

To: City Executive Board

Date: 8th December 2010

Item No: 8

Report of: Corporate Director

Title of Report: Medium Term Financial Strategy 2011-12 to 2014-15 and 2011-12 Budget for Consultation

Summary and Recommendations

Purpose of report: To present the Council's Medium Term Financial Strategy for 2011-12 to 2014-15 and the 2011-12 Budget for consultation.

Key decision? Yes

Executive lead member: Councillor Ed Turner

Policy Framework: The Council's Corporate Plan

Recommendation(s):

a) To agree the Council's Medium Term Financial Strategy for 2011-12 to 2014-15 and the 2011-12 General Fund, Housing Revenue Account and Capital budgets for consultation as set out in Appendices 1, 5 and 7 attached.

b) To note the difficult financial situation and note actions taken to deliver a balanced medium term financial position for the next four years.

c) To instruct officers to proceed with delivering efficiency savings as set out in Appendix 3 in line with prudent financial management

Introduction by the Political Administration

This report sets out the Council's Medium Term Financial Strategy for 2011-12 to 2014-15 and its budget proposals for 2011/12.

This budget is introduced at an extremely difficult time. Oxford City Council faces increased pressure and demand on our services as a consequence of the recession and proposed cuts to Housing and Council Tax benefit at the same time as unprecedented cuts in funding.

The political administration has made it clear that its priorities are:

- To safeguard front-line services as far as possible, and particularly those upon which the most vulnerable in our community rely;
- To continue to improve our council's performance;

- To develop a balanced four-year outline budget, based on realistic assumptions, rather than just planning year-by-year;
- To minimise any job losses and work with staff through this difficult period;
- To work with the voluntary sector and community groups, safeguarding funding in this area as far as possible.

The administration has made it clear that it disagrees with Central Governments decision to reduce funding for Local Government Services as far and as fast as it is doing, because of the profound impact that these reductions will have on local residents and on the national economy.

The scale of the reductions proposed by the Government means that the council will not be able to rely on efficiency measures alone. In Appendix 4 of the consultation budget, the administration has identified those reductions in services and proposals for increases in charges that would not have been required if the grant funding assumptions had been those proposed in the Chancellor's budget in March 2010. This analysis demonstrates that the majority of service reductions and increased charges could have been avoided while maintaining a balanced budget if the more gradual approach to the reduction of the national budget deficit set out in the March 2010 budget had been retained.

This is a consultation budget, and we will welcome feedback, in particular on possible alternatives to the savings and increased charges that are outlined here.

The rest of the report is presented in four sections:

Section A Background and Context
 Section B General Fund Revenue Budget
 Section C Housing Revenue Account (HRA) Budget
 Section D Capital Budget

Appendices to the report:

Appendix 1. Oxford City Council's General Fund Revenue Budget for Consultation and Future Year Control Totals
 Appendix 2. Oxford City Council's General Fund Revenue Budget at Portfolio Level 2011- 12 to 2014-15
 Appendix 3. General Fund Efficiency Savings 2011-12 to 2014-15
 Appendix 4 Detailed General Fund Budget Proposals 2011/12 to 2014/15
 Appendix 4b Council Democratic services changes
 Appendix 5. Oxford City Council's Housing Revenue Account Budget for Consultation
 Appendix 6 Housing Revenue Account Rent increases by ward
 Appendix 7. Oxford City Council's Draft Capital Programme 2011-12 to 2014-15

Section A Background and Context

1. National Economic Position

- 1.1 The Institute for Fiscal Studies (IFS) has described the current programme of spending cuts as “the longest, deepest, sustained period of cuts to public service spending at least since World War II”.
- 1.2 The previous Labour government set out its plans in the March 2010 budget to more than halve the budget deficit over four years. The intent was to deliver support to business and households and build strong, sustainable growth whilst protecting the frontline services that people rely on.
- 1.3 The Budget identified £11 billion of cross-cutting savings announced under the banner ‘Smarter Government’ and provided further details of how the Government would deliver £5 billion of savings from targeting and prioritising spending.
- 1.4 Following the General Election in May 2010 and the formation of the Liberal Democrat/Conservative Coalition Government, the new Chancellor set an emergency budget in June to bring the structural deficit into balance by 2014-15 through plans for additional consolidation of £40 billion per year, to be achieved through £32 billion of spending reductions and £8 billion net tax increases per annum.
- 1.5 Before the Emergency Budget the Government had already identified £6.2 billion of savings in 2010-11 and cancelled nearly £2 billion of projects approved since 1 January 2010.
- 1.6 The Emergency Budget announced that the Spending Review would be on 20 October 2010. It also announced additional reductions in spending totals of £30 billion a year by 2014-15 compared to the March budget. Based on Office of Budget Responsibility (OBR) forecasts and taking account of the Government’s commitment to protect health and overseas aid, other departments could see average real cuts to their budgets of around 25% over the four years. This compared with average real cuts of around 20% for unprotected departments implied by the March budget.

VAT increase - 20% from 4th January 2011

- 1.7 This increase will affect Council fees and charges that are liable to VAT. The most significant area for the City is car parking tariffs where the additional VAT amounts to about £150k per annum. The impact on other services amounts to a further £125k per annum. The VAT increase has been taken into account in setting charges for 2011-12.

Housing Benefit

- 1.8 The budget set out how the government plans to reduce the costs of Housing Benefit over the next 5 years by £1.8 billion, principally through setting restrictions on the level of Local Housing Allowance paid. Homelessness is a major issue for Oxford and details of the potential impact of budget changes are set out later in this report in paragraphs 6.1 to 6.8.

Comprehensive Spending Review (CSR) October 2010.

1.9 The overall headlines from the CSR are:

- The unringfencing of £7bn specific grants from 1.4.11, the majority into Area Based Grant (ABG) but not all
- Housing Revenue Account (HRA) subsidy reform to go ahead, but the detailed assumptions still to be announced
- Prudential borrowing available, but it will cost more. Public Works Loans Board rates went up by 1% as a result of linking rates to 1% above gilts.
- There will be 28% real terms reduction in non school budgets
- Grant funding for a Council Tax freeze in 2011-12 of 2.5% will be carried across all 4 yrs of the CSR
- The Local Government Finance Settlement may be 2+2 years, but this is not definite, i.e. may get two yrs firm and 2 yrs more vague
- 'Floors and Ceilings' will be key particularly as more grants are being moved into Formula Grant.

