and priorities. We surveyed the Citizens Panel as well as running a Citizens' Jury about key priorities. The jury was made up a representative group of local residents. The results were used to inform the budget plans.
- 3.54. Between July and September 2009 we consulted extensively with residents of the city to identify their priorities. With public spending under pressure it is more important than ever to prioritise the spending on the services that the Council provides. Respondents were asked to rank individual services within the Council's six corporate priorities. They were also asked to rank their highest and lowest priorities.
- 3.55. In order to achieve maximum input we used 3 ways for residents to get involved; through our Citizen's Panel – Talkback, an online survey and a survey in the Council's 'Your Oxford' magazine, which is delivered to every household in the city. We also directly emailed key interest groups in the city inviting a response. The findings from this approach will help to inform Members decision-making through the budget by providing Members with an up-to-date, accurate snapshot of the key priorities of our residents.
- 3.56. We have launched eConsult, which is a new online consultation system that enables us to run online surveys and discussions. This system allows residents to access all consultations that we are carrying out in one central location. Also stored here are the results to consultations and information on how the results have been used in service planning.
- 3.57. We carried out consultation with staff through a series of 6 conferences in September 2008. The conferences were attended by over 1,000 employees and were an opportunity for staff to make contributions to the transformation plans for the Council. The conferences were followed up by a series of focus groups with staff to discuss staff attendance and the staff appraisal system, which were highlighted as key topics at the conferences. The feedback from the focus groups has been used to develop a new appraisal system and revise HR policies. Staff conferences will be carried out again in autumn 2009.
- 3.58. A revised consultation strategy has been developed along with a consultation toolkit, which explains the different consultation methods and offers advice on selecting the most appropriate method for different consultations. The toolkit is being used by staff to plan their consultations.

Chapter 4 – National Economic Situation and the Impact on Oxford

- 4.1. The financial world and economic climate in which we operate has changed considerably. The last MTFs was published in September 2008, before the economic downturn. Since then the impact of the recession has been felt in the financial markets resulting in the much publicised part nationalisation of some of our financial institutions.
- 4.2. The UK economy is now officially in recession, where recession is defined as two consecutive quarters of negative growth. Gross Domestic Product (GDP) fell by 1.9% from the last quarter of 2008, and the retail prices index was a negative 0.4% between March 2008 to 2009.
- 4.3. Unemployment currently stands at 1.5million (January to March 2009, ONS) an increase of 0.7million from a year ago, with forecasts that this could be over 2 million by the end of the year.
- 4.4. The situation in the economy is considered critical by the policy setters. They are concerned that the testing financial environment, the sharp decline in house prices and persistently tight credit conditions could trigger a collapse in confidence. At best this could deliver a typical recession lasting up to two years, at worst a prolonged Japanese-style recession.
- 4.5. Recently there have been some signs that the downturn might be close to its low point. But this could be a false dawn that will give way to further weakness.

Economic outlook and interest rates

- 4.6. The sharp fall in world commodity, food and oil prices, the lack of domestic wage pressures and weak retail demand promises a very steep decline in inflation in the months ahead. In the December pre-Budget Report, the Treasury suggested RPI inflation could fall to minus 2.25% by September 2009. The threat of deflation has led to a more aggressive policy ease by the Bank of England.
- 4.7. Official interest rates have probably been cut to their lowest level: any move below the current 0.5% Bank Rate will be of little benefit. Policy has shifted to a quantitative easing process which targets the actual amount of money in the economy. Initially, the money supply is being expanded via Bank of England purchases of assets (mainly gilts) from investment institutions. The total targeted increase is £75bn, but could be as much as £150bn.
- 4.8. Gilt purchases will be concentrated in the 5 to 25-year area of the curve. Gilt yields have declined in response to this development, the main fall seen in the target zone. The process of quantitative easing (QE) will maintain downward pressure upon long-term interest rates for the next

few quarters, and unless the area of activity is widened, the upward slope of the yield curve will remain steep.

- 4.9. The dangers associated with QE, in particular potential inflation pressures have been well documented but will be ignored while prices are declining or remain subdued. Nevertheless, an upturn in inflation could trigger a marked alteration in market sentiment and this would be reflected in a shift towards higher long-term interest rates.

Interest Rate Forecasts – 2007/2010

Year	End Period	Money Rates				PWLB Rates*		
		Bank Rate	3mth	6mth	12-mth	5 yr	20 yr	50 yr
2009	Mar	0,50%	1,8%	2,0%	2,2%	2,6%	3,8%	4,4%
	Jun	0,50%	1,2%	1,4%	1,6%	3,0%	4,4%	4,5%
	Sep	0,50%	0,9%	1,1%	1,4%	3,5%	4,7%	4,8%
	Dec	0,50%	0,8%	1,1%	1,5%	3,5%	4,9%	5,0%
2010	Mar	0,50%	0,9%	1,3%	1,8%	3,6%	4,9%	5,0%
	Jun	0,75%	1,2%	1,6%	2,2%	3,8%	5,0%	5,1%
	Sep	1,00%	1,5%	1,8%	2,5%	4,0%	5,0%	5,2%
	Dec	1,00%	1,5%	1,9%	2,7%	4,0%	5,0%	5,2%

Medium-Term Rate Estimates (averages)

Annual Average %	Bank Rate	Money Rates		PWLB Rates*		
		3 month	1 year	5 year	20 year	50 year
2008/09	3,90%	5,0%	5,3%	4,2%	4,8%	4,5%
2009/10	0,50%	0,9%	1,6%	3,4%	4,7%	4,8%
2010/11	1,00%	1,5%	2,6%	4,0%	5,0%	5,2%
2011/12	2,00%	2,5%	3,3%	4,3%	5,3%	5,3%
2012/13	4,50%	4,8%	5,3%	5,3%	5,5%	5,3%

* Borrowing Rates

The above estimates have been used to model investment income for the MTFS.

Challenges for the Public Sector

- 4.10. There is no doubt that there are tough times ahead for the public sector, as the government has the unenviable task of getting the country's balance sheet back in shape.
- 4.11. Public sector net debt as a percentage of GDP currently stands at 50.9% . The Institute of Fiscal Studies estimates that after April 2011 £80billion will need to be found in tax rises / spending cuts to balance the books in the medium term.
- 4.12. What has been dubbed the “public sector recession” is anticipated to hit from April 2011 with the end of the current three year settlements.

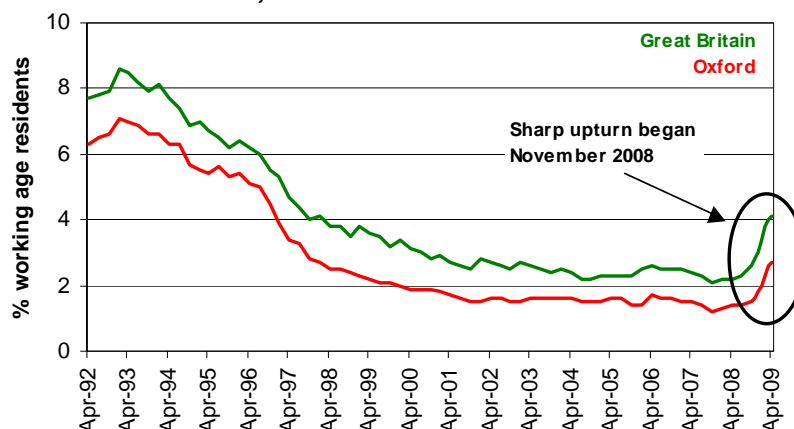
However little is known at the moment as to the real impact on local authorities.

- 4.13. The 2009 budget has however set the expectation that a further 1% increased efficiency target for the public sector will be added to the total savings target taking it to at least 4% in 2010-11. This increases the target from £4.9billion to £5.5billion, this additional £600million will be retained by Councils to reinvest in services.
- 4.14. Beyond CSR07 the government will seek an additional £9billion per annum across the public sector by 2013-14 but at this stage it is not clear what local authorities' share of these savings will be. However we feel it prudent to start to make provisions for this effect and have included reduction in both RSG and specific grants in our modelling.
- 4.15. With debate suggesting a potential 20% reduction in central government funding for local authorities, we have modelled a number of scenarios. We have assumed that, in advance of CSR11, RSG in 2010-11 will be held to 2009-10 cash levels. For the CSR11 period we have planned for a 20% reduction in funding spread over 4 years, but have also considered the impact of a more rapid change. Details of the modelling assumptions under different scenarios are set out in Chapters 6 and 7.

Economic Impact on Oxford

- 4.16. Since the recession there has been a rapid increase in the number of Oxford residents claiming Jobseeker's Allowance. In October 2008 there were 1,600 claimants which had risen to 2,800 by March 2009. However the rate of increase slowed in April 2009 to a total of 2,900 claimants – the largest number since July 1997.

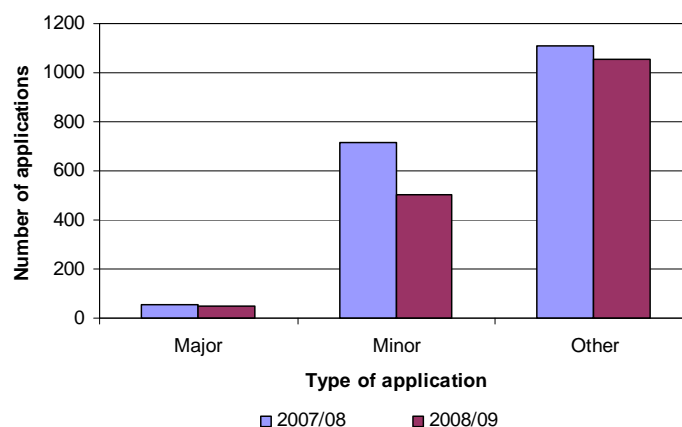
Claimants of Jobseeker's Allowance, Oxford and Great Britain 1992-2009



- 4.17. The retail sector is very important to the Oxford economy and has lost jobs through the closure of outlets including Woolworths, Zavvi and MFI. The BMW plant at Cowley provides approximately 5% of jobs in Oxford and has made severe cutbacks.

4.18. We have seen an impact on our services which indicate the Oxford is feeling the impact of recession. The total number of planning applications was 27% lower in 2008/09 than the previous year.

Number of planning applications submitted, 2007/08 and 2008/09



4.19. There has been a small increase (of 6%) in the number of working-age claimants of housing or council tax benefit since November 2008. There has also been a small reduction (of 4%) in the number of visits to city centre car parks (comparing 2008/09 to 2007/08).

Impact on Council budgets

4.20. With the Icelandic bank crisis and the turmoil in the money markets investment income on our cash investments has been the most affected. With the adoption of a more risk averse strategy in recent months, we are now very restricted to the number of financial institutions that we can lend to, and in recent months new deposits have been solely with the debt management office. Latest projections suggest that in 2009-10 this may result in a budget shortfall of £500k.

4.21. Whilst we are fortunate that we have significant income streams to fund revenue expenditure, it does however mean that when there is an economic downturn we are more exposed. Two of the most significant income streams for the authority are car park income receipts and commercial property income generating a combined budgeted income of £ 14 million. To date the effects of the downturn have not been as severe as feared. As at the end of August car park income is projected to remain on budget, despite usage figures being slightly down on last year. Commercial property set to achieve budgets but risks of voids and at next review are being carefully monitored.

4.22. To offset the risks of reduced income from the recession, the three year budget approved by Council in February 2009 set aside £ 300k in 2009-10 and 2010-11. We plan to budget for a further £ 150k in 2011-12. To date, the main income shortfall has been in Building Control.

Chapter 5 – Issues Facing Oxford City Council

General Factors (all Funds)

Pensions

- 5.1. The City Council is part of the Oxfordshire Pensions Fund, which is administered by the County Council. The rate of contributions is set following a three yearly revaluation of the fund by the appointed actuary.
- 5.2. The next review of contributions will be in March 2011, based on the actuarial review as at 31st March 2010. The impact of the banking crisis and economic downturn on financial markets has led to significant underfunding of pension schemes.
- 5.3. The actuary has provided an approximate update of the position for the Oxfordshire Fund. The update finds that:
 - As at the 30th June 2009, the assets of the Oxfordshire Fund were only sufficient to fund 49% of the liabilities, compared to 78% at the 2007 Valuation
 - The average employer contribution rate would need to rise from 19.9% of pensionable pay at the 2007 Valuation, to 31.4%.
- 5.4. Increased costs of this magnitude have been identified across the county, and have led to further consultation from the Government. Consultation covers potential new approaches to the 2010 Valuation, encouraging administering authorities to take a more flexible approach in defining solvency levels and funding targets, taking into account the statutory covenant that underwrites the scheme. Consultation is also planned on wider changes to the Scheme itself.
- 5.5. It is looking unlikely that any wider changes would be introduced in time to impact the 2010 valuation, and also that financial markets will recover sufficiently to materially change the position.
- 5.6. The Administering Authority will be looking at ways to minimise the impact on employer contributions as a result of the 2010 valuation. Traditional areas for review will be the standard length of the recovery period for past service deficits (currently 25 years), the number of steps to move to new rates (currently 3 steps over 3 years – alternative 6 steps over 6 years), and short term investment returns. A reviewed Funding Strategy Statement will be subject to consultation with all employers in the autumn.
- 5.7. The figures provided by the Actuary are based on the average figures for the fund as a whole. The figures for an individual employer can vary significantly, as can the degree of flexibility permitted by the statutory covenant.

- 5.8. Oxford's membership is more mature than the average for the fund (27% pensioners compared with 22% for the Fund as a whole, and 42.7% current employees compared with 44.2% for the Fund as a whole). This factor on its own would suggest a higher than average increase in the City's contribution rate. Our statutory covenant does, however, give scope to be fairly flexible within an overall framework, by increasing the recovery period and allowing more steps.
- 5.9. In the past the Actuary has looked to restrict increases to about 2% of pensionable pay per year on the grounds of affordability (6% over the 3 year valuation period). Given all the changes there is clearly no right answer at this stage. In modelling the 3 year budget we have assumed an increase from the current contribution rate of 20.2% to 23% in 2011-12. This adds £723k per annum to costs for the General Fund. Each 1% increase in employer's contribution rate costs the General Fund £264k per annum. The level of pension contributions is a major budget risk factor and is one of the five key sensitivities tested in scenario modelling.