1.10 Formula Grant is to be cut by 22% in cash terms. Referred to by the Chancellor as an annual reduction of 7.1% to local government over the CSR period: These are real term reductions and assume inflation of 2%. The cut in Formula Grant is front loaded with reductions over the period of the CSR as follows:

- **2011/12** **10.7%**
- **2012/13** **6.4%**
- **2013/14** **0.9%**
- **2014/15** **5.6%**

1.11 Oxford currently receives £16.7m in Formula Grant (£2.1m Revenue Support Grant and £14.6m National Non-Domestic Rates). The impact on the City's Formula Grant will not be known until December and will depend on how it is implemented and the effect on the floor damping mechanism; due to which Oxford currently lose around £155k.

1.12 It should be noted that the impact on Formula Grant of Concessionary Fares administration transferring to upper tier authorities from 2011-12 remains subject to the outcome of consultation from the Department for Communities and Local Government (DCLG). There is a range of c £2 million between the best and worst case scenarios for Oxford dependent on the method adopted for funding transfers.

Specific Grants

1.13 £4bn of specific grants including most of the Area Based Grants (ABG) will be transferred into the Formula Grant. Oxford received £242k of ABG in 2009/10.

1.14 Some specific grants will remain outside Formula Grant. Those specifically relating to Oxford are:

- a. Housing Benefit and Admin grant – Oxford currently receive £1.1m per annum

- b. Council Tax Freeze grant. This is a new grant
- c. Preventing Homelessness. Oxford currently receives around £600k per annum in homelessness grant. DCLG have confirmed that funding for homelessness would remain over the next four years (although our share may change). However, the grant would be unringfenced.
- d. Disabled Facilities Grants – This grant has been protected with planned rises linked to inflation. Oxford currently receives £390k per annum in capital funding and fund the balance of expenditure from revenue, currently £300k.
- e. Supporting People - £1.6bn over the 4 year period is being transferred into Formula Grant and will not be ring fenced. Oxford City currently receives only around £70k per annum in supporting people grant via the County Council. However, the SP grant also funds other services aimed at keeping the elderly and infirm in their own homes. Hence if the County experiences cuts in its grant then this could impact on the City.

Public Sector and State Pensions

- 1.15 Changes in public sector pensions to achieve savings of £1.8 billion per year by 2014 are proposed. The State pension age will increase for men and women to 66 with effect from 2020. The impact on the local government pension scheme however, is unclear and subject to a review by Lord Hutton and the passing of primary legislation.

Social Housing

- 1.16 No changes to the rent regime for existing tenants but the potential that new tenants may be charged 80% of market rent under a new 'Affordable Rent' tenancy to be offered by housing associations from 1st April 2011.
- 1.17 150,000 new affordable homes will, on the governments calculations have the potential to be funded through this mechanism over the next four years
- 1.18 All Right to Buy receipts to be surrendered to the Exchequer. Currently there is a requirement to surrender 75%. Last year in Oxford the remaining 'usable' 25% represented £215k.
- 1.19 Local Authorities will be able to discharge their main homelessness duty into the private rented sector, rather than into temporary accommodation and then social housing as at present.

Council Tax Benefit

- 1.20 Responsibility for Council Tax Benefit is to be transferred to local government from 2013-14, with councils having some ability to set the rules, thresholds, eligibility etc. Government anticipate finding 10% savings as a consequence of the transfer most likely by cutting the benefit subsidy paid out in 2012-13 by 10%.
- 1.21 In Oxford the current gap between benefits and subsidy is about £200k. If subsidy was reduced by 10% this could have a £1 million impact on the City, provision for this has been made in the MTFs from 2013/14.

Growth Fund

- 1.22 The Government announced a Growth Fund of £1.4 billion against which authorities in areas of high public sector employment and arguably most affected by the cuts could bid against. Oxford would be eligible.

Other Issues to Note

- 1.23 **Reform of local services** - £200m available in 11/12 for local government to help pump prime reform of services.

Capitalisation - £240m available in 2011-12 for local government restructuring, possibly to fund redundancies

Carbon Reduction Commitment Energy Efficiency Scheme -The current estimated cost to OCC is £72k in 2011-12. We were expecting that most of this payment would be recycled back to us at the end of the year. However, the scheme has now been put back a year and will probably cost more. Also there will be no recycling payment. It will therefore be a real cost (or carbon tax) on local authorities.

Prudential Borrowing – Remains available to local authorities, however the cost of borrowing has increased by about 1%.

New Homes Bonus - further details are awaited but central government plans to incentivise local authorities to build new homes through bonus payments linked to the additional Council Tax generated.

2. Economic outlook and interest rates

- 2.1 The sovereign debt crisis peaked in May 2010 prompted, initially, by major concerns over the size of the Greek government's total debt and annual deficit. The crisis culminated in the EU and International Monetary Fund putting together a €750bn support package in mid May.

- 2.2 Growth in the US, UK and the Euro zone in quarter 2 of 2010 was driven by strong growth in the construction sector in part catching up from inclement weather earlier in the year; early indications are that this will also be repeated in Q3, with GDP predicted to rise by 0.8%. Market expectation for all three sectors of the economy is that they have peaked and are pointing downwards, though not necessarily negative.

- 2.3 Following the general election in May 2010, the coalition government put in place an austerity plan to reduce the public sector deficit over the next five years. The result of fiscal contraction is likely to be significant job losses which will have a knock on effect on consumer and business confidence. House prices have started to trend down during the summer and mortgage approvals are at very weak levels and also declining.

- Unemployment – the trend of falling unemployment (on the benefit claimant count) has reversed since July and is now showing small increases which are likely to be the start of a new trend of rising unemployment.
- Inflation and Bank Rate – CPI has remained high so far during 2010. It peaked at 3.7% in April and has fallen back to 3.1% in August. RPI remains high, at 4.7% in August. Although inflation has remained stubbornly above the Monetary Policy Committee's 2% target, the MPC is

confident that inflation will fall back under the target over the next two years. The last quarterly inflation report in August projected a significant undershoot post 2011. The Bank of England finished its programme of quantitative easing with a total of £200bn in November 2009 (although there is currently some speculation that there might be a second round of quantitative easing). The Council's treasury management advisors, Sector, think there is unlikely to be any increase in the Bank Rate until the middle of 2011.

- 2.4 It is currently difficult to predict exactly how strong the UK economic recovery is likely to be, and there are a range of views in the market. Our Treasury advisors have adopted a moderate view. However, there are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas:
- a. The speed of economic recovery in the US and EU
 - b. The degree to which government austerity programmes will dampen economic growth
 - c. The speed of rebalancing of the UK economy towards exporting and substituting imports
 - d. Changes in the consumer savings ratio
 - e. The potential for more quantitative easing, and the timing of this in both the UK and US
 - f. The speed of recovery of banks' profitability and balance sheet imbalances
 - g. The potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy
- 2.5 The overall balance of risk is negative and there is some risk of a double dip recession, creating a downward spiral of falling demand, falling jobs and falling prices, although this is currently viewed as being small.
- 2.6 The longer term trend is for gilt yields and the PWLB rate to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.

Sector's Interest Rate Forecast

Sector Forecast (October 2010)													
Bank Rate													
	Now	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Sector's View	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.50%	3.00%	3.25%	3.25%
5yr PWLB Rate													
	Now	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Sector's View	2.71%	3.05%	3.05%	3.25%	3.45%	3.65%	3.85%	4.15%	4.45%	4.65%	4.95%	5.25%	5.25%
10yr PWLB Rate													
	Now	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Sector's View	4.06%	4.15%	4.15%	4.25%	4.55%	4.75%	4.85%	5.15%	5.25%	5.45%	5.45%	5.75%	5.75%
25yr PWLB Rate													
	Now	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Sector's View	5.03%	5.05%	5.15%	5.15%	5.25%	5.35%	5.55%	5.55%	5.65%	5.85%	5.85%	5.85%	5.85%
50yr PWLB Rate													
	Now	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Sector's View	5.08%	4.95%	5.05%	5.05%	5.15%	5.25%	5.45%	5.45%	5.55%	5.75%	5.75%	5.75%	5.75%

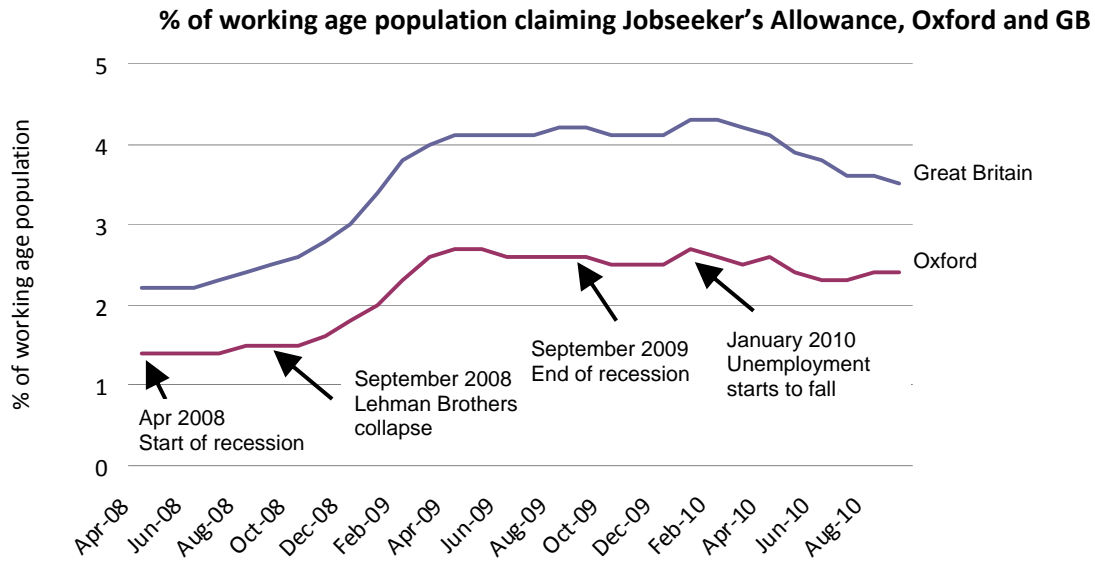
2.7 These above interest rate assumptions have been used to model investment income and interest payable for the next four years in the MTFs.

3. Recession, recovery and the impact of public sector cuts in Oxford

3.1 Key points to note in relation to Oxford are:

- a. The recession caused a rise in unemployment levels; however it has not risen as much as in previous recessions
- b. The underlying rate of unemployment in Oxford is higher than headline figures suggest
- c. Areas on the outskirts of the city have been hit hardest by the recession
- d. In Oxford the public sector and higher education account for nearly twice as many jobs as the national average
- e. If national-level forecasts prove correct and apply to the Oxford labour market, we would expect there will be about the same number of jobs in 2016 as in 2008
- f. However there are a number of issues which mean the challenge to Oxford in maintaining employment at 2008 levels should not be underestimated
- g. Research reports which forecast how well different areas of the country will perform present a mixed picture for Oxford – with some areas of relative advantage set against the high degree of reliance on public sector employment

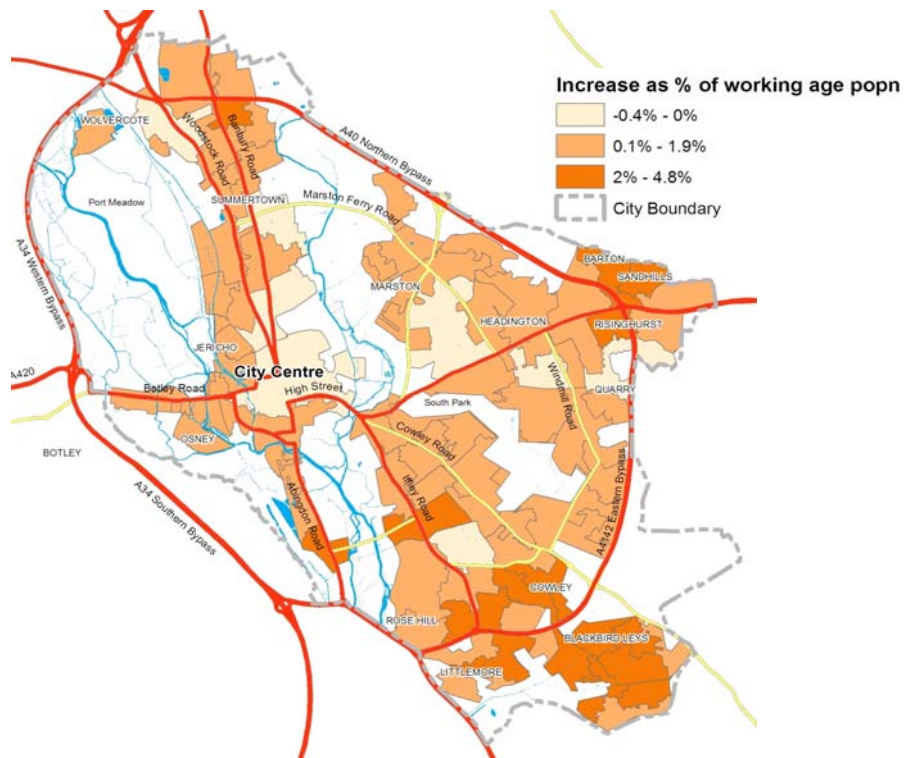
3.2 The effect of the recession on Oxford can be best illustrated by looking at the number of people claiming unemployment benefit or Jobseeker's Allowance (JSA).