General Fund

National Concessionary Fares Scheme

- 5.10. Concessionary Fares remains a key risk for the Council. The introduction of the National scheme in 2008-9 has resulted in a serious financial deficit for the Council. Growth has resulted in £1.9m additional expenditure against an additional government grant of £830k. This results in a shortfall in funding of £1.1m that has meant that scarce resources have been diverted from other services. The council has been lobbying hard for fairer funding through the LGA, the local MP and the responsible minister.
- 5.11. The Council's situation is complicated by the "Reimbursement formula", the formula by which the bus companies are paid for carrying passengers who qualify for the Concession. The formula is locally agreed between the Council and the bus companies. The formula is designed to leave the bus companies no better or no worse off from carrying the Concessionary fare passengers and the Council balances this requirement with keeping the cost to the Council as low as possible. The formula is complicated and relies upon estimates of growth, elasticities, numbers of fare paying passengers etc. There are therefore a number of aspects that can be interpreted in different ways. The bus companies appealed the formula set by the Council for 2008-9 and the Department for Transport finally resolved the formula (at the second attempt) in May 2009. This resulted in additional payments of £900k to the bus companies. This was a bitter blow to the Council as the appeal in prior years had resulted in a more favourable outcome.
- 5.12. The bus companies had reserved their position and appealed the Council's 2009-10 reimbursement formula. Bus Company

representatives and the Council had lengthy discussions over the summer and agreed a formula to enable us to avoid the appeal process.

- 5.13. The agreement reached is a reimbursement percentage of 51.5%. This compares favourably with the reimbursement rate set by the Department for Transport (DfT) in the 2008/9 appeal process of 58%.
- 5.14. Agreeing these figures, means that the Council can expect to spend in the region of £4.3m on concessionary fares in 2009-10 based on current bus fares and usage. This is more or less equivalent to final spend (post appeal) in 2008/9 (allowing for increases in fares and journeys). This is approximately £1.2 m greater than the 2009-2010 budget.
- 5.15. The Council predicts a shortfall of £1.5m in 2010-11. There have been suggestions that the Department may reallocate the special grant. If that were to happen the forecast shortfalls for Oxford City would reduce as the grant received should increase.
- 5.16. The Department for Transport has recently consulted on the administration of concessionary fares from 2011-12 onwards. The Department favours moving the administration from Districts to the next tier of Local Authority i.e the County Council. The City Council responded jointly with the other districts suggesting that the Scheme should be administered nationally by Central Government. The working assumption in this medium term forecast is that whoever administers the scheme, the City Council will lose funding equivalent to the sums paid out and so the inherent funding inequity will continue. However, it is possible that a more positive outcome would result; some neighbouring authorities have benefited significantly from the introduction of the new national scheme and the associated additional grant, and a transfer to the County level might iron out these anomalies in the County.

Elderly Services

- 5.17. The Elderly Services team is currently largely dependent on funding from the Supporting People Programme for its operations. Supporting People funds housing related support for elderly residents on low incomes, regardless of tenure. In addition to the direct funding for residents of council owned sheltered accommodation and community alarm users in the city, some of the other monitoring and support contracts which the team hold are essentially sub-contracts from other Supporting People funded organisations (e.g. monitoring alarms for housing associations in Cherwell, providing emergency cover for Housing Associations in the city). The total direct income from Supporting People in 2008/09 was around £650k. This equates to about 33% of total income. This does not include payments from sub-contracted services. Without these income streams, it is likely that the entire service would have to be disbanded, as residual income would not be enough to fund a 24/7 alarm control centre, and without that

function there would be no purpose in retaining a service. The SP Team have decided to restructure the services for which they pay across the county, with the aim of equalising service provision in all districts and across all tenures. To this end they have begun a tendering process. It is likely that there will be great interest from control centres and support providers in these tenders; it is likely that larger control centres will be able to offer very favourable rates for the monitoring service and that private sector support providers would be able to offer competitive rates. TUPE considerations are likely to apply should any part of the contracts be awarded to new suppliers. Should this not prove to be the case, worst case scenario would entail redundancy and pension payments in excess of £0.5m.

Housing Revenue Account

New build

- 5.18. On 8 September Housing and Communities Agency (HCA) advised us that our application to become an approved Investment Partner had been successful, which will enable us to apply for grant through the Government Challenge Fund and the National Affordable Housing Programme (NAHP). Also our submission of bids for grant from the Challenge Fund for Lambourn Road (38 units for general needs) and Cardinal House (53 units of Sheltered accommodation – a gain of 20 units) were successful.
- 5.19. Both developments have to commence in this financial year and be completed by 31 March 2011 and detailed project planning has now commenced. The total cost of the two developments is £12.2m and is proposed to be funded from £4.1m of Grant, £4.6m of prudential borrowing and £3.5m from OCC funding. Of the OCC funding £3m is from HRA capital receipts and £0.5m from General Fund Capital programme.
- 5.20. Grant is payable in two tranches, 60% at start on site (Jan 2010) and 40% at contract completion (Jan / Feb 2011). Approximately 15% of costs will be paid during 2009/10 and remainder in 2010/11. Prudential Borrowing and OCC funding will be required in 2010/11.
- 5.21. The Council will carefully monitor the value for money provided through this approach as compared with development with registered social landlords. Direct Construction could become a significant element of new house builds in the city.
- 5.22. Our very clear objective is to complete these projects within the specification, time and budget in our plan. This will enable us to consider other schemes in future years. Windale House/ Andromeda Close in Blackbird Leys is likely to be the next site for consideration.

Reform of Council housing Finance – HRA Subsidy system

5.23. The Department for Communities and Local Government published a Consultation document on 21 July 2009. The objective of the consultation is to find a long term, sustainable solution to improve or replace the current HRA subsidy system.

5.24. There are two broad models under consideration: -

1 – Improvements to a national system for funding council housing in which revenues continue to flow between local and central Government as a result of ongoing assumptions made by Government about landlord costs and income. – This is the existing system with some improvements.

2 – A devolved system (self financing) in which rents are retained by councils to spend on their own services, in exchange for a one-off reallocation of debt. – This is new and appears to be the preferred route. The key issue with this is the level of debt and how it is calculated.

5.25. All options would share a number of characteristics:

- Costs, standards and rents would be based on the same principles
- Local authorities would be required to draw up 30 year business plans based on updated stock condition surveys following the completion of their Decent Homes programme.
- All housing capital receipts would be retained locally and would be accounted for alongside housing revenues.
- Any option which is taken forward following the consultation process will be fully compliant with the Government's new burdens procedures.

5.26. The consultation closure date is 27 October 2009. The timetable for implementation depends on the level of agreement found with local authorities. If every authority could agree the Housing and Regeneration Act 2008 plus secondary legislation would enable terms to be accepted and implemented by spring 2010. This seems unlikely at best considering the amount of work to be undertaken and getting over 200 local authorities to agree. Should there be a need to achieve a national settlement through primary legislation, a self financing system could be operational for 2012/13 assuming parliamentary time is made available.

5.27. The favoured option is self financing. The Association of Retained Council Housing (ARCH) and Chartered Institute of housing (CIH) has actively put together reports and helped with basic modelling to determine a likely level of borrowing for each member of ARCH. The basis of debt level is presented by CLG as a formula taking the subsidy calculation and current level of subsidy debt. The formula being proposed starts with current rent levels and rises to convergence by 2016/17. It assumes management and maintenance allowances rise by

5% and major repairs allowance rises by 24% in first year. The main problem with this calculation is that it does not reflect costs being incurred by Local Authorities. This is partly because the recognised core housing services are the only items covered within the allowances. Cost reviews undertaken demonstrate that there is a further cost of 40% spent on non-core services such as supported housing, anti-social behaviour, personal advice etc. The CIH are recommending that management and maintenance allowances should rise by an average of 10% and that major repair allowances should rise by 43%. In addition costs such as disabled adaptation have been excluded from the formula on the basis that proceeds from right to buy sales could fund this cost.

- 5.28. The draft model put forward by CIH using the CLG guidelines shows that allocated debt for Oxford could be circa £209m, which includes existing Subsidy debt of £33m, an increase of £176m. This gives debt level of £23,900 per unit compared to the average debt level of £15,000. If the 10% and 43% allowance increase were agreed, debt would be reduced by £20m. Although this is a huge increase in debt level, interest and repayment needs to be compared to the existing subsidy payments currently being made, which for 2009/10 will be circa £11m. If we assume an interest rate of 6% on the increased debt the charge per year would be circa £11m.
- 5.29. Self financing could be a good option for Oxford and we intend to respond to the Consultation and continue with input to ARCH and CIH. In order to assess the effect and risk that would be placed on the HRA and General Fund we need to prepare a 30 year business plan based on our estimated actual spend and a revised stock condition survey. These changes may not proceed until next parliament, however we need the plan to demonstrate affordability and to make decisions on level of debt should there be a negotiation.
- 5.30 In conclusion, we need to be able to demonstrate that proposed changes to the HRA financing regime leave the Council in at least a “break even” position compared to the current situation, when all the financial impacts are taken into account.

Chapter 6 – 5 year modelling

Overview

- 6.1. The Council's Medium Term Financial strategy (MTFS) is based on a number of financial assumptions regarding the Council's future expected income and expenditure. A summary of the model for the General Fund is set out in Table 1 together with a set of technical footnotes.
- 6.2. The current economic uncertainty highlights the need to continually review the assumptions on which the model has been built. The risk and sensitivity analysis in Chapter 7 demonstrates the impact of varying the base assumptions.

Table 1 – Summarised MTFS (General Fund) 2010/11-2014/15

	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
1 Government Grants	(16.571)	(15.743)	(14.955)	(14.208)	(13.497)
2 Council Tax Income	(12.385)	(12.756)	(13.011)	(13.272)	(13.537)
3 Assumed movement in balances	(79)				
4 Use of LABGI (revised scheme)	(100)				
Funds available	(29.135)	(28.499)	(27.967)	(27.479)	(27.034)
5 Directorate Base Budget requirement	27.477	27.126	27.602	28.093	28.599
6 Investment Income	(407)	(531)	(1,008)	(1,008)	(1,008)
7 Net interest payable and capital financing	1.167	1.194	1.214	1.214	1.214
Specific funding requirements:					
8 Recession Related Pressures	300	150			
9 Pensions		723	723	723	1,243
10 NI 0.5%		176	180	185	190
11 Concessionary Fares	1,200	1,200	1,200	1,200	1,200
12 Icelandic Provision	250				
13 Transformation Funding	500	500	500	350	250
14 Transformation savings		(500)	(500)	(750)	(1,000)
15 Provision for pressures and high risk savings	500	350	200	200	200
Budget Requirement	30.987	30.388	30.111	30.207	30.888
Shortfall / (Surplus)	1.852	1.889	2.144	2.728	3.854
Annual Savings Target	1.852	37	255	584	1.126

Footnotes to Table 1

Line Number

1. Government grants are funds received from Central Government covering the redistribution of business rates from a central pool (OCC does not keep all of the business rates it collects) and Revenue Support Grant (RSG). 2010 – 2011 is the final year of the 3 year settlement for RSG. However, given pressure for reduced public spending we have assumed that RSG for 2010-11 will be held to 2009-10 levels, going forward the MTFS assumes a reduction of 5% each year from 2011-12 in advance of CRS11.
2. Council tax income assumes no rise in the Council tax base (the number of properties liable for Council Tax in Oxford). Previous plans

have factored in growth rates of 0.5% pa but in there has been no growth in 2008-09 or 2009-10. The MTFs assumes a Council tax increase of 4% in 2010-11, reducing to 3% in 2011-12 and 2% per annum thereafter. A 1% percentage point (ppt) increase or decrease represents a change of approximately £120k income for the authority.

3. *This represents the balance of funding agreed by Council in June 2008 utilising 2007-08 underspends.*
4. *LABGI (Local Authority Business Growth Incentive) has been confirmed for 2009-10 and is estimated for 2010-11.*
5. *The budget requirement for General Fund services based on current service levels and any assumed savings from 2009-10 (this will include increases in savings/new savings with effect from 2010-11)The MTFs assumes a pay settlement of no more than 1% in each of the financial years from 2010-11. As part of the budget strategy per 2010-11 Heads of Services and Directors agreed to inflation for only contractual commitments. CPI of 2% has been assumed in modelling.*
6. *Low interest rates have led to a dramatic fall in investment income; based on the latest forecasts from our Treasury advisors some recovery is expected by 2012-13 although to levels that remain much lower than before the banking crisis and economic downturn.*
7. *Corporate accounts includes revenue contributions to capital and net interest payable.*
8. *Provision to offset the impact of the recession on areas with high dependencies on income, including planning, building control and tourism. This has been extended into 2011-12 although at a reduced level.*
9. *Increase in contributions at the triennial review, as outlined in Chapter 5. There will be a further triennial review in 2014*
10. *Increase to employers' national Insurance contributions set out in the Chancellor's budget in November 2008.*
11. *Requirement to fund concessionary fares beyond the 2009-10 budget provision, as set out in Chapter 5.*
12. *Balance to fund the £600k impairment loss that will impact the General Fund in 2010-11.*
- 13-14 *Ongoing funding for transformation projects that will in turn generate future years savings.*
14. *To cover significant budget pressures (currently under review) and provide a contingency given the high level of savings to be achieved through 2009-10 and 2010-11.*

Progress on savings

- 6.3. Service Heads have prepared proposals for efficiency savings, transformation, procurement initiatives and increased income that contribute some £1.5m towards the 2010-11 budget savings target. Work is ongoing to prepare action plans for each saving with milestones and clear deliverables.
- 6.4. Further savings will need to be found to close the gap and balance the budget for 2011-12 and beyond. The Transformation programme is tasked with achieving a further £1m of savings over a 5 year period.

Housing Revenue Account (HRA)

- 6.5. The core model does not yet include the contribution from new build housing or potential impact of the reform of the HRA subsidy system.

Table 2 – Summarised MTFS (HRA) 2010/11 – 2014/15

	Actual 2008/09 £'000	Budget 2009/10 £'000	2020/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Income							
Rents and Service Charges	(33.012)	(33.688)	(33.922)	(34.253)	(34.725)	(35.203)	(35.692)
Expenditure							
Subsidy	10.521	15.773	15.317	15.494	15.750	16.010	16.274
Finance Charges	915	721	840	754	754	754	754
Tenancy Services	4.173	4.557	4.638	4.751	4.812	4.873	4.943
Repairs and Maintenance	7.102	7.698	7.176	7.714	8.064	8.149	8.262
Overheads	11.349	5.981	6.125	6.240	6.290	6.329	6.376
Sub Total	34.059	34.729	34.096	34.952	35.670	36.115	36.608
(Surplus)/Deficit	1.048	1.041	174	699	945	913	916
Required Surplus			(500)	(500)	(1.000)	(500)	(500)
Savings/Income required			(674)	(1.199)	(1.945)	(1.413)	(1.416)

Footnotes to Table 2

Rent: increases of 1.5% pa assumed, with a reduction in the number of properties to reflect the review of sheltered accommodation.