Source: Department for Work and Pensions

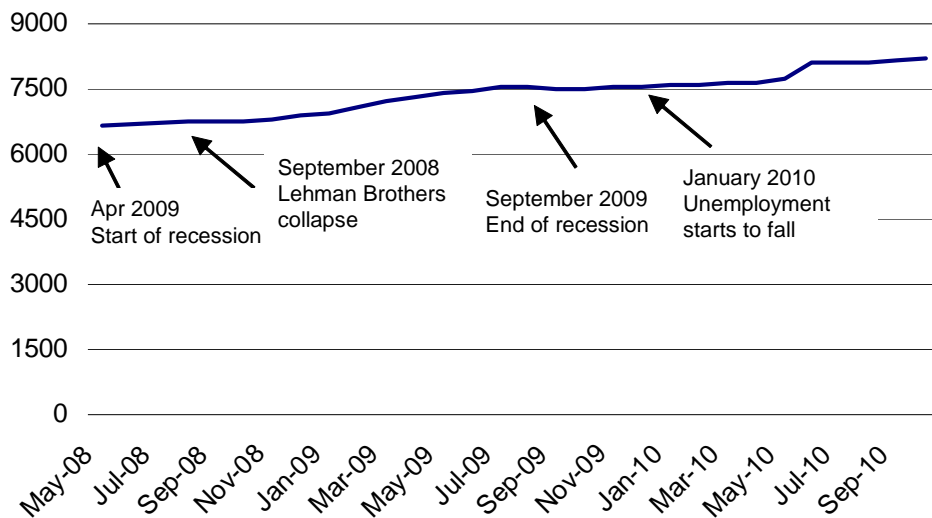
3.3 However, the recession has hit some areas of the City harder than others. The map below shows the increase in the number of people claiming Jobseeker's Allowance across Oxford between August 2008 and February 2010.

Change in number of people claiming Jobseeker’s Allowance, Aug 2008-Feb 2010



3.4 There has also been an increase in the number of working age people claiming council benefits (council tax benefit and housing benefits), as shown on the chart below.

Working age council tax and housing benefit households, Oxford 2008-2010



Source: Oxford City Council

3.5 Nationally the combined effect of recession and recovery between 2008 and 2010 has been to reduce the number of private sector jobs by 2% and increase the number of public sector jobs by 1%. If this has applied in Oxford it would mean that 1,200 private sector jobs were lost and 300 public sector jobs gained.

- 3.6 The Office for Budget Responsibility (OBR) has forecast what the Comprehensive Spending Review (CSR) will mean for employment in the UK:
- There will be a loss of 610,000 jobs in central and local government between 2011 and 2016 – a reduction of 11%
 - There will be an increase of 2.0 million private sector jobs between 2011 and 2016 – an increase of 8%
 - Taken together this means that the OBR forecasts total employment steadily increasing over the period
- 3.7 PriceWaterhouseCoopers have also forecast that for every public sector job lost due to spending cuts, another job in the private sector will be lost.
- 3.8 Assuming these assumptions apply in Oxford, we can expect the number of jobs in Oxford to remain broadly stable over the next five years. However, there are a number of factors which raise concern, they are:
- (i) The impact of changes to university funding on levels of employment in higher education. Even a small reduction in higher education jobs would put Oxford into a net loss of jobs over 2008-2016
 - (ii) As noted above, it has been forecast that every public sector job loss will have an equivalent lost job in the private sector. In Oxford this would mean the loss of 3,000 private sector jobs – meaning that the private sector would need to create over 6,000 jobs to meet the forecast above. This represents growth of more than 10% over five years.
 - (iii) Even if the private sector is able to create the number of jobs required there may be a time lag between the loss of public sector jobs and the gain of private sector jobs leading to a rise in unemployment in the interim
 - (iv) The working age population is projected to grow by around 2,000 over this period - more than the growth in available jobs
- 3.9 Research commissioned from Experian by the BBC forecasting which areas would be most resilient and which most vulnerable to public sector cuts shows Oxford ranked in the middle of all areas in England, i.e. neither particularly vulnerable nor particularly resilient. This is in marked contrast to the four neighbouring districts which all feature among the 20% most resilient areas in England.

4. Issues Facing Oxford

Pensions

- 4.1 The City Council is part of the Oxfordshire Pension 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.
- 4.2 The next review of contributions is in March 2011, based on the actuarial review as at 31st March 2010. There has been concern that the impact of the banking crisis and economic downturn on financial markets will result in significant underfunding of pension schemes.

- 4.3 During 2010 Oxfordshire County Council consulted on a number of options to amend the scheme rules to introduce more flexibility over the recovery of past deficits with a view to reducing the potential cost to scheme employers at the next triennial review. The outcome was to leave the scheme largely unchanged with a maximum recovery period for past deficits of 25 years.
- 4.4 Provision has been made in the Medium Term Financial Strategy (MTFS) for an uplift in the employer's contribution. However, early indications from the actuary indicate that rates may stabilise. Rates will be confirmed in December 2010 and assumptions adjusted accordingly.
- 4.5 There is insufficient detail available for actuaries to estimate the impact of the Hutton review on Local Authority pensions at this stage. Any changes would be subject to consultation and require primary legislation.