Subsidy: Guideline rents reduce by .09% in 2010-11 reflecting negative RPI, increasing by 1.5% thereafter

Repairs & maintenance: fees reduced by £250k pa from 2011-12 reflecting lower capital expenditure to maintain rather than achieve Decent Homes standard.

The required surplus is set at a level to make revenue contributions to capital funding, supporting capital spend to maintain the decency standard.

- 6.6. Oxford City Homes will review savings proposals at staff awaydays in October, and has a sound track record of meeting savings challenges.

Recommendation on Level of Reserves

- 6.7. The minimum level of reserves agreed in previous years has been:
£3 million for General Fund
£2 million for HRA
- 6.8. 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.
- 6.9. 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. The analysis undertaken in February 2009 as part of budget setting is summarised in Appendix F.
- 6.10. The list of financial risks included in the Service Risk Register Summary in Appendix E highlights a number of areas that the Council needs to be aware of and which may cause additional expenditure.
- 6.11. Recommendations on Council reserves for 2010-11 onwards will be made to Council as part of the final budget report. Again an assessment will be undertaken to arrive at this figure.
- 6.12. Factors that would influence the view on reserves include, for the General Fund, the profile of RSG reductions and pensions contributions increases. Under the worst-case scenario modelled in Chapter 7, with a 20% funding drop in 2011-12, consideration would need to be given to some temporary use of balances to allow time to build up transformational savings and review service priorities.
- 6.13. For the HRA, in assessing reform of the subsidy system to a self financing regime, consideration will need to be given to the impact on reserves requirements.

Chapter 7 – Risks and sensitivity analysis

- 7.1. This Council has in place an effective risk management which is embedded within the Council's Corporate and Service Transformation process to ensure that the Council's strategic and operational risks are identified and mitigated. Action plans are then put in place to improve the control environment where necessary. Appendix D summarises the main risks that are likely to have an impact on this new MTFS and which have emerged through the current corporate and service planning process. Risks for all major projects are assessed on a regular basis and actions taken to mitigate them where appropriate. Formal quarterly reviews are carried out across all risk registers within the Council, with Member involvement at the Audit and Governance Committee.
- 7.2. The risk management framework, which is supported by comprehensive financial and performance management, is a key element of the Council's corporate governance arrangements. The risk management framework also plays a key part in providing the necessary assurance that underpins the Council's annual governance statement.
- 7.3. There are risks involved in any forecast of future income and expenditure that may also vary from estimates within the current year. The processes in place help to minimise risk are robust and through regular review, risk will be effectively managed.
- 7.4. There are certain budgets that have been identified as having been volatile in the past, particularly those that are demand led. Regular and robust monthly budget monitoring helps to manage the impact of these risks.
- 7.5. Longer term forecasts of income and expenditure are subject to greater uncertainties. The impact of variations to the broad resources and expenditure assumptions regarding inflation and interest rates has been considered in the preparation of this report.
- 7.6. The MTFS has also been assessed using sensitivity analysis to allow for best and worst case scenarios. As noted above, there are certain items of the MTFS that are higher risk than others. The five most significant risk items have been identified and the summary of these risks and the potential scenarios is highlighted in Table 3.

Table 3: Scenario modelling

Medium Term Financial Strategy 2010-11 to 2012-13

	2010-11	2011-12	2012-13	2013-14	2014-15	
Worst case scenario £'000						
Council Tax		371	627	885	1151	0% increases from 2011-12 on
Investment Income	900					only 40% of Glitnir recovered
Concessionary Fares		500	500	500	500	Transfers but RSG impacted
Revenue Support Grant		2486	1963	1476	1020	20% reduction in 2011-12 then -2%
Pensions		1794	1794	1794	1794	Contributions rise to 30%
Total	900	5.151	4.884	4.655	4.465	
Base savings target	1.852	1.889	2.144	2.728	3.854	
Worst case scenario target	2.752	7.040	7.028	7.383	8.319	
Annual savings target	2.752	4.288	(12)	355	936	
Best case scenario £'000						
Council Tax						as core assumption
Investment Income						as core assumptions
Concessionary Fares	-300	-300	-300	-300	-300	Reallocation of Special Grant, upheld on transfer
Revenue Support Grant		-497	-960	-1389	-1788	2% reduction in 2011-12 then flat
Pensions		-203	-203	-203	-203	2% increase to contributions
Total	(300)	(1.000)	(1.463)	(1.892)	(2.291)	
Base savings target	1.852	1.889	2.144	2.728	3.854	
Best case scenario target	1.552	889	681	836	1.563	
Annual savings target	1.552	(663)	(207)	154	728	

7.7. Under the worst-case scenario, with several large negative impacts in 2011-12, a phased recovery would need to be planned. Under the best-case scenario the General Fund would have spare capacity in 2011-12 and 2012-13.

7.8. A risk register of the most significant risks to the MTFs is set out in Appendix D.

A Strategy for Investment

Chapter 8 – Oxford City Council Approach

Reshaping Council Services Around Priorities

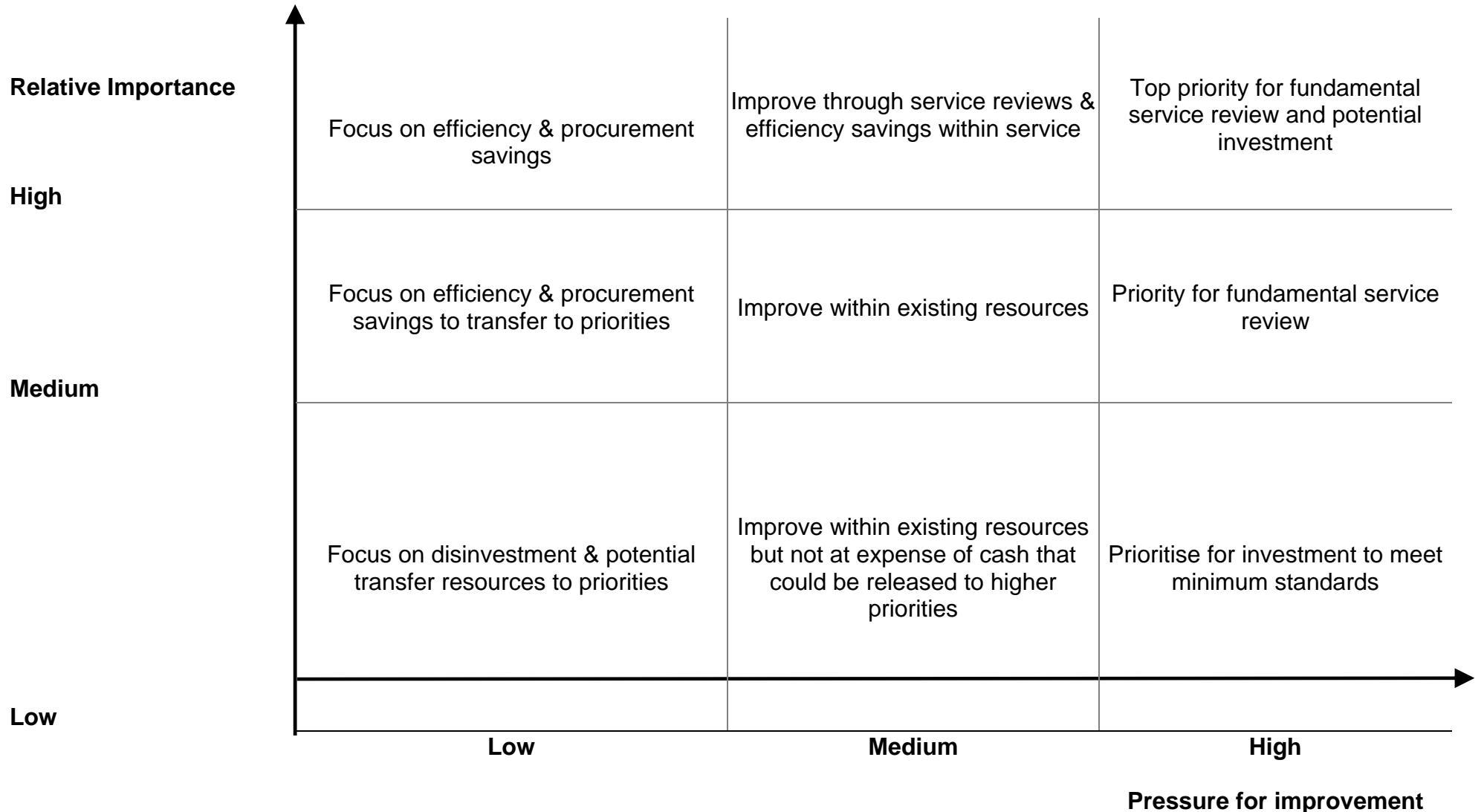
- 8.1 The Council has clear priorities identified in the Corporate Plan based on consultation, place shaping data, community planning etc.
- 8.2 We face continuing budget pressures and meet these through a range of processes the hierarchy of which is broadly
- Transformation
 - Efficiency and procurement
 - Fees and Charges
 - Partnering and in-sourcing
 - Outsourcing
 - Service prioritisation
- 8.3 Members have expressed a desire to see the transformation processes driven harder providing greater cashable savings whilst protecting and enhancing service levels. This is being taken up at the Transformation Board. Whilst the focus is on the upper end of this hierarchy the potential budget pressures in the medium term means that it is right and prudent to explore all measures.
- 8.4 What is proposed is a process by which members can understand spend and outcomes of existing services and rank them against current priorities and corporate plan. The emphasis will be on re-shaping the Council to protect and if possible invest in priorities.
- 8.5 The idea is to keep the modelling relatively simple, to provide an aid to decision making by political groups and the whole Council – not to provide “the answer”.
- 8.6 Consultation typically focuses on priorities and what people and communities need and want. This process also identifies lower priority areas where consultation is proposed when propositions are formed and will be targeted at stakeholders who are in an informed position to comment and assist the Council in coming to a conclusion.
- 8.7 It is proposed to have a two stage approach. The first would score services in two dimensions and plot them on a grid. The first dimension “Relative Importance” will rank the service through its contribution to the corporate plan and Council priorities and constraints. The second relates to the pressure to improve relative to the place survey, public opinion, performance, inspections and audit reports. The proposed scoring matrix is shown on page 37

- 8.8 These rankings will be used to populate a grid show on page 38. The text describes the sorts of activities, which would be directed at those services that land in the boxes following the scoring exercise. However, the officer scoring process will not be definitive – it is the starting point for moderation by members. From the moderated grid those areas requiring investment and possible areas for disinvestment can be identified. Reflecting different preferences and priorities it is likely that there would be differences in the scoring and distribution of services across the grid between political groups. This is a strength of the process in that it first assists groups to come to their own view and assists officers in understanding their views.
- 8.9 For the second stage it is proposed to use small group Simalto ('Simultaneous Multi Attribute Level Trade Off') in political groups to aid the trade off judgements between investing in priorities and maintaining the status quo. A briefing on the use of Simalto is being planned. Basically Simalto would assist members in identifying those investments that will produce the greatest increase in satisfaction and those reductions in other areas, to fund them, which would cause the least "displeasure".
- 8.10 Having completed these exercises the political groups should be better informed and well prepared for cross and intra party debate about reshaping council services around priorities. We will also assess the scope for engaging the public in a similar, albeit higher-level exercise around the Council's priorities.

Medium Term Financial Strategy 2010-11 to 2012-13

SCORING MECHANISM			
Relative Importance of Service (RIS)			
Linkage to Corporate Plan	5	Specific Target in Corporate Plan	
	2	Contributes/Supports Specific Target	
	1	Contributes/Supports Priority	
	0	Little/No Linkage	
Statutory	2	Statutory with Some Discretion	
	1	Statutory with Much Discretion	
	0	Discretionary	
Nation/corporate plan of CAA performance	2	Specific Indicators	
	1	Contributes/Supports Indicator Success	
	0	No Linkage	
Public views/ local support/ reputational risk	2	High	
	1	Medium	
	0	Low	
Pressure for Improvement (PFI)			
Place surveys and other public views	5	High Priority for Improvement	
	2	Medium Priority for Improvement	
	1	Low Priority for Improvement	
	0	No Priority for Improvement	
Performance Indicators Performance	2	Bottom Quartile and a priority	
	1	Middle Quartiles and a priority	
	0	Top Quartile or not a priority	
Inspection or Audit	3	Requirements	
	2	Recommendations	
	1	Observations	
	0	None	
Value for Money	3	Appears poor value for money	
	2	Value for money questionable	
	1	Appears to be OK value for money	
	0	Appears good value for money	

Service Prioritisation Grid



Value for Money

- 8.11 The Audit Commission's 2007-08 assessment scored Oxford City Council at level 2 for value for money. This represented a step change from previous ratings at level 1 and for the first time assessed the Council as having evidenced current achievement of value for money. The Audit Commission stated: *While the Council has high cost services compared with others, it has achieved some marked improvements in delivering better outcomes in service such as strategic housing, homelessness, planning and culture*"
- 8.12 The second part of the assessment considered to what extent the Council manages and improves value for money, and acknowledged the progress made through Leisure market testing and partnerships with Oxfordshire County Council for the delivery of ICT and Park & Ride services.
- 8.13 The Audit Commission went on to say: *The Council needs to emphasise its detailed service review programme, secure partnership efficiencies, and deliver on its plans to balance revenue, assets and longer term capital in order to better fulfil its priorities for the City of Oxford and its residents. It is important as part of this that the Council follows through on its proposed market testing of waste and the fundamental review of City Works.*"
- 8.14 The basis for assessment for the 2008-09 Use of Resources has broadened and the Key Lines of Enquiry (KLOE) focus more on value for money achievements, outputs and outcomes rather than on processes, and are more strategic and less detailed. Value for Money is therefore a crosscutting theme through all the KLOEs. The Council has achieved a score of 3 for *KLOE 1.3 (understanding costs and achieving efficiencies)*, recognising the rapid improvements made and levels of efficiencies achieved.

Understanding the Council's costs against our priorities

- 8.15 In 2008 we commissioned KPMG to map each service's cost against performance. This provided an independent update to the overall pattern of how cost has mapped against performance, although not all services could be covered comprehensively. The mapping endorsed our priority areas for review – Leisure and then City Works.
- 8.16 As part of the preparation for the 2010-11 budget and Service Transformation Plans, we have analysed our cost and performance profiles, starting from the latest published Audit Commission profiles and CIPFA statistics and then drilling down to more detailed analysis by each Service including data through membership of benchmarking clubs. Details of this analysis are shown in Appendix C. This will be

used to inform the selection of areas where further focus on efficiency should be sought.

Fundamental Service Reviews

- 8.17 The success of the Leisure service review and market testing leading to a contract with a partner that will deliver significantly improved facilities and services in addition to cost savings demonstrates a track record in delivering fundamental service change.
- 8.18 The City Works Fundamental Service Review includes a market testing exercise for waste and recycling services alongside work to strengthen and improve the value for money of the in-house offer.
- 8.19 A comprehensive plan for market testing has been drawn up. Further reviews planned include the hard benchmarking of Housing Repairs and market testing car parking and grounds maintenance.

Efficiency

- 8.20 The 2007 Comprehensive Spending Review (CSR07) tasks all public services with achieving at least 3% net cashable efficiency gains per annum over 2008-09 to 2010-11, which amounts to £4.9 billion for Local Authorities.
- 8.21 National indicator N179 seeks information on the value of efficiency gains achieved by councils during CSR07. The target has been set as part of the LAA, representing 3% per annum net efficiency gains or a cumulative 9.3% over the 3 year period. The Oxfordshire LAA has set itself a "stretch" target of achieving 3.1% per annum on the revenue element of the baseline.
- 8.22 The target for efficiency savings set out in CSR07 is calculated from a combination of net revenue and capital expenditure for both the General Fund and HRA from a 2007-08 base. There has been some refinement to base data calculations by CLG and Oxford City Council's target is £1.543k for 2008-09 or £4.630k of ongoing efficiencies by 2010-11. The stretch targets are £4.718k or £1.573k per annum. General Fund and HRA revenue savings and capital savings can count towards this target.
- 8.23 The 2009-10 budget set savings of £4.3m for the General Fund and £1.1m for the HRA. From these totals, £3.0m and £0.6m respectively will count towards efficiency targets. In 2009-10 significant savings are also on track from 2008-09 budget initiatives, notably the outcomes from the Leisure market testing and partnership with a NPDO provider. The total internal efficiency target for 2009-10 is £4.5m. Further efficiency savings are targeted for 2010-11 giving a total of £9.0m over

the 3 year CSR07 period. This is 180% of the initial stretch target, significantly exceeding the additional 1% now required for 2010-11. .

Asset Management

8.24 An updated Asset Management Plan was approved for consultation in June 2009. The Plan focuses on the Council's future actions regarding the use of its property and its approach to each different category of its property. The Asset Management Plan, together with our Capital Strategy and Treasury Management Strategy, provides a framework for the prioritisation and financing of capital investment.

8.25 The "Asset Management plan 2009 on a page" is reproduced here:



Chapter 9 – Transformation

Transforming Oxford City Council

- 9.1. Oxford City Council has been implementing a Business Transformation Programme since April 2008 that is fundamentally changing the way the Council works to achieve improved value for money and improved services for its 150,000 citizens and nine million annual visitors. This is an ambitious four year programme, which aims to deliver ongoing annual savings of almost £7m by March 2012.
- 9.2. The Business Transformation Programme is directly linked with the Council's Corporate Plan via the corporate priority to 'transform Oxford City Council by improving value for money and service performance'. The Council's plans for transforming are detailed in our Business Transformation Strategy which defines two strategic objectives: to improve value for money and improve services for customers. This sets an ambitious agenda for the Council that has required the introduction of new ways of working as well as application of updated technologies. With a vision to be 'world-class', only the best and the boldest will do.
- 9.3. As such, the Programme is being directed to meet these objectives and deliver transformational change. Six out of sixteen projects have already been completed in 2008-09. Seven key areas of change were identified, including:
- 9.4. **Offices for the future:** To make the most effective use of our assets, the Council has developed an ambitious office accommodation strategy and rationalisation plan. One of the Council's offices has already been released, freeing up 909m² (12%) of office space with plans to reduce this by a further 1,441m², making a total reduction of up to 33%.
- 9.5. **Modernise corporate services:** To make the most effective use of our people and assets, the Council has developed a shared service partnership with Oxfordshire County Council for Information and Communication Technologies (ICT). This has resulted in annualised savings of £200,000 and an increase in service request completion from an average of 70% in 2008 to 90% in 2009.
- 9.6. **Future working – modernising workforce:** Starting with a restructure of the Council's Senior Management Team, we have already completed a full management restructure of all service areas, releasing 1 in 5 managers. This has supported the wider workforce reduction, reducing our total workforce by 5% from 1,351 staff to 1,273 staff during 2008-9. Single status is being introduced in October 2009 to move all staff to common terms and conditions.

- 9.7. **Fundamental service reviews:** The Council has created Partnership arrangements for the delivery of our Leisure services and Park and Ride that will create ongoing annual savings of over £3m and improved services for our customers. Waste and recycling services are currently being reviewed and we expect a £ 300k reduction in costs whilst improving performance and customer satisfaction.
- 9.8. **Customers First:** To be world-class, the Council is focused on serving our citizens and we have been working hard to join up our work across all service areas. This has included the successful introduction of a customer relationship management (CRM) approach in June 2009 for all 8,000 council properties, which manages over 300 transactions per day. Taken with the move to a 'one number for all services' contact centre in the early part of 2010 and the Council's broader customer contact improvement, this will constitute a major improvement in the way the Council interacts with its customers as well as reducing transaction costs.
- 9.9. **Improve local decision making and involvement:** Improvements in the ways we consult with communities involves more than just achieving statutory requirements and aims to include all stakeholders in the strategic planning and prioritisation of services. Current projects include:
- a new 'City Wide' consultation this year
 - the development of an eConsultation database of citizens interests to enable tailored communication on a regular basis
 - the Regeneration Framework which strives to improve services and the local environment for the least prosperous communities in Oxford, and also sustain the involvement of local people in shaping their areas.
- 9.10. **Carbon management:** Oxford City Council's carbon management programme has been cited by the Carbon Trust as an "*excellent example of best practice*". In 2008-9 the Council reduced its carbon emissions by over 800 tonnes or 8% of total emissions from its core operations and will reduce emissions overall by at least 25% by March 2012.
- 9.11. The citizens of Oxford expect value for money and excellent services for the Council tax they pay. This has become increasingly important in the current financial climate and the Council has already successfully achieved savings of £3.5m during 2008-9 alone. The Council has set a further ambitious target to achieve £5.6m savings by March 2012, reducing our base budget by 10%. These savings are on par with and in some cases exceeding those authorities currently considered to be providing 'best' practice.
- 9.12. With a focus on benefits, rather than just project outputs, the Council uses a good practice approach that oversees projects from idea to benefit realisation. The Programme's key benefits include:

- Increase customer satisfaction by 10%
- Reduce our workforce by 5%
- Reduce the Council's office footprint by 10%, enabling assets to be released
- Reduce the Council's carbon emissions by at least 25%
- Deliver improved value for money, as recognised by the Audit Commission's Use of Resources assessment
- Achieve 10% efficiency savings overall from the 2008/09 base
- Increase in the % of contact resolved at first point to over 50%
- Increase staff job satisfaction to 75%
- Reduce avoidable contact by 10%
- Increase staff attendance to 96%
- Increase in the number of customers that can reach us first time on the councils main service lines to 90%
- Increase the number of transactions (including financial) carried out online by 10%
- Reduced the cost of goods and services bought in by £200,000 per annum.

9.13. Achievements to date include:

- the Council has moved to a level 2 Use of Resources assessment (from level 1);
- according to estimates from MORI based on the Place Survey, overall customer satisfaction with Oxford City Council shows a relative improvement compared to national results. Nationally, satisfaction with local authorities has dropped from 52% in 2006 to around 45% at the beginning of this year. This represents a drop of 7%, while Oxford City's score dropped by just 2% to 48% in the latest survey and is now above average.
- Savings of £200,000 were achieved in 2008/9 through procurement activity, which now forms a year on year target.

9.14. Much of the work we are implementing is putting us at the forefront of Transformation in Local Government. As well as our ambitious financial and non-financial targets, the Council has also kept pace with the latest approaches and technologies to deliver services, including CRM and mobile working. With a significant drop in government settlement forecast for 2011-12, Oxford City Council is making the necessary changes now so that the Council's service users do not feel the impact.

Chapter 10 – Income Generation

- 10.1. During 2008, both CIPFA and the Audit Commission produced reports on Charging within Local Authorities. The Audit Commission undertook a “critical friend” audit of Oxford City during the Summer of 2008. Their final report in September 2008 identified some good practice within the Council but identified no overarching Strategy.
- 10.2. The strategy determines the principles used to set fees and charges. The basic principle for all fees and charges is as set out in the MTFs agreed in September 2008. This is as follows:
- To set fees and charges to achieve corporate objectives
 - To set fees and charges to recover the full cost of the service (but with regard to corporate policies and households on limited incomes
 - To define full cost as all costs including organisation overheads
 - To define “households on limited incomes” as those in receipt of Council Tax or Housing Benefit (although this definition may be varied for particular services)
- 10.3. The full strategy can be found at <http://www.oxford.gov.uk/council/fees.cfm>
- 10.4. The next step will be to audit all current fees and charges. As part of the 2010-11 budget, all Service Heads will be required to complete a programme for each fee/charge. This approach is based on the Audit Commission website directory of Fees and Charges. This will define the reasoning behind the charge and provide the Council with reasons for levels of charges. Alterations to individual charges will be made for the 2010-11 budget or sooner if it is deemed practicable.

Chapter 11 – Capital Programme

Capital Programme Pressures

11.1. Although the Council runs one capital programme, the programme is split into two – the HRA programme covers predominantly Decent Homes whilst the General Fund programme covers the remainder of the Council's assets. There are two different funding approaches. The HRA relies on asset disposals of surplus properties resulting from implementation of stock strategies and reviews. The General Fund is moving away from asset disposals to the use of prudential borrowing where a robust business case exists. The Council continues to seek external funding where possible. The Council is pleased to have been successful in securing £ 4.1 million for new Council House building at Lambourn Road and Cardinal House;

General Fund

11.2. 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. The Maintenance backlog is under review following key decisions made during the past 18 months that start to reduce the backlog through investment (new Leisure contract), reduce through rationalisation of assets (the closure of Northway offices and Cowley Community Centre) and a revised Asset Management Plan that is currently being consulted on. The Council has earmarked £700k of revenue funding on an annual basis. The allocation of this funding to specific projects is agreed annually.

11.3. The Council is working in partnership with Fusion (the Council's Leisure provider) to upgrade the Council's Leisure facilities. The Council is investing £4m over the next 3 years. This is being funded through prudential borrowing. The Council has a major ambition to build a new pool to coincide with the 2012 Olympics. The new pool will be funded from a combination of asset sales from surplus Leisure sites and prudential borrowing. Planning is still at an early stage.

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. The Council's Corporate Plan has ambitions for capital investment for which other funding sources must be found. The Council is actively seeking external funding and working with partners to ensure that regeneration projects such as Barton can be

delivered. Prudential Borrowing is a key source of funding and many projects have been worked up to make use of this funding. The Council has guidelines for this published in the Capital Strategy. Service managers have developed action plans to achieve these aims and these plans are waiting for formal approval through City Executive Board before inclusion in the capital programme.

- 11.6. During the 2009/10 budget process the Council made the decision to switch funding for Private Housing Grants from capital receipts to be funded from annual revenue contributions.

Medium Term Financial Strategy 2010-11 to 2012-13

CAPITAL PLAN - GENERAL FUND

Programme / Scheme	2010/11 Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	2014/15 Budget	Total Future year Budgets
	£	£	£	£	£	£
Capital Plan - Summary Of Categories						
Core General Fund						
Capital Programmes						
MT Vehicles/Plant Replacement Prog. R0005	843.000	1.001.000	2.245.000	1.400.000	-	5.489.000
Disabled Facilities Grants E3521	690.000	690.000	690.000	690.000	690.000	3.450.000
Playground Refurbishment A1300	1.200.000	100.000	-	-	-	1.300.000
Housing Delivery (Funded via New Growth F M5016)	500.000	-	-	-	-	500.000
	3.233.000	1.791.000	2.935.000	2.090.000	690.000	10.739.000
Unfunded Maintenance backlog	2.844.753	1.939.065	1.403.040	697.310	-	6.884.168
Total Capital Programmes	6.077.753	3.730.065	4.338.040	2.787.310	690.000	17.623.168
Capital Projects						
Old Fire Station M5015	2.616.000	-	-	-	-	2.616.000
Lambourn Road Properties Re-Developmen Z2028	500.000	-	-	-	-	500.000
ICT Infrastructure C3039	100.000	100.000	100.000	100.000	100.000	500.000
Jericho community centre (OCC contributor Z3513)	100.000	-	-	-	-	100.000
Repairs:						
DDA - Admin	12.700	-	-	-	-	12.700
DDA - Parks	32.692	-	-	-	-	32.692
Non DDA - Admin	630.000	700.000	700.000	700.000	700.000	3.430.000
Total Repairs:	675.392	700.000	700.000	700.000	700.000	3.475.392
Total Capital Projects	3.991.392	800.000	800.000	800.000	800.000	7.191.392
Total Core General Fund	10.069.145	4.530.065	5.138.040	3.587.310	1.490.000	24.814.560
Non Core General Fund						
Developer Contribution Projects	470.930	-	-	-	-	-
Total General Fund Capital Plan	10.540.075	4.530.065	5.138.040	3.587.310	1.490.000	-
Capital Funding Availability						
Capital Receipts	745.392	100.000	100.000	100.000	100.000	-
Developer Contribution	470.930	-	-	-	-	-
DRF GF	1.000.000	1.000.000	1.000.000	1.000.000	1.000.000	-
Government Funding	3.122.393	390.000	390.000	390.000	390.000	-
Prudential Borrowing	2.356.607	1.101.000	2.245.000	1.400.000	-	-
Unfunded Maintenance Backlog	2.844.753	1.939.065	1.403.040	697.310	-	-
Total Available Funding	10.540.075	4.530.065	5.138.040	3.587.310	1.490.000	-
Total Uncommitted Funding Available	-	-	-	-	-	-

Note: Schemes currently being funded from Prudential borrowing include office accommodation and the old fire station project.

Housing Revenue Account

HRA – Funding

11.7. The HRA funding has been summarised in the table below.

11.8. This summary includes the new build projects of Lambourn Road and Cardinal House.

11.9. The following assumptions were used:

- interest during is capitalised during contract and met out of revenue thereafter
- no repayment of capital during this period
- General Fund repayment of capital receipts in 2010-11
- The £0.5 million contribution to Lambourn Road will be available in 2010-11

11.10. With regards to the sale of Grantham House in 2011-12, a review is taking place to determine whether it is better to wait for the market to recover further or to take an earlier sale. While the Council is waiting to see if it is possible to obtain grants for other proposals, other Sheltered major spend has been deferred, as have the proceeds from sale.