5. Concessionary Fares

- 5.1 The introduction of the National Concessionary Fares scheme in 2008-09, resulted in a serious financial deficit for the Council. The council lobbied hard for fairer funding through the Local Government Association (LGA), the local MP and the responsible minister.
- 5.2 For 2010-11, DfT revised the Special Grant allocations and Oxford was awarded an additional £2.2 million. This rectified the funding position for 2010-11 but gave no certainty for future years.
- 5.3 Consultation on the administration of the national concessionary fares scheme took place in 2009. The outcome was that from 2011-12 administration would transfer to upper tier authorities. However, the consultation did not include how funding would be adjusted for the transfer of responsibilities.
- 5.4 DCLG have recently consulted on a number of proposed changes to the calculation of Formula Grant, including options for the method by which funding would transfer from Districts to Counties for Concessionary Fares. The calculations are highly complex and notoriously difficult to interpret; It should also be noted that considering any one aspect of Formula Grant in isolation is risky as adjustments within the four-block model interact and are likely to affect other aspects of the overall calculation.
- 5.5 The options for adjusting Formula Grant for the transfer of Concessionary Fares give a range of £2 million per annum, and a prudent approach has been taken to modelling in the MTFS.

6. Homelessness

- 6.1 There are a number of challenges facing the Council in relation to provision of services for homeless people over the next few years. Due to the current lack of clarity around the proposals and their implications it is difficult to be precise about the exact impact on the Council. However:
- 6.2 We expect to see a continued increase in the number of people presenting as homeless and a marked increase in presentations from young people following the up-rating of non-dependent deductions from Housing Benefit (HB)/Local Housing Allowance (LHA) in April 2011. Family & Friends exclusion is

already the largest single cause identified by people presenting as homeless, particularly amongst younger people. The increases in the amount deducted from benefit as a result of having a non-dependent in the household is likely to trigger a further wave of exclusions in the short term, and to make benefit dependent households more likely to exclude non-dependents in the future.

- 6.3 Our ability to manage this by use of the private rented sector will be undermined by the changes to LHA rates scheduled for October 2011. The reduction of LHA to reflect only the 30th percentile of local market rents (rather than the median) is of particular concern in Oxford as local market rents are currently calculated on the basis of rents county-wide, and rents in other parts of the county are cheaper than in the city. This means that much of the accommodation in the cheapest 30% of the market is outside the city. We expect LHA levels for 1,2 & 3 bed properties to fall by around fifty pounds per month, rates for four bed properties to fall by around £100 per month, and rates for larger properties (which will now be capped at 4 bed rates) to fall by no less than £450 per month. Hence it will become increasingly difficult to persuade landlords and letting agencies within the city to accept clients reliant on LHA.
- 6.4 Some funding is available for topping up LHA payments, from the Discretionary Housing payments budget (funded by central government) but this is intended to be a short-term fix, rather than an ongoing commitment. The Council currently houses between 15 and 30 households per month via this route, and allowing for at least some landlords lowering their rents, 'top-ups' of around £150,000 per year is a reasonably cautious estimate of need. In many cases, these would be ongoing payments over a number of years, and so the budget required would continue to increase year on year if this route was continued.
- 6.5 Some landlords may end the tenancies of clients on LHA when their claims are reassessed at the new rate (generally on the year anniversary of the initial claim). This may add a further stream of households facing homelessness, and seeking our assistance. There are currently around 700 such households in the private rental sector, hence we might expect to see between 50 & 60 such reassessments each month from next October. If any of these lead to proposed termination of tenancy, then "top up" payments would be needed to keep those households in place.
- 6.6 There are also a number of very large households (larger than 4 bedrooms) currently in private sector accommodation within the city. Because the LHA rate is to be capped at the four bed rate, these families may well face termination of their tenancies when the new rates come into effect. We currently top-up LHA payments for these households, because the current rates for larger properties do not meet the cost of such properties in the city. Because of the size of these households, it is unlikely that they will ever find social housing in the city, and so will be in need of private rented accommodation in the very long term. Top-ups of around £500 per month for, 10 families would entail a cost of £60,000 per year. Should we fail to find them private sector accommodation, we would be forced to provide "temporary" accommodation, at far greater cost to the council.
- 6.7 The current agreement with Oxford Social Lettings Agency (OSLA) allows us to place homeless people in properties, which are then managed by Housing Associations. This agreement comes to an end in April 2011 and will need re-tendering. However, there is a clear risk that Housing Associations might simply

not engage, given the degree of risk surrounding potential changes to Housing Benefit (HB) payments for such schemes, or the implications of other LHA/HB reforms.

- 6.8 Correspondence received from DCLG on 20th October relating to work on rough sleeping and single homelessness stated that whilst £19m each year will be retained nationally, with a total of £90m in 2011/12, £90m in 2012/13, £89m in 2013/14 and £88m in 2014/15 being allocated to local authorities through an unringfenced specific grant detailed allocations by authority will not be known until early December.
- 6.9 The MTFS includes a contingency to cover the pressures identified in this section. As the implications of government policy in this area become clearer we will need to review the policy implications for the city and the allocation of this contingency.

7. Pressures within the base budget

- 7.1 The impact of the recession on the Council's budget has been closely monitored, in particular the trends for key income lines and demand led budgets.
- 7.2 We have built in specific budget provision for recession related pressures in both the 2009-10 and 2010-11 budgets. In 2009-10 the areas of most significant pressure were Building Control income, £0.2 million below budget, and commercial property income, £0.3 million below budget.
- 7.3 It has become apparent that the pressures on Building Control income and Commercial Property income reflect medium term conditions and hence adjustments to the base budget have been included in the 2011-12 budget.
- 7.4 Car Parking income has fallen significantly in 2010-11 with a decline in usage of city centre car parks. Income was forecast to be £700k below budget at the end of the first quarter. Although we have seen some recovery in the second quarter, usage levels remain depressed and the Car Parking Manager has reviewed tariffs with a view to reversing this trend. The impact of the VAT increase from 17.5% to 20% in January 2011 has also been factored into tariff adjustments and future income forecasts. In planning the 2011-12 budget, a reduction of £700k has been made to the base position.
- 7.5 In light of the forecast income shortfalls, a review of discretionary spending was undertaken and £830k of savings identified in 2010-11. Where spending reductions have been identified as ongoing savings they are included in the 2011-12 budget proposals.
- 7.6 During the second quarter, further pressures have been identified leading to forecast net expenditure of £0.8 million over budget. Officers are working to bring the budget back into balance. Any ongoing pressures will need to be taken account of in setting the budget for 2011-12.