11.11. Beyond 2010, capital spend on maintaining the decency standard is £6.1 million. However, additional expenditure on e.g. Disable Adaptations, generally not funded from HRA allowances, will be incurred. If a normal capital spend of circa £7 million is assumed, the funds will continually be short of £1.5 million per annum. The basis for this assumption is an MRA of £5 million, RCCO of £0.5 million. Right to buy sales have been left at 3 per year with retention of 25% of the proceeds.

11.12. This means that the HRA is funded until 2011-12 with grant and prudential borrowing on the condition that the sales proceed (including Grantham) are generated.

Medium Term Financial Strategy 2010-11 to 2012-13

Oxford City Homes

Funding Summary

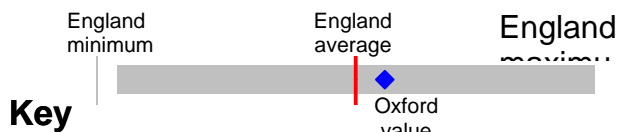
Position as at 30 September 2009

Expenditure Element	Total	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Capital Spend Requirement												
Decent Homes	89.211	9.065	13.508	9.810	7.767	9.194	7.967	7.500	6.100	6.100	6.100	6.100
Other-Disabled Adaptations	8.176	1.204	772	747	661	1.232	580	580	600	600	600	600
Sheltered-Decency and remodelling	12.340			330	997	721	1.000	1.000	1.000	1.000	1.556	4.736
Lambourn Road and Cardinal House	12.200						1.815	10.385				
Tower Blocks-Decency and other essential works	7.283			3		51	750	779	1.200	1.500	1.500	1.500
Mascal	3.049				3.063	(14)						
Shops/100 acres	1.500				3	0	174	200	200	200	300	423
Pot. Sale proceeds from Shelterd Blocks	(5.600)								(3.600)			(2.000)
Funds Required	128.159	10.269	14.280	10.890	12.491	11.184	12.286	20.444	5.500	9.400	10.056	11.359
Funds Available												
Supported Borrowing	7.658	2.457	3.017	546	546	546	546					
Prudential Borrowing	4.600							4.600				
Grant	4.100						2.460	1.640				
MRA	56.810	5.952	5.174	5.097	5.190	5.197	5.200	5.000	5.000	5.000	5.000	5.000
RCCO's	11.018	1.290	3.727	0	0	4.042	(1.041)	500	500	1.000	500	500
Capital Receipts B/Fwd	3.840	570	3.270									
General Fund	500					(2.681)		3.181				
Capital Receipts												
- RTB's - Forecast	853						103	150	150	150	150	150
- RTB's - Actual to date	1.835		730	409	381	258	57					
- Hostels - Actual to date	5.207		2.734	1.689	784	0	0	0				
- Other - Actual/Contracted	17.141		1.314	694	8.855	6.279	0	0				
- Other - Forecast												
- Sold	1.376				0	0	1.376	0				
- Approved and on Market	0				0	0	0	0				
- Approved and not on Market	2.605				0	0	0	2.605				
- Potential yet to be approved	0				0	0	0	0				
	117.543	10.269	19.966	8.436	15.755	13.640	8.702	17.676	5.650	6.150	5.650	5.650
Funding Surplus / (Shortfall) per year	(10.616)	0	5.686	(2.454)	3.264	2.456	(3.585)	(2.768)	150	(3.250)	(4.406)	(5.709)
Cumulative			5.686	3.231	6.496	8.952	5.367	2.599	2.749	(501)	(4.907)	(10.616)

Appendix A – Oxford Profile 2009

OXFORD PROFILE 2009

The rank figure indicates how Oxford compares to other local authorities in England i.e. a rank of 1 means the highest value of any local authority. Most ranks are of 354 local authorities, although some measures use the 326 local authorities in existence since April 2009.



Notes

Domain	Note	Indicator	Oxford	Rank (of 354)	England average	England min	England range	England max
Population	1	Population growth 2001-2007	11.4%	7	3.3%	-2.3%		15.1%
	2	Population turnover	25.4%	1	12.2%	7.7%		25.4%
	3	Student population	26.0%	1	7.3%	1.7%		26.0%
	4	18-24 age group	23.1%	1	9.4%	4.8%		23.1%
	5	Non-white population	12.9%	49	9.1%	0.3%		60.6%
	6	Residents born outside UK	19.3%	31	9.2%	1.2%		46.5%
Economy	7	Average weekly earnings	498	126	484	351		862
	8	Jobseeker's Allowance claimants	2.6%	244	4.1%	0.2%		7.9%
	9	Unemployment	5.2%	163	5.8%	2.6%		11.7%
	10	No qualifications	28.7%	268	34.5%	13.2%		54.2%
	11	Level 4/5 qualifications	36.8%	12	19.9%	8.5%		60.2%
	12	GCSE attainment	38.1%	327	49.1%	27.5%		74.1%
Housing	13	House prices (£000)	225.0	46	160.0	67.5		450.0
	14	Earnings to house price ratio	10.6	48	7.0	3.7		13.7
	15	Private rented housing	20.8%	10	10.0%	3.8%		32.3%
Quality of life	16	Life expectancy (years)	79.6	180	79.5	77.8		82.3
	17	Crime (all per 1,000 residents)	134.4	24	91.3	27.4		275.7
	18	Index of Child Well-Being 2009 (1 = least well-being)	95	95	177.5	1		354
	19	Carbon emissions	7.1	169	7.2	4.6		15.7

1. Population growth 2001-2007 from mid-year population estimates, Office for National Statistics. 2. Percentage of total population who moved home in last year, 2001 Census. 3. Percentage of population aged 16-74 years identifying as full-time students, 2001 Census. 4. As percentage of total population, 2007 mid-year estimate, Office for National Statistics. 5. Proportion of population identifying as from non-white ethnic group, 2001 Census. 6. As percentage of total population, 2001 Census. 7. Annual Survey of Hours and Earnings 2008, from Nomis. 8. Jobseeker's Allowance claimants as percentage of working age population, July 2009, Department for Work & Pensions. 9. Model-based unemployment as percentage of economically active population, January to December 2008, Office for National Statistics. 10. People with no qualifications as percentage of population aged 16-74 years (excluding students), 2001 Census. 11. People with Level 4/5 qualifications (HND, Degree and Higher Degree level qualifications or equivalent) as percentage of population aged 16-74 years, 2001 Census. 12. Percentage of 16 year-olds achieving 5+ GCSEs grades A*-C (including English & Maths) 2007/08, Department for Children, Schools & Families. 13. Median house price based on Land Registry data, Q1 2009, Communities & Local Government. (Kensington & Chelsea removed as significantly higher than other local authorities.) 14. Ratio of lower quartile house price to lower quartile earnings 2008, Communities & Local Government. (Kensington & Chelsea removed as significantly higher than other local authorities.) 15. Percentage of households in private rented housing, 2001 Census. 16. Life expectancy 2004-06, Association of Public Health Observatories. 17. All recorded crime per 1000 population 2007/08, Home Office. 18. Index of Child Well-Being 2009, Communities & Local Government. 19. Total end user CO2 emissions per capita (tonnes CO2 per resident) 2006, DEFRA. (City of London removed as significantly higher than other local authorities.)

ECONOMY

Economic activity rates, 2008

	Oxford	England
Economically active ¹	76.8%	78.9%
In employment ¹⁰	73.4%	74.2%
Unemployed ²	5.2%	5.8%
JSA claimants ³	2.6%	4.1%

ONS Annual Population Survey 2008

Total employee jobs⁴, 2007: 101,900
VAT registered businesses⁵, 2007: 3,545

Qualifications levels, 2008

Qualification	Oxford	England
NVQ4 and above	40.8%	28.7%
NVQ3	21.8%	17.8%
NVQ2	8.4%	18.1%
NVQ1	10.2%	14.2%
Other quals	13.3%	8.9%
No qualifications	5.5%	12.3%

ONS Annual Population Survey 2008

CRIME

Change in recorded crime

Crime type	2007/08	2008/09	% change
Burglary dwelling	788	907	15%
Car crime	1,816	1,866	3%
Violent crime	2,823	2,874	2%
Criminal damage	2,848	2,883	1%
All crime	20,034	20,627	3%

Thames Valley Police

HEALTH

Life expectancy by gender, 2005-07

Gender	Oxford	England
Male	78.1	77.7
Female	82.5	81.8

Oxford Health Profile 2009, Association for Public Health Observatories

Life expectancy difference between best and worst wards, 2002-06: 10.7 years⁶

¹ Proportion of working age population

² Proportion of economically active population

³ Jobseekers Allowance claimants, Department for Work and Pensions July 2009; proportion of working age population

⁴ ONS annual business inquiry 2007

⁵ BERR VAT registrations/deregistrations 2007

⁶ Decision Support Team, Oxfordshire Primary Care Trust

HOUSING

Households by housing tenure, 2001

Type	Oxford	England
Owner occupied	54.9%	68.7%
Rented from LA/RSL	21.2%	19.3%
Private rented	17.5%	8.8%
Rented from other	6.4%	3.2%

2001 Census, ONS

Total dwellings⁷, 2008: 57,068

Homelessness 2008/09

Measure	Oxford number	Oxford rate	England rate
Claims	571	--	--
Acceptances	147	2.6	2.5
Households in temporary accommodation (at 31/03/09)	395	7.1	3.0

Oxford City Council; rates are per thousand residents

House prices, 2008

Measure	Oxford	England
Mean house price	£334,419	£220,310
Median house price	£257,500	£174,000
Ratio of lower quartile house price to lower quartile earnings	9.88	6.98

Housing live tables, Communities and Local Government

CONTACTS

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Oxfordshire Data Observatory
www.oxfordshireobservatory.info
Office for National Statistics
www.statistics.gov.uk
Nomis labour market statistics
www.nomisweb.co.uk

Last updated September 2009

⁷ Total dwellings at 1 April 2008. Oxford City Council

OXFORD KEY FACTS 2009

POPULATION

Total population, 2008⁸: 153,900

Oxford has the **second fastest population growth** of any UK city⁹: 1.3% per year

Oxford population by age, 2008

Age group	Oxford (%)	England (%)
0-15	15.3%	18.8%
16-64M/59F	72.1%	62.1%
65M/60F and over	12.5%	19.1%

2008 Mid-Year Estimate, ONS

Population projections 2006-2031

Year	Total population
2011	161,700
2016	168,600
2021	173,700
2026	179,600
2031	186,000

2006-based sub-national population projections, ONS

Population by ethnic group, 2007

Ethnic group	Oxford	England
White	82.8%	88.2%
Mixed	2.8%	1.7%
Asian	6.2%	5.7%
Black	3.2%	2.8%
Chinese or other	5.0%	1.5%

Population Estimates by Ethnic Group 2007, ONS

Tourist visitors per annum, 2007¹⁰: 9.3 million

DEPRIVATION

Local authority rank for multiple deprivation: 155 of 354 (1 is most deprived)¹¹

10 of Oxford's 85 Super Output Areas¹² are among the 20% most deprived in England

⁸ 2008 Mid-Year Estimate, ONS

⁹ Cities Outlook 2009, Centre for Cities

¹⁰ The Economic Impact of Tourism 2007, Tourism South East

¹¹ Indices of Deprivation 2007, Communities and Local Government

¹² Super Output Areas are small geographic areas containing an average population of 1,500 people

Appendix B – Links to corporate documents

Oxfordshire's Sustainable Community Strategy, Oxfordshire 2030: A Partnership Plan for inspiring quality of life in Oxfordshire; can be downloaded on Oxfordshire's website at

<http://portal.oxfordshire.gov.uk/content/public/oxfordshirepartnership/oxfordshire2030/2030reportFINAL.pdf>

Oxford City's Sustainable Community Strategy, Oxford: a word class city for Everyone, prepared by the Oxford Strategic partnership, further information about the current local Area Agreement (2008-11) and the Council's corporate plan can be downloaded on the Council website on the following page:

<http://www.oxford.gov.uk/council/plans.cfm>

The following strategy documents can also be downloaded on the Council's website on the following pages:

Housing strategy

<http://www.oxford.gov.uk/housing/strategy.cfm>

Treasury management strategy

<http://www.oxford.gov.uk/council/treasury.cfm>

Fees and charges strategy

<http://www.oxford.gov.uk/council/fees.cfm>

Business Transformation strategy

<http://www.oxford.gov.uk/council/transform.cfm>

Capital Strategy

<http://www.oxford.gov.uk/council/spendplan4.cfm>

Appendix C – Value for Money Analysis

Section to be added with profiles being reviewed at budget meetings

Appendix D – Risk Register

Medium Term Financial Strategy 2010-11 to 2014-15 Risk Register

Risk Score **Impact Score:** 1 = Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic **Probability Score:** 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain

No.	Risk Description Link to Corporate Obj	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid		Monitoring Effectiveness				Current Risk	
		I	P			I	P	Q	Q	Q	Q	I	P		
1	Revenue Support Grant unknown for future years and expected to fall	4	4	Public Sector cuts expected to meet funding deficits	Impact of varying levels of RSG modelled. Compensating savings planned into the medium term Level of Effectiveness: (HML) M	3	4	Action: Accept Action Owner: Heads of Finance Mitigating Control: Update forecasts as more information becomes available; develop contingency plans for worst case scenario Control Owner: Heads of Finance	Outcome required: Future level of RSG known and planned into the medium term Milestone Date Nov 09 – Pre budget report should give more information.: May 2010 General Election result will impact policy direction.	Q 1 ⊖ ⊖ ⊕	Q 2 ⊖ ⊖ ⊕	Q 3 ⊖ ⊖ ⊕	Q 4 ⊖ ⊖ ⊕	I 3	P 4
2	Employers' pension contributions increased significantly at next triennial review in 2011	3	3	Pension scheme underfunded given economic downturn	Mitigating Control: Pension Fund rules being reviewed for flexibility of funding patterns. Central Government reviewing LGPS Level of Effectiveness:	3	3	Action: Accept Action Owner: Heads of Finance Mitigating Control: Update forecasts as more information becomes	Outcome required: Future level of pension contributions known and planned into the					3	3

					(HML) M			available; develop contingency plans for worst case scenario Control Owner: Heads of Finance	medium term Milestone Date: Dec 2010 (final) Quarterly updates from Fund						
3	Icelandic investments not recovered in line with current CIPFA guidance	2	2	Status of LAs as preferential creditors of Glitnir not confirmed	Mitigating Control: Planning for downside risk Level of Effectiveness: (HML) L	2	2	Action: Accept Action Owner: Heads of Finance Mitigating Control: Update forecasts as more information becomes available; develop contingency plans for worst case scenario Control Owner: Heads of Finance	Outcome required: Preferential creditor status upheld Milestone Date: Court proceedings commence Jan 2010					2	2
4.	Concessionary Fares current underfunding position may not be recovered	3	3	Concessionary Fares future administration and funding not known beyond 2010-11	Mitigating Control: Lobbying DfT Working with LGA on examining future options Level of Effectiveness: (HML) M	3	3	Action: Reduce Action Owner: Heads of Finance Mitigating Control: Further responses to consultation and lobbying once future funding options clearer	Outcome required: Funding deficit reduced in 2010-11 or at least when administration transfers Milestone Date: Early 2010					3	3
5.	Council Tax increases are capped by Government	2	3	Public sector under pressure to demonstrate efficiency; low inflation environment	Mitigating Control: Sensitivity analysis undertaken Level of Effectiveness: (HML) M	2	3	Action: Accept Action Owner: Heads of Finance Mitigating Control: Update forecasts as more information becomes available; develop contingency plans for worst case scenario	Outcome required: Council Tax increases at discretion of local Council; any limits known well in advance of budget setting					2	3

								Control Owner: Heads of Finance	Milestone Date: Nov 09 – Pre budget report may give more information.: May 2010 General Election result will impact policy direction.						
6.	Income from fees & charges may fall and demand for some services may increase leading to budget pressures	3	2	Economic downturn likely to depress income levels and increase demands for services eg benefits, homelessness	Mitigating Control: Risk areas monitored monthly Oxford economic indicators monitored monthly Budget provision for economic downturn Level of Effectiveness: (HML) H	2	2	Action:Reduce Action Owner: Heads of Service Mitigating Control: Continue to monitor key indicators for Oxford and for Council budgets and adjust service provision as required. Control Owner: Heads of Service	Outcome required: Impacts of recession understood and mitigated Milestone Date Ongoing review					2	2
7.	Level of balances may need to increase	3	3	Uncertainty over RSG from 2011-12 onwards, and proposed changes to HRA financing	Mitigating Control: Scenarios modelled 5 years ahead and sensitivities understood. Active engagement in HRA future financing proposals Level of Effectiveness (HML) M	3	2	Action:Reduce Action Owner: Heads of Finance Mitigating Control: Continue to update medium term models as more information becomes available Develop 30 year HRA business plan model Control Owner: Heads of Finance	Outcome required: Risks comprehensively assessed and balances requirement confirmed Milestone Date Ongoing review, Balances to be agreed at budget setting Feb 2010					3	2

8	Inflation	3	2	Inflation may rise beyond anticipated rates	Mitigating Control: Major cost is staff pay and public sector pay restraint expected to keep rate of increase low. Sensitivities understood and modelled for other cost areas. Procurement activity reducing spend across many areas. Level of Effectiveness: (HML) M	2	2	Action: Reduce Action Owner: Head of Finance/ Head of Procurement Mitigating Control: Economic forecasts kept under review Purchasing contracts limit exposure Control Owner: Head of Finance/ Head	Outcome required: Impact of inflation beyond core MTFS assumptions understood and mitigated Milestone Date: Ongoing review					2	2
9.	Government reform of Housing Subsidy with uncertainty over future funding	3	3	Level and calculation model of debt for a self financing option not yet known	Mitigating Control: Active involvement in consultation and modelling with CIH. Level of Effectiveness: (HML) M	3	3	Action: Reduce Action Owner: Head of Finance Mitigating Control: In depth modelling to assess effect and risks on both HRA and General Fund. Control Owner: Head of Finance	Outcome required: Impacts understood and affordable. Milestone Date: Ongoing review Implementation unlikely before 2012-13					3	3

Appendix E – Financial Risks from 2009-10 Service-Risk Registers

CORPORATE FINANCIAL RISK ITEMS FROM 2009-10 SERVICE REGISTERS

No.	Risk Description Link to Corporate Obj	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk					
Risk Score Impact Score: 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic Almost Certain Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 =															
		I	P		Mitigating Control: Level of Effectiveness: (HML)	I	P	Action: Action Owner: Mitigating Control: Control Owner:	Outcome required: Milestone Date:	Q 1 ⊗	Q 2 ⊗	Q 3 ⊗	Q 4 ⊗	I ⊖	P ⊖
CH CD	Loss of main income stream for Elderly Services Team.	4	4	Supporting People tendering exercise for services for the elderly.	Mitigating Control: Participation in steering group and project board for the tender exercise, and involvement in sub groups. Participation in Core Strategy Group and Commissioning Body. Level of Effectiveness: M	4	3	Action: Prepare bid for service, or elements thereof, once scope and structure of tender is known. Action Owner: Head of Service/ Elderly Services Manager Mitigating Control: Set up Project Board to plan for worst case scenario (i.e., loss of all SP funding). Control Owner: Head of Service	Outcome required: Competitive bid successfully made Milestone Date: dependent on tender deadlines.						

No.	Risk Description Link to Corporate Obj	Gross Risk	Cause of Risk	Mitigation	Net Risk	Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk						
Risk Score Impact Score: 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic Almost Certain						Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 =								
CH CD	Substantial fall in funding level for homelessness projects.	4	3	Geographical redistribution of Supporting People funding for homelessness on a basis which does not reflect need in the city.	Mitigating Control: Membership of Core Strategy Group /Commissioning Body. Level of Effectiveness: M	4	3	Action: Continued lobbying at Core Group and Commissioning Body. Action Owner: Head of Service Mitigating Control: Use of veto if budget decisions based on any measure of need which does not reflect true levels of need. Control Owner: Head of Service Outcome required: Continued funding of homelessness projects on basis of levels of need. Milestone Date: Monthly Core Strategy Group meetings/quarterly Commissioning Body meetings.						
CH CD	Loss of LAA2 funding.	3	3	Failure to achieve increased satisfaction with the way the local authority deals with anti-social behaviour.	Mitigating Control: Commitment by OCC to the Neighbourhood Policing Programme. Need to demonstrate OCC role in the programme to receive the same recognition TVP currently experiences. Level of Effectiveness: M	3	2	Action: Increase focus on community engagement, closer working locally with the police by street wardens and other OCC officers. Access CDRP funds to achieve greater exposure. Action Owner: Community Safety Manager Mitigating Control: New structure for Community Safety Team under single experienced manager, Outcome required: 5% increase in recorded satisfaction levels by March 2011. Milestone Date: Monitored quarterly.						

Medium Term Financial Strategy 2010-11 to 2012-13

No.	Risk Description Link to Corporate Obj	Gross Risk	Cause of Risk	Mitigation	Net Risk	Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk	
Risk Score Impact Score: 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic Almost Certain						Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 =			
						continued development of partnership relations with TVP. Control Owner: Community Safety Manager			
CH CD	Loss of LAA2 funding.	2	3	Failure to meet assault with injury reduction targets.	Mitigating Control: Nightsafe scheme and domestic violence projects are addressing the increase in violent crime. Level of Effectiveness: M	2 2 Action: Increase profile of Nightsafe through CDRP funds. Promote OCC role in the development and support of domestic and sexual violence initiatives e.g. Community Housing Sanctuary Scheme. Action Owner: Community Safety Manager Mitigating Control: New structure for Community Safety Team under single experienced manager, continued development of partnership relations with TVP. Control Owner: Community Safety Manager	Outcome required: 2% reduction by March 2011. Milestone Date: Monitored quarterly.		

Medium Term Financial Strategy 2010-11 to 2012-13

No.	Risk Description Link to Corporate Obj	Gross Risk	Cause of Risk	Mitigation	Net Risk	Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk	
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PF M	Deteriorating market conditions impact adversely on a) capital receipts, b) rental income. (Eg St Clement's Car Park).	H M	<i>Closely monitor in consultation with Finance colleagues Property accounts for early warnings of default. Be receptive to requests for monthly payment programmes etc. Establish income/bad debt targets at realistic levels.</i>			Continue close monitoring of Property accounts. Consider need for greater inducements to effect lettings of void properties. Gather available market intelligence and increased tenant liaison. Be more receptive to increasing tenant inducements and reduced sale prices.	Capital and revenue income is maximised having regard to global market conditions.		
PF M	<i>Significant maintenance backlogs on operational properties. Failure to meet contractual obligations with regard to repairs.</i>		Undertake review of condition and undertake works on a prioritised basis. Wherever appropriate move to full repairing and insuring leases in relation to let properties. Continue to attempt to obtain increased resources for R&M. Get tenants to undertake works by way of inducement.			Continue programme of inspection and manage on a prioritised basis. There will be a need to respond to our newly created contractual repairing obligations in relation to Leisure facilities. Resist further attempts to reduce existing R&H budgets. Link actions to emerging strategic asset management/offices strategy.	Reduction in maintenance backlog. No building closures. Increasing move to FRI leases and tenant compliance.		

Medium Term Financial Strategy 2010-11 to 2012-13

No.	Risk Description Link to Corporate Obj	Gross Risk	Cause of Risk	Mitigation	Net Risk	Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk	
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PF M	<i>Westgate - scheme does not proceed.</i>		<i>Continue active dialogue with developer and key end users. Understand fully costs/disbenefits to the Council of failure to proceed.</i>			As existing.	Alternative proposals formulated. Adverse impact minimised.		
PF M	Projected revenue savings in property running costs not achieved and/or cost overrun (Northway Demolition)		Projects are tightly managed to ensure that properties can be vacated, disposed of etc in accordance with required timescales. Fully engage stakeholders in decision making processes.	Regular review and monitoring of costs and early engagement with key stakeholders.		Revenue savings achieved and delivered on budget.			
PF M	St Aldate's/Queen Street – Scheme does not proceed in required timescales		Continue active dialogue with developer and endeavour to seek assurances on timing, funding, end users, site assembly etc.	Maintain dialogue. Contingency built in to office strategy/options consideration. Establish short deadline (6-12 months) for commit by date (Council and Carlyle).		Decision on comment to scheme/preferred offices option.			
OC H	Major changes to the Major Repairs Allowance and / or subsidy calculation.	4	4	Annual Government determinations are inconsistent.	Mitigating Control: Monitor developments. Level of Effectiveness: (L)	4	4	Action: Attempt to influence Government policy and decision making bodies through lobbying with HQN and Outcome required: No negative change to the MRA and subsidy	

Medium Term Financial Strategy 2010-11 to 2012-13

No.	Risk Description Link to Corporate Obj	Gross Risk	Cause of Risk	Mitigation	Net Risk	Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk	
Risk Score Impact Score: 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic Almost Certain						Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 =			
						ARCH. Action Owner: R Summers, D Higgins Mitigating Control: Management Team review Control Owner: G Bourton	received. Milestone Date: On-going		
OC H	Economic recession.	4	3	Global economy.	Mitigating Control: Monitor national trends. Level of Effectiveness: (L)	4 3 Action: Monitor the consequences of the economic downturn and take action on issues within our control. Action Owner: G Bourton, R Summers Mitigating Control: Management Team review Control Owner: G Bourton	Outcome required: Balanced budget and ability to cope with workload within existing resources. Milestone Date: On-going		
OC H	Revenue income from dwelling rents, garages, services charges and shop rents has been sustained during 2008/09 to date, but will come under	4	3	Economic recession.	Mitigating Control: Monitor national trends. Level of Effectiveness: (L)	4 3 Action: Continually monitor. Advertising campaign for garages if necessary. Action Owner: R Summers Mitigating Control:	Outcome required: Levels of budgeted income and performance levels maintained. Milestone Date:		

Medium Term Financial Strategy 2010-11 to 2012-13

No.	Risk Description Link to Corporate Obj	Gross Risk	Cause of Risk	Mitigation	Net Risk	Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk	
Risk Score Impact Score: 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic Almost Certain						Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 =			
	further pressure next year as the economic situation worsens. It will be a challenge to maintain current collection rates.					Management Team review Control Owner: G Bourton	31.03.10		
OC H	Failure to achieve the level of capital receipts necessary to bridge the funding gap to achieve and maintain the Decent Homes Standard.	4	3	National economic market factors. Mitigating Control: Monitor the national market. Level of Effectiveness: (M)	3	3	Action: Continuous engagement with the decision makers around disposal of assets and detailed appraisal of the creation of a Local Housing Company. Action Owner: G Bourton, R Summers, T Sadler Mitigating Control: Management Team review Control Owner: G Bourton	Outcome required: Obtain the capital receipts required and Local Housing Company to be established following completion of feasibility study. Milestone Date: Capital receipt – on-going Local Housing Company – 01.10.09	

Medium Term Financial Strategy 2010-11 to 2012-13

No.	Risk Description Link to Corporate Obj	Gross Risk	Cause of Risk	Mitigation	Net Risk	Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk							
Risk Score Impact Score: 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic Almost Certain						Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 =									
OC H	A disproportionate amount of money will need to be spent on tower blocks if they are retained.	4	3	Age and type of accommodation.	Mitigating Control: Undertake feasibility study. Level of Effectiveness: (M)	3	3	Action: Complete feasibility study and obtain strategic decisions regarding the longer term future of tower blocks. Action Owner: G Bourton, R Summers, T Sadler Mitigating Control: Management Team review Control Owner: G Bourton	Outcome required: Feasibility study outcomes to form the basis of a report recommending the future of tower blocks. Milestone Date: 31.03.10						
OC H	Financial risk of Southfield Park flats.	3	3	Ground rent review not completed.	Mitigating Control: Seek early resolution. Level of Effectiveness: (L)	3	2	Action: Continue to monitor and negotiate robustly. Action Owner: R Summers Mitigating Control: Management Team review Control Owner: G Bourton	Outcome required: Rent review outcome is affordable within the financial provision made. Milestone Date: 31.12.09						
CL	<i>Potential new contract not achieving targets</i>	M	H	Project Board meeting <i>Leisure Client board after contract implementation</i>				Regular finance meetings With potential contactor	Progress reported regularly at LSSG						

Medium Term Financial Strategy 2010-11 to 2012-13

No.	Risk Description Link to Corporate Obj	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk
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CL	Increased costs of utilities			Regular utilities reports	Updated effective energy action plan.			Regular progress meetings through Energy SIG group		
HR	Job evaluation and single status	4	3	Failure to understand and manage the impact of job evaluation and single status	Proactive management of project, costings and negotiations in place to ensure implementation Effectiveness - M	4	3	Continue to manage and deliver project: Head of HR	Single Status / JE implemented: Summer 2009	
BT	Longer term funding and savings may fail to be secured	5	4	Council may not generate enough savings to meet targets and fund ongoing transformation programme	Mitigating Control: Secured and managed funding of £900k (BT) and £798k (I2S) plus £100k additional from HRA. Secure further funding in 2009/10 from external sources and internal savings and under spends. Use a Benefits Management approach to deliver sustainable change Level of Effectiveness: (M)	4	3	Action: Reduce Action Owner: Ben Brownlee & Rachel Greenham Mitigating Control: Benefits Management & Funding and spend analysis Control Owner: Romina Peddis / Finance	Outcome required: Fully funded programme, achieve targeted savings Milestone Date: ongoing	