8. HRA Subsidy Reform

- 8.1 DCLG published its 'offer' to local authority landlords on 25th March 2010. The offer was in the form of a prospectus setting out the terms within which the government plans to implement the dismantling of the Housing Revenue Account

(HRA) subsidy system and introduce a system of self financing from April 2011 on a voluntary basis.

- 8.2 The detailed proposals were set out in a prospectus document entitled "Council housing: a real future". The prospectus is supported by a number of technical documents and financial models. In summary the main proposals included:
- 8.3 Moving towards a self financing HRA system in which negative or positive subsidy is exchanged for a single one-off settlement of housing debt that allows councils to retain locally 100% of all future rental income and capital receipts. The changes would have a significant impact on the Council's HRA Business Plan and stock management strategy.
- 8.4 The current national HRA subsidy system would be dismantled but a separate "ring fenced" HRA would be retained, to account for housing services that a landlord is required to provide.
- 8.5 Local authority landlords will still be required to follow national rent policy and the self-financing model assumes "convergence" to the national formula rents by 2015/16.
- 8.6 Under this system, the Council will keep all of the rent it collects from council housing in Oxford and would also retain all capital receipts from sale of housing and land that fall within the HRA. From these proceeds OCC would need to repay debt on those properties sold.
- 8.7 Based on the consultation data there would be an average debt per property of £27k if the proposal is implemented. The overall implications of the consultation were favourable for the City Council and set out in a report to CEB in the summer. However the outcome of the consultation has yet to be announced and whilst the abolition of housing subsidy was affirmed in the CSR, further details are awaited confirming the terms of the offer which will inevitably have changed in light of the CSR. It is expected that implementation of the changes will apply from 2012-13 onwards.
- 8.8 In the light of the potential reform to HRA financing and pending confirmation of new arrangements, a one year budget has been prepared for 2011-12 only.

9. Value for Money & Efficiency

- 9.1 The Council has made substantial progress in improving value for money and generating efficiency savings over the past three years. 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. In 2009-10 further savings of £4.3 million were achieved, with a further £2.7 million budgeted for 2010-11.
- 9.2 The 2007 Comprehensive Spending Review (CSR07) tasked 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.
- 9.3 National indicator N179 seeks information on the value of efficiency gains achieved by councils during CSR07. The target was set as part of the Local Area Agreement (LAA), representing 3% per annum net efficiency gains or a

cumulative 9.3% over the 3 year period. The Oxfordshire LAA set itself a “stretch” target of achieving 3.1% per annum on the revenue element of the baseline. By the end of 2009-10, the Council had achieved £7.5 million of qualifying efficiency gains, already significantly ahead of the three year target of £4.7 million.

- 9.4 Oxford City Council has been systematically reviewing its services over the last two and a half years - first leisure, then recycling and waste, and now benefits. We are committed to improving efficiency, quality and accessibility across all services. This is now in the context of a challenging environment nationally.
- 9.5 In the face of these financial circumstances, the Council has two broad options. The first is to balance the budget through service cuts and reductions in investment, which would lead to an impoverished organisation susceptible to unplanned cuts and redundancies. The second option, the option that we have chosen – is to speed up our pace of improvement so that we can protect and improve our front-line services with reduced resources.
- 9.6 Building on the momentum already built up and within this challenging national context, the Council has identified further opportunities to improve services and make savings that will minimise the need to make unplanned cuts to services, which would impact on the people and businesses of the city and detract from the Council’s aims and corporate plan objectives.
- 9.7 The Corporate Management Team (CMT) have labelled this coordinated set of actions “Council 2012” – with the ambition through these actions to reduce expenditure by 20% whilst achieving improvement in service outcomes by 20%. This aim reflects the Corporate Plan and its objective to transform the Council by reducing costs whilst improving services. The 20% target is an ambitious yet achievable target, reflecting the broad savings assumptions in the 2010-11 MTFs and the improvements achieved in the fundamental service reviews. Bringing these strands together under the banner of “Council 2012” communicates the scale and urgency of the changes required.
- 9.8 Four principles underpin the Council 2012 programme. They are:
- a. **One Council:** one vision, shared policies and procedures, no more silos.
 - b. **Rationalise our buildings and get the most out of our assets:** make more efficient use of our buildings and offices and dispose of those that are surplus to requirements.
 - c. **Simplify, standardise and automate our processes:** Eliminate duplications in systems and processes and e-enable wherever possible, both internally and externally.
 - d. **Modern and flexible working practices:** enable staff to work more flexibly and more productively in order to reduce the Council’s cost and carbon footprint.
- 9.9 The five Programmes are as follows:
1. Customers First
 - introduce a ‘one number’ approach for all Council services
 - combine the contact centre operations currently within Oxford City Homes with those in Customer Services to create one generic front of house and call centre service.

- Channel migration
2. Offices for the Future
 - improve working conditions for our staff and will enable us to reduce our office footprint and cut costs
 - increase productivity
 - reduce the Council's office and carbon footprint by 25% by moving staff out of Ramsay House and Blue Boar Street and selling these properties
 3. Corporate Services Modernisation
 - rationalise and centralise back office functions and processes
 - rationalise systems architecture
 4. Direct Services
 - set up a Direct Services Team which brings together front-line services previously delivered by City Works and Oxford City Homes. The new team will include: recycling and waste; street scene; highways and engineering; and building maintenance.
 - establish the feasibility of setting up a single depot and stores operation to support the Direct Services team. Moving from the separate depots currently maintained at Horspath (Oxford City Homes) and Cowley Marsh (City Works) will combine stores operations and make better use of space.
 - set up a commissioning unit for Environmental Services.
 5. Reformed Housing Function
 - transfer the non-maintenance delivery elements of the housing landlord function to a new combined Housing and Communities Team. This will enable us to address the changing nature of issues on our estates which are increasingly characterised by mixed tenure. We will form a strong, easily recognised landlord function which relates to tenants and which tenants can relate to.
 - make our asset management function more efficient by transferring the maintenance and property related functions currently delivered by Oxford City Homes to the corporate Asset Management team. Thereby enhancing strategic asset management capability.