Medium Term Financial Strategy 2010-11 to 2012-13

No.	Risk Description Link to Corporate Obj	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk	
Risk Score Impact Score: 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic Almost Certain						Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 =					
F	Treasury: Safety of investments linked to need to achieve good return	5	2	Economic recession and legacy of banking collapses in 2008	<i>New Treasury management strategy focussing on security of investment Work with Treasury advisors to identify opportunities for maximising interest on safest debt.</i> Monitoring base rate forecasts to identify risks (and opportunities) to budget being met H	4	2	Accept Controls extremely robust and monitoring constant. Default choice is always lower risk option. Zero risk choice (DMO) limits returns Financial Accounting Manager	No investments in counterparties that do not meet lending criteria Returns maximised given availability of safe deposits Monthly monitoring.		
F	Concessionary Fares costs escalate further causing budget pressures	5	4	Bus operators appeal determination adverse. Usage expected to rise further	Lobbying and active communication with DfT and ministers; more appropriate grant funding sought L	5	3	Reduce/Transfer Ongoing dialogue with central govt; seek to minimise risks when transfers to County in 2011 Heads of Finance	Bus operators costs held or reduced; positive outcomes on funding/transfer Monthly monitoring		
C W	Fuel – costs (Transform Oxford City Council by improving value for money and Service Performance)	2	3	Not having secure contracts in place to control costs and supply.	Mitigating Control: <i>Corporate contract for procurement of fuel in place.</i> Fuel key monitoring and accurate records maintained. Level of Effectiveness: L	2	2	Action: Monitor fuel use to ensure best fuel consumption is obtained from vehicle fleet and intervention to rectify anomalies. Action Owner: Paul Einon Mitigation Control Owner: Phil	Outcome required: Maintained finances within Budget Milestone Date: 3 Monthly Reviews		

Medium Term Financial Strategy 2010-11 to 2012-13

No.	Risk Description Link to Corporate Obj	Gross Risk	Cause of Risk	Mitigation	Net Risk	Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk	
Risk Score Impact Score: 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic Almost Certain						Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 =			
						Dunsdon			
C W	Residual waste reduction is not achieved. (Improve the local environment and quality of life)	3	3	Low participation from residents in recycling and composting services.	Mitigating Control: Alternate Weekly Collection system in place with regular monitoring and performance reporting. Regular Champions meetings are in place to encourage participation. Level of Effectiveness: M	3 2	Action: Enforcement required where non-compliance with the scheme is apparent – System enforcement/training to be increased through front line staff training Action Owner: Phil Dunsdon Mitigation Control Owner: Phil Dunsdon	Outcome required: The performance of this key service is maintained and reported Milestone Date: Ongoing	
C W	LATS – Impact of penalties for not achieving tonnage below the penalty threshold. (Improve the local environment and quality of life)	3	3	Not having a plan to control trade waste arisings.	Mitigating Control: Trade waste evaluation in progress. Monitor the impact point and evaluate options for future of service in accordance with these. Level of Effectiveness: M	2 3	Action: Secure trade waste decision to mitigate impact on city overall tonnage. Action Owner: Phil Dunsdon Mitigation Control Owner: Phil Dunsdon	Outcome required: Reduce the risk of financial penalties Milestone Date: June 2009	

Medium Term Financial Strategy 2010-11 to 2012-13

No.	Risk Description Link to Corporate Obj	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk					
Risk Score Impact Score: 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic Almost Certain						Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 =									
CW	Car Parks revenue not maintained (Transform Oxford City Council by improving value for money and Service Performance)	4	3	Low usage or increased public transport. Not putting up fees to sufficient levels to maintain target income levels.	Mitigating Control: Regular monitoring alternative payment methods – Review of arrangements Level of Effectiveness: M	3	3	Action: Maintain adherence to projected budget profiles and report on any shortfalls Action Owner: Andrew Bradfield-Barnes Mitigation Control Owner: Andrew Bradfield-Barnes	Outcome required: Projected to make income targets through revised charges. Milestone Date: Ongoing						
CW	Losing public confidence in recycling. Rising gate fees for recyclables. (Improve the local environment and quality of life)	3	4	Not keeping public informed of end markets. Not having a secure outlet for recyclables with price certainty.	Mitigating Control: <i>Current outlet on short-term contract and looking to re-tender outlets with sufficient capacity and assurance for long term financial stability and end markets assurance.</i> Champion meetings and focus groups educational programme Level of Effectiveness: M	2	3	Action: Secure long term outlet for recyclables to ensure stability Action Owner: Phil Dunsdon Mitigation Control Owner: Phil Dunsdon	Outcome required: Soft market testing identified on competitive market for this requirement Milestone Date: January 2010						
CD	Failure to secure income	4	4	Impact of recession – falling number of applications Impact of low value of the Pound	Mitigating Control: Monthly monitoring Workforce planning Level of Effectiveness: (HML)	3	3	Action: Considerable effort to sell service, achieve income, and meet targets Action Owner: Service Team Leaders Mitigating Control:	Outcome required: fee income at or above estimate. Milestone Date:						

Medium Term Financial Strategy 2010-11 to 2012-13

No.	Risk Description Link to Corporate Obj	Gross Risk	Cause of Risk	Mitigation	Net Risk	Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness	Current Risk	
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						Service Managers Control Owner: HOS			

Appendix F – Minimum level of balances analysis

Assessment against CiPFA's recommended factors to consider when assessing need for reserves

Budget assumptions

<p>Treatment of inflation and interest rates</p>	<p>We build these into our base budgets We've substantially strengthened our assessment of this area as part of the MTFS process.</p> <p>The 2009/10 budget is now much less dependent on investment income as the reduction in interest rates have been factored in. Interest forecasts are based on an average of 1.2 for 2009-10 so there is a small risk that investment income may not be realised. Of more concern is the security of investments and the revised Treasury Management Strategy will address this.</p>
<p>Estimates of level and timing of capital receipts</p>	<p>Our capital programme has historically been heavily dependent on capital receipts. The MTFS sets out a way forward for the General Fund to reduce its reliance on capital receipts with contributions from revenue replacing asset sales. The 2009-10 budget funds investment in IT and private housing grants from revenue contributions, and increases the revenue contribution to capital repairs and maintenance from £200k to £700k in line with this principle.</p> <p>The HRA requires planned receipts as part of funding Decent Homes, but these are based on approved stock strategies and a planned programme of delivery. The HRA programme is funded in the short-term but may face pressures in later years depending on the prospective value of asset sales.</p>
<p>Treatment of demand led pressures.</p>	<p>This particularly affects authorities with social services functions (which we do not have). However as an urban authority with high levels of social deprivation we face demand led pressures of:</p> <ul style="list-style-type: none"> ▪ Managing homelessness budgets (2008-09 expenditure budget £3.1m) ▪ Managing local cost of benefits budgets (partly within our own management, but also dependent on external demands). <p>As a district council we face the growing challenge of funding concessionary fare travel and the ongoing</p>

	<p>appeal against the Council's reimbursement formula.</p> <p>The city council is also disproportionately dependent on income from fees and charges - which is highly variable. In the past 8 months the Council has seen income from planning, building control and tourism fall and is anticipating falls in car park income and property rental income. There is anecdotal evidence that collection of monies due to the Council is becoming harder to collect. The budget sets aside an allowance of £300k for recession pressures and earmarks one-off windfalls up to £200k to increase this provision to £500k.</p>
<p>Treatment of planned efficiency savings/productivity improvements</p>	<p>The 2008-9 budget has successfully used a "traffic lights" system to report progress on savings monthly in Performance Matters and quarterly to City Executive Board. This will continue for 2009/10. The 2009/10 budget still includes proposals that are high risk and although no specific contingency for non delivery is included, it is intended that a contingency be created from the next tranche of one-off funds received.</p> <p>All Transformational projects and "spend-to-save" proposals require the preparation and approval of a business case and are monitored through the Transformation Board.</p>
<p>Financial risks of significant new partnerships, outsourcing etc.</p>	<p>In 2009/10, the City will embark on 2 key new partnerships for Leisure and IT. The Leisure contract transfers the risk associated with income fluctuation to the partner but with the largest share of premises risk remaining with the Council. The IT transfer passes all risks to the County Council.</p> <p>The City Council must have a highly effective and robust client side for both of these contracts to ensure that partners deliver to agreed outcomes.</p>
<p>Other funds and contingencies</p>	<p>We retain an insurance fund and hold sums in line with advice from our advisors (actuarial review carried out in spring 2007).</p> <p>There is no provision for bus companies' appeal against the Concessionary fares scheme for 2008/9. If the Department of Transport found against the Council, this could incur costs of £900k per annum. The Council is relying on the settlement of the scheme in 2007-8 in favour of the Council as the basis for making no provision.</p>

	<p>We have put £1m aside for cost of single status and job evaluation. Pay modelling of outcomes will be subject to affordability testing.</p> <p>At the end of 2008-9, the Council will have set aside upto £900k as provision for writing off of losses from investments in Icelandic banks. In addition the Council has budgeted to increase the provision by £2m over the 3 years of the budget.</p>
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Financial standing and Management

Overall financial standing	The evidence from Use of Resources scores is that this is a stable area, once again scoring 3 out of a possible 4 for 2007/8.
Track record in budget & financial management	<p>Our MTFS represents a marked improvement in longer-term budget planning and was completed at an earlier stage in the budget process.</p> <p>The Council responded quickly and pro-actively to the Icelandic banking crises by undertaking a line by line review that identified an underspend in 2008-9 to set aside for future write-offs.</p>
Capacity to manage in-year budget pressures	As above. The Council continues to exercise establishment control with recruitment only be signed off as Heads of Service demonstrate that both savings and headcount reduction targets are being achieved.
Financial reporting	<p>Our in-year financial & performance reporting has been recognised as good practice by the Audit Commission. Gross spending and income budgets are monitored by Service.</p> <p>Financial and performance are reported monthly to the Monitoring Board and to all Councillors via Performance Matters.</p>

Virement and year end procedures	<p>No longer allow automatic carry forward of underspends (so requirement for balances reduced).</p> <p>Compensated by no longer carrying forward overspends.</p> <p>The Constitution is under review and given the strong project management now embedded it is likely that the constitution will be revised to allow roll-over of project funds.</p>
Insurance arrangements	Part of separate insurance fund - strong controls.

Appendix G – Capital Strategy 2009 - 10 onwards

The full Capital Strategy including appendices can be found on the Council's website at <http://www.oxford.gov.uk/council/spendplan4.cfm>

1. Introduction to the Capital Strategy.

This Capital Strategy has been developed as a key policy document that determines the Council's approach to capital investment. Its linkages with the Corporate Plan are clear in that Capital investment will support the aims and objectives.

The main objectives of the Capital Strategy are –

- To ensure the capital investment and the management of resources contribute fully to the achievement of the Council corporate objectives and Priorities.
- To provide a framework for the development of the Council Asset Management Plan.
- To ensure the efficient use of limited resources and assets.
- To provide a framework for the management, monitoring and evaluating of the Capital Programme.
- To target capital resources effectively to neighbourhoods of highest needs.
- To Ensure the Councils new investments are prioritised.
- To ensure resources are prioritised for schemes that are essential maintenance to assets.

The efficient and effective use of capital resources, including the sound asset management, is fundamental to the Council achieving its long and medium term aims and objectives.

2. The Council Vision & aims.

The corporate plan sets out six strategic priorities, which have been agreed by Oxford City Council. The City Council aspires to be a World Class council, to achieve this we will be driving an ambitious corporate change Programme. This includes:

- Building on the strengths of the city's knowledge and high tech economy and enhancing the quality of city's retail and cultural offerings.
- Improving access to affordable housing.
- Challenging inequality and improving the health of our citizens.
- Making our contributions to tackling climate change.
- Creating a high quality environment for residents and visitors.
- Building strong and cohesive communities and low levels of crime.

3. Approach to prioritising investment

The Capital Strategy has been prepared to prioritise investment with the key corporate and service objectives contained within the Councils corporate plan and Strategies.

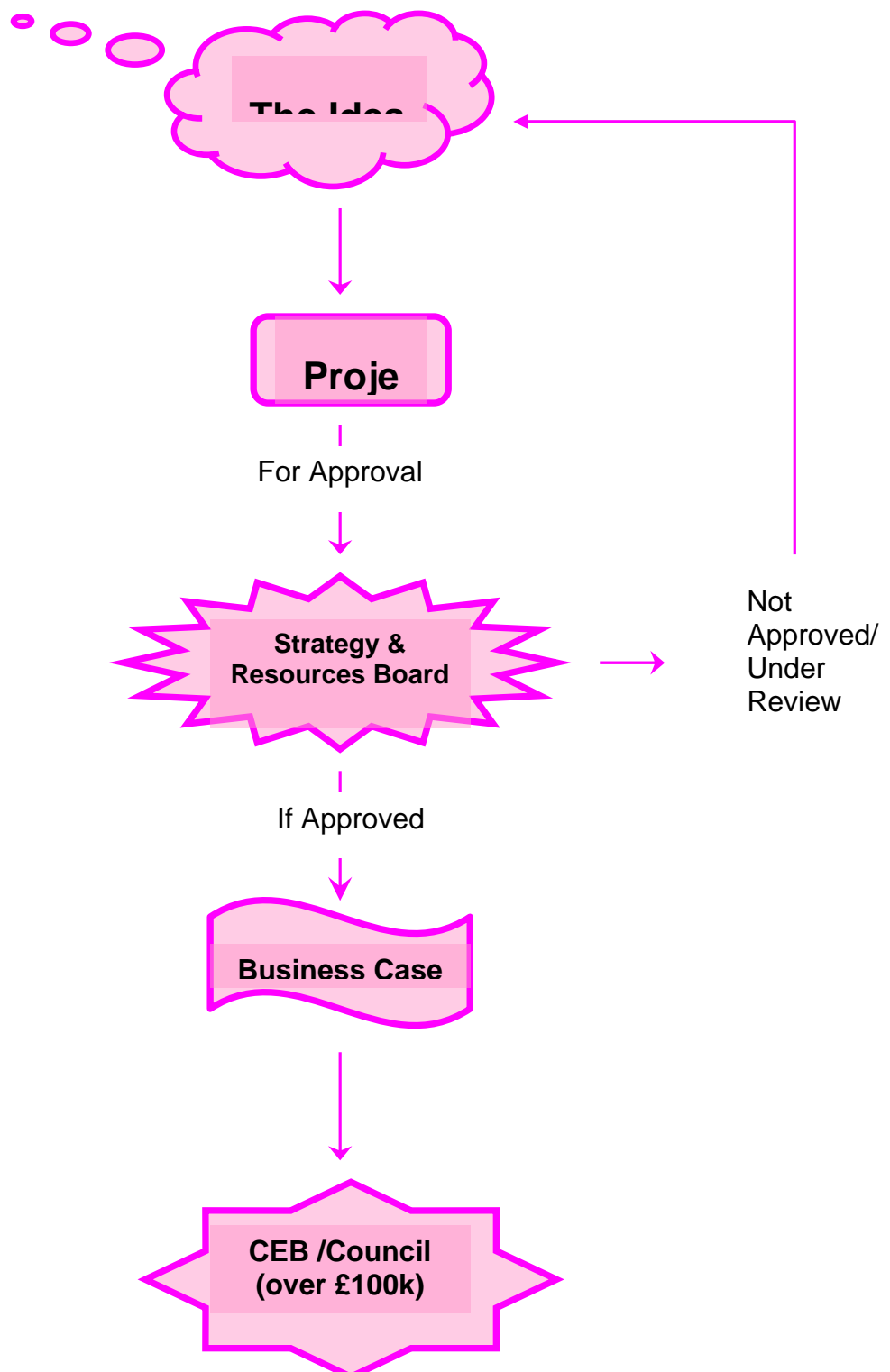
The Capital Strategy then determines the priorities of the projects and resources that will be used to fund them.