9.10 The broad objectives of 2012 are:

People	<ul style="list-style-type: none"> ▪ Simplified and agile management structure ▪ Skilled and experienced managers ▪ Clear roles and accountabilities ▪ Trained, professional, flexible and customer focused staff ▪ Staff working more productively, and judged on outcomes rather than the number of hours spent in the office ▪ Council is an employer of choice, as recognised by the Investors in People standard ▪ Staff demonstrating the behaviours set out in the Council's behaviour framework
Buildings	<ul style="list-style-type: none"> ▪ Fewer but more modern offices for staff and customers One telephone contact centre ▪ One city centre service point
Processes	<ul style="list-style-type: none"> ▪ Efficient and timely processes ▪ Simplified, standardised, scalable and customer focused ▪ Standard operating procedures in place for all processes ▪ Increased automation and self-service
Systems	<ul style="list-style-type: none"> ▪ Strategic systems architecture defined ▪ Simplified systems ▪ Robust and reliable systems support ▪ Understanding and use of full system functionality ▪ Technology used as an enabler to work flexibly ▪ Information managed securely but intelligently with greater use of electronic storage ▪ Increased use of self-service (internal and external) e.g. web forms, self-service terminals

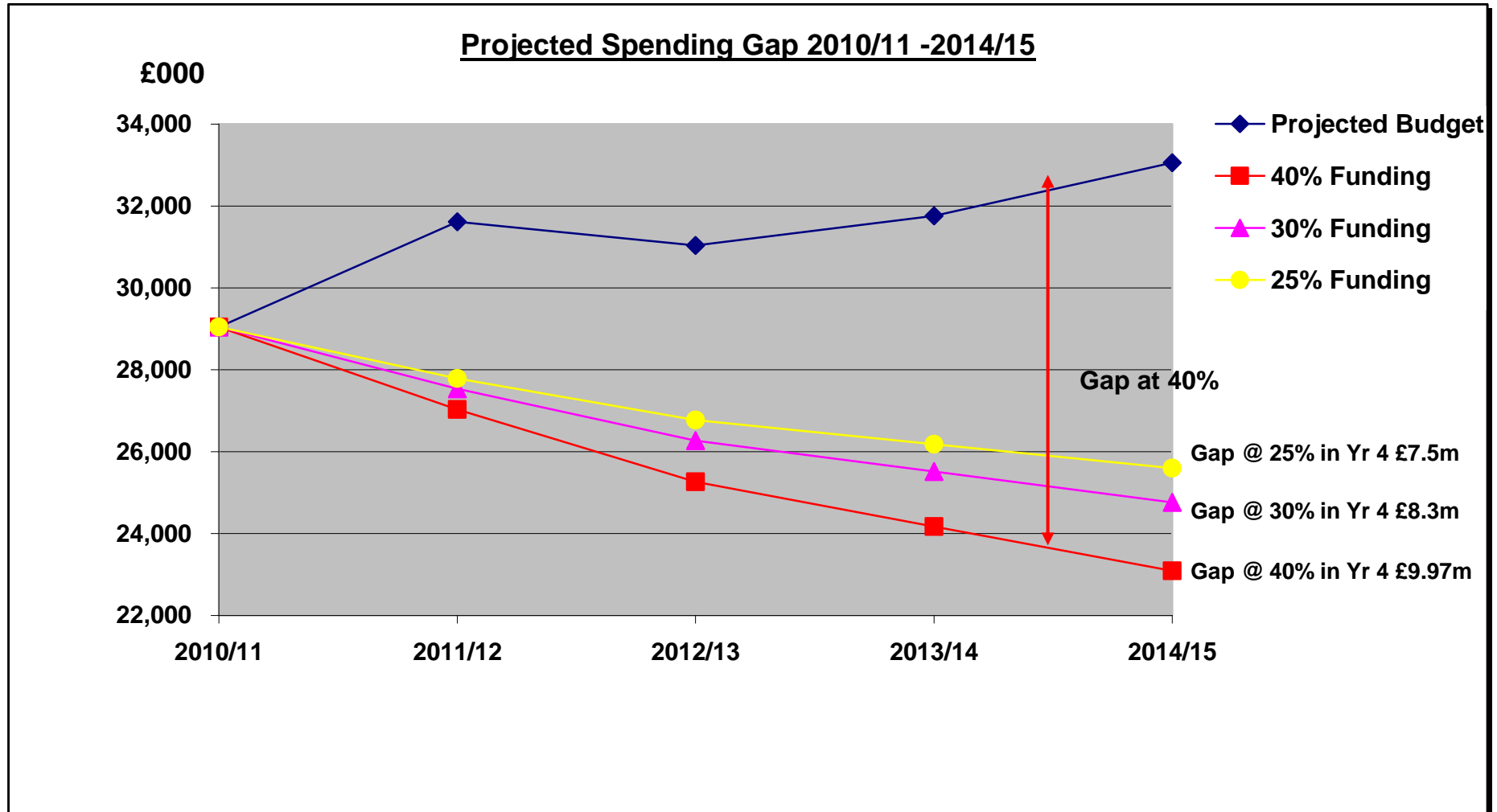
9.11 Council 2012 defines a series of benefits and performance measures for each programme. These benefits are included in the budget efficiency savings proposals.

Section B General Fund Revenue Budget

10. Medium Term Financial Strategy (MTFS) Modelling

- 10.1 The Chancellor's Emergency Budget on 22nd June 2010 set out plans to tackle the public sector deficit and bring the structural deficit into balance by 2014-15. Central forecasts predicted cuts of between 25% to 40% to Local Government funding over this period.
- 10.2 The details of how the cuts would fall and the phasing in of reductions was and remains uncertain. However, it was expected that cuts would be front end loaded.
- 10.3 A range of scenarios for income and expenditure were modelled to determine the overall level of budget pressure.
- 10.4 The outcome of the modelling is shown in the following graph. The worst case scenario being a £10 million gap if a 40% reduction in grant funding occurred.

The modelling shows a significant budget gap even at lower reductions of Formula Grant, as shown by the following graph:



The Budget Process

- 10.1 In the light of an anticipated budget gap of between £7.5 and £10.0 million by the end of year four, and in an attempt to flesh out as many options as possible, Service Heads were set the challenge of presenting the implications of reducing budgets by 40% over the four year period weighted 60:40.
- 10.2 Detailed templates and guidance were issued to Heads of Service in August asking them to identify proposed Efficiency Savings, Spend to Save opportunities and Fees & Charges options as well as Pressures and Service Reductions. These templates were submitted in early September and collated by the Finance team.
- 10.3 An officer review process then scrutinised all budget proposals for consistency of approach, achievability of savings and alignment with the Income Strategy. Given the high level of efficiencies offered these proposals have been ranked as High, Medium and Low risk (see Appendix 3 attached)
- 10.4 The administration then reviewed proposals for political acceptability.