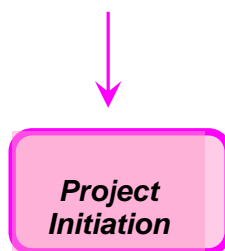
As part of this process, capital proposals are invited from service providers and various options are determined and appraised. There are key stages (see Procedure Flowchart page 4) to our approach to the prioritisation of investment in capital projects and these form part of the councils corporate planning and review process-

- Preparation of a Project Brief (See Appendix A)
 - This includes –
 - The rationale to why the project is required.
 - What is the present position.
 - What will the project change or achieve.
 - What Benefit or improvements will the project produce.
 - What the project needs to achieve –Objectives, Scope, Deliverables, Desired outcomes, Constraints.
 - Initial business case showing very concise & objective summary of the benefits of undertaking the project.
 - Demonstrate financial savings, overheads, speedier or higher quality service, tangible benefits that will justify the project.
 - What other possible options are available.
 - What is the approximate cost of resource & hardware required to complete the task.
- The Project Brief will then be taken to Strategy & Resources Board for Approval.
- Once Approved a Business Case (See Appendix B) will need to be written.
 - This includes –
 - Background information (from Project Brief).
 - What the project needs to achieve –Objectives, Scope, Deliverables, Desired outcomes, Constraints.
 - Initial Business Case (from Project Brief).
 - Risks and Uncertainties –What events might arise that would jeopardise one or more objectives.
 - Timescales –Milestones only.
 - Acceptance Criteria – Essential elements that must be achieved in order for the project to be accepted as complete.
 - Costs – Capital, Funding, Revenue, Expected Savings, and Internal Staff over the next 4 years.
 - Interfaces – What other projects or tasks does this project connect with overlap or depend upon.
 - Whole Life Cost / Sustainability – What the likely environmental & impacts might be.
- The Business Case will then be taken to CEB, or if the total cost of the project is over £100k Full Council, for Approval to spend.

- Once approved by either CEB or Council then the project can continue, and a Project Initiation Document (See Appendix C) will need to be completed to monitor the project.
- All approved schemes are subject to available resources. In order to evaluate/prioritise schemes there are a list of Questions (See Appendix D) for discussion at the relevant board.

Procedure Flowchart





4. Investment and funding

There are many ways to fund the capital programme. In the past the council has relied heavily on Capital Receipts.

The City Council does not depend solely on funding its Capital Programme through Capital Receipts; we also receive many contributions from External Organisations. The City Council owns many assets, and if these assets are deemed surplus to requirements they may be sold and used as Capital Receipts to fund future Capital projects. The Council has to maintain a balance between selling assets for Capital Receipts and keeping them to generate income from rents.

A significant amount of schemes are funded by the S106 contributions from developers. Developer contributions are sought to mitigate the impact of development and overcome what would otherwise be a potential reason to refuse a planning application. Contributions should only be sought where they are:

- Relevant to planning (i.e. transport, open space, housing etc) - it is not legitimate for unacceptable development to be permitted because of benefits or inducements offered by the developer which are not necessary to make the development acceptable in planning terms
- Necessary to make the proposed development acceptable in planning terms – i.e. in order to bring a development in line with the objectives of sustainable development as articulated through the relevant local, regional or national planning policies
- Directly related to the proposed development – for example, there should be a functional or geographical link between the development and the item being provided as part of the developer's contribution.
- Fairly and reasonably related in scale and kind to the proposed development; and reasonable in all other respects – for example, developers may reasonably be expected to pay for or contribute to the cost of all, or that part of, additional infrastructure provision which would not have been necessary but for their development

Depending on the development contributions can be taken towards: Affordable Housing, Community Facilities, Indoor Sports Facilities, Public Open Space, Environmental Improvements, Public Art, Highway measures (inclusive of Park & Ride, Pedestrian measures, Cycle Facilities etc), Education, Libraries, Waste Recycling Centres, Youth Services, Museum Resource Centre, Day Care Provision for Adults.

The legislative and regulatory changes introduced from 1 April 2004 have resulted in significant changes to the funding regime for Capital.

This has seen the previous capital controls, principally under Part IV of the Local Government and Housing Act 1989, replaced; with a move away from the use of a system of credit approvals to each authority as a means of limiting the power to borrow, to a more flexible system based more around affordability.

The Main factors are:

Prudential Framework

The local government Act 2003 introduced changes to the financing of capital expenditure, including the abolition of credit approvals and the new prudential capital finance system, with effect from 1 April 2004.

The prudential system is based on principles rather than prescription. The purpose of this guidance is to assist local authorities to make their own judgements about how the code may be most effectively implemented to meet their own local circumstances.

The code sets out the minimum prudential indicators necessary to demonstrate the legislative requirement that the authority's financial plans are affordable. When setting these indicators must have regard to the following:

- Affordability
- Prudence and sustainability
- Value for money
- Stewardship of assets
- Service objectives
- Practicality.

Prudential Borrowing

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

These professional principles are contained within the prudential code, which was developed specifically for the purpose by the Chartered Institute of public Finance and Accountancy (CIPFA).

The main advantages offered through borrowing under the Prudential Framework would appear to be in terms of:

- Rescheduling capital expenditure – where existing levels of revenue used to directly fund capital schemes are used instead to meet costs of borrowing, allowing a significant initial amount to be spent. The

downside of this is that it is primarily a one off move; bringing forward expenditure or facilitating a single expenditure on a significantly higher level than could otherwise be afforded.

- Spend to save schemes – where the capital investment achieves revenue savings, which could wholly or largely meet the ongoing revenue costs associated with the level of borrowing required.

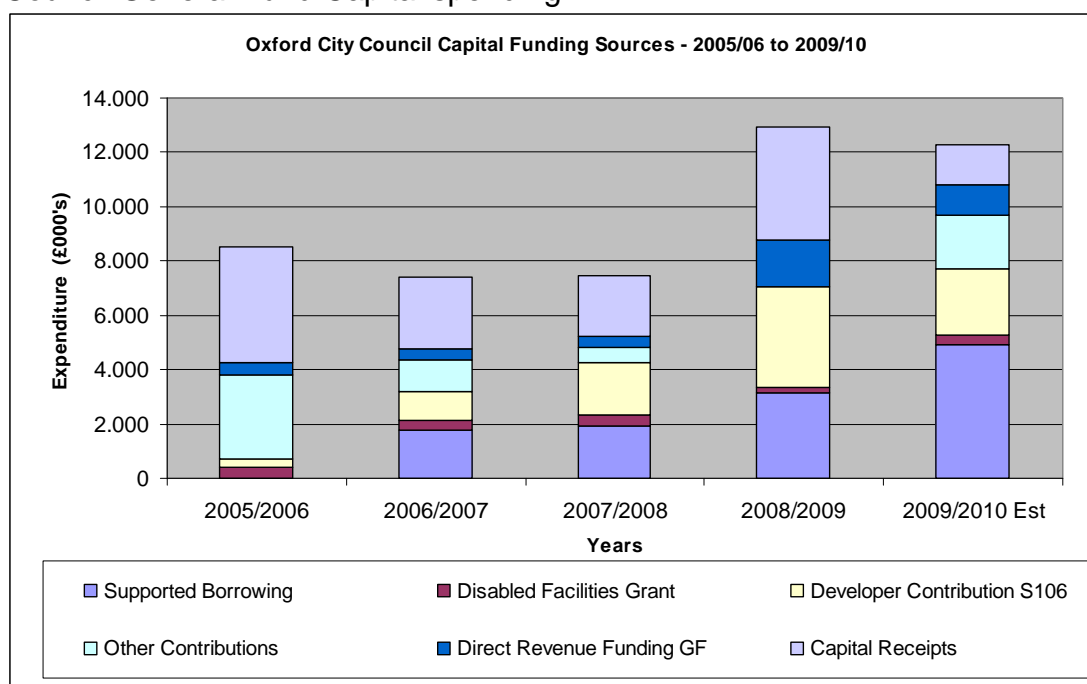
For more information on the Prudential Code Appendix E

We also funded schemes from –

- Revenue Contributions for Maintenance backlog, Area Committees, Supported Borrowing for Vehicles, and any overspends on Developer Contribution schemes.
- The Lottery, the building and development of Barton Swimming Pool was partly funded by the Sports Lottery
- Housing Associations, such as the Oxford Citizens Housing Association (OCHA) for redevelopment of housing sites in order to provide more affordable housing.
- Government Grants, such as the Growth Point Grant for the West End Partnership and Bonn Square development, and GOSE grant for upgrading insulation in private sector homes.
- Disabled Facilities Grant, this is a Government Grant for a national strategy for housing adaptations to enable children and adults with disabilities to continue to live independently in their own homes.
- Major Repairs Allowance, this represents the capital cost of keeping stock in its current condition. It is a new subsidy that can be spent on any Capital expenditure on HRA assets.
- Funding from government agencies specifically for regeneration and House building.

5. Summary of funding

The graph below illustrates the trend in terms of sources of funding for the Council General Fund Capital spending -



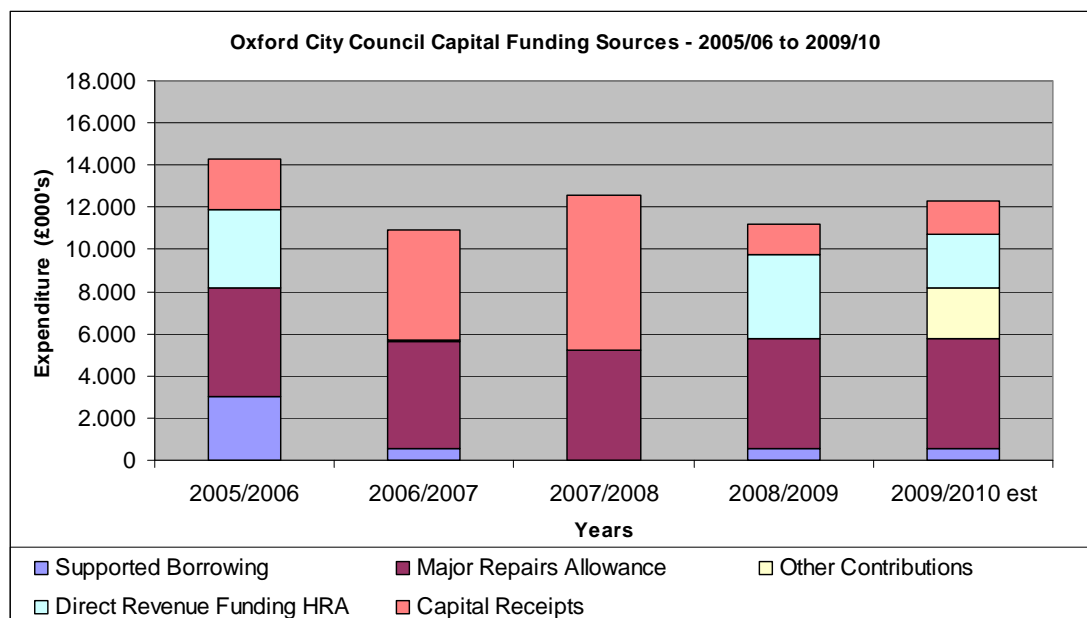
This demonstrates the funding for Capital has become more evenly spread between funding sources over the last 5 years. Funding from Revenue has increased as expected due to the West End Development, resulting in less reliance on schemes funded solely from Capital Receipts, which has gradually decreased. Developer Contribution S106 schemes have increased over the past five years. Prudential borrowing has increased funding schemes such as vehicle replacement, Council House building and investment in new technology.

Capital Schemes are shown at gross cost, with all funding sources shown. This enables more effective targeting and monitoring of external funding for Capital.

HRA Funding

Most of the funding is for the Decent Homes element of the HRA Capital programme. As supported borrowing has declined significantly since 2005/06 the amount of funding from capital receipts has increased. Funding for the HRA capital programme is now mainly from capital receipts and the major repairs allowance.

Funding will mainly be from the Major Repairs Allowance with Direct Revenue Funding and Capital Receipts making up any shortfall. For new Council House building, funding will come from specific grants and prudential borrowing.



6. Objectives for use of capital resources

The major objectives for the use of capital resources that support the council's vision, values and priorities are as follows –

- To maintain the councils assets and ensure the health and safety of the public and staff

- To maximise capital resources to meet council priorities.
- To demonstrate value for money.
- To work in partnership with other bodies on capital projects to minimise the impact on the councils financial position.
- To maximise 'Invest to Save' opportunities.

7. Performance monitoring & evaluation

The Capital programme, including both internally and externally funded schemes, is kept under review, and reconciled at the end of each month. Monthly monitoring meetings are held between Responsible Officers and Finance for the larger service area and all lead officers are kept informed monthly in order to keep the programme up to date and accurate.

All lead officers receive Reports directly from the Council Financial System informing them of all Income and expenditure relating to each individual capital scheme currently running.

The Capital programme is published on a monthly basis in Performance Matters, and is reviewed and discussed by Directors and Finance officers in a monthly performance Board.

The City council are in the process of implementing a 'Post Completion Audits' of each scheme, in order to review how the project achieved the Corporate Objectives and to improve future performance.

8. Conclusion.

Oxford City Council is committed to managing its available resources effectively to deliver its priorities. Prioritisation between competing demands is essential in order to utilise limited funding more effectively. Robust procedures and processes are in place to ensure this happens for the benefit of our customers and the community.