CSR Impact and Planning Assumptions

- 11.1 The Comprehensive Spending Review (CSR), announced in October, stated the average reduction in funding in cash terms over the four years was 22%, 10.7% in 2011-12. However, we will not know the exact implications for the City until early December. This level of cuts and the implications of the proposed changes in the benefits regime require that all budget proposals accepted by the administration at the 40% level are necessary to close the gap.
- 11.2 Planning assumptions include:
 - Formula Grant - Reductions of 10.7%, 6.4%, 0.9% and 5.6% (cumulative 22%) in line with the overall funding reduction to Local Authorities announced in CSR.
 - Concessionary Fares – this function will transfer to upper tier authorities via Formula Grant. Budget provision covers the options offered in the CLG consultation paper.
 - Council Tax Grant - This grant was introduced in the CSR to cover the equivalent of a 2.5% increase foregone in 2011-12, uplifted each year for rises in the tax base.
 - Council Tax Increase - An increase of 3% per annum has been included from 2012-13.
 - Base Budget - The starting point for planning is the 2011-12 base budget position as presented in the 2010 MTFs. This is defined as the 2010-11 budget, adjusted for any approved and permanent adjustments, for savings that start or increase in 2011-12, and for bids where funding changes or ends. Adjustments to the base budget included the removal of

the 0.5% pay increase planned in the 2010-11 budget but not implemented.

- Inflation - No general inflation has been applied to non pay budgets. Based on the Office for Budget Responsibility (OBR) forecasts, CPI (and RPIX) is assumed to be 3% for 2011-12 and 2% for each subsequent year.
- Pay Assumptions - A pay freeze is assumed for 2011-12 except for employees earning £21,000 per annum or less who would receive an increase of £250 a year. Provision for pay awards of 2%, 2% and 2.5% has been made for subsequent years. Employers' NICs increase by 1% in 2011-12 but the lower threshold for contributions is increased by £21 per week above inflation.

Staff Increments - The single status agreement allows for the Council to assess the affordability of increments annually and not pay them if they are unaffordable. Discussions are underway with the Trade Unions, and it has been made it clear that in the current financial climate they are not affordable. However, we have offered a 'partnership' bonus of up to £500 payable on an equal basis to all staff if the efficiency savings are exceeded in year and individual targets are met. We are also offering more flexibility on employment conditions around leave and flexitime.

- Pensions - The MTFS includes an increase from the current contribution rate of 20.2% to 23% in 2011-12. Budgets will be adjusted once the new contribution rate is confirmed in December 2010.
- Corporate Pressures – Underlying pressures within the base budget have been built into MTFS planning. The corporate pressures agreed by CMT are rebasing income for car parking, building control and commercial property rentals, based on robust analysis and a realistic assessment of prospects for recovery, and the initial payment for purchase of carbon credits
- Investment Income - Investment income has been forecast based on our Treasury advisors' October 2010 predictions. Concerns over the potential impact on the economy of public sector spending cuts has had the consequence of depressing interest rates for longer than previously expected. This remains an area of considerable uncertainty for medium term forecasts.
- Capital Financing - Capital financing for the draft Capital Programme is detailed in Section D. The MTFS includes provision for £4 million of prudential borrowing.
- Contingencies - Contingencies have been included against the high and medium level risk efficiency savings, against the escalation of homelessness costs and for potential redundancy costs.

12. General Fund Budget for Consultation

- 12.1 The Council's General Fund Budget for Consultation is set out in Appendix 1, attached. Appendix 2 shows at a summary portfolio level how the proposals are made up, They include, over the four years, £6.0 million from Efficiency Savings, £2.3 million from Fees and Charges, £1.9 million from Service Reductions and £0.3 million (net of investment) from Spend to Save proposals. The total budget reduction (net of pressures) is £9.7 million over the period. The budget is balanced over the 4 years of the MTFS. The budget proposals are set out in detail in Appendix 4.
- 12.2 Due to the significance of Efficiency Savings in delivering the budget it is recommended that CEB instructs officers to proceed with the implementation of Efficiency Savings as set out in Appendix 3 immediately.
- 12.3 Elsewhere on the Agenda are two reports which set out proposals to amend off street car parking tariffs, and to introduce charges for parking in selected park areas. These proposals are included in this budget.
- 12.4 The main risks to the balanced position of the General Fund consultation budget are:
- Local Government Finance Settlement – this is expected in December and the precise level of Formula Grant remains highly uncertain until the settlement is published
 - The outcome of the consultation on the transfer of Concessionary Fares funding to the County Council
 - The potential of the New Homes Bonus
 - The outcome of the actuarial valuation of the Pension Fund, also expected in December and subsequently the implications from the Hutton review
 - Interest rates falling lower than projected
 - Any further slippage in the delivery of savings or additional pressures on the 2010-11 budget that could impact on 2011-12.

13. Budget consultation

- 13.1 The budget consultation exercise will start in November 2010 and involve a staff survey as well as utilise Talkback, an online survey and the Oxford Mail which will carry a simplified version of the survey. The outcome of the consultation process will be reported to CEB on 9th February 2011, together with the outcome of the final settlement determination.

Section C Housing Revenue Account Budget

- 14.1 The Medium Term Financial Strategy produced in October 2009 indicated a budget surplus of at least £500k in 2011-12 and beyond was required to achieve the decent homes standards. Consequently, service efficiencies and an increase in non dwelling income of between £1 million to £1.9 million per annum over the next four years were estimated to be required: leaving the HRA working balance at £2million.
- 14.2 As with the General Fund, in planning the budget it was anticipated that funding would be reduced by the new Government seeking to reduce the economy's financial deficit. Hence in line with the Council's estimates of reductions in Formula Grant for the General Fund the Housing Service was tasked with planning for a 40% reduction in the Major Repairs Allowance (MRA) over the four year period. This was estimated to be in the region of £2million over the four year period or £500k per annum.
- 14.3 On the 21 July 2009 The Department for Communities and Local Government (DCLG) issued a consultation document on options to improve or replace the current HRA subsidy system. The most favoured option, which the Council supported, was the devolved (self financing) system, in which rents would be retained by Councils to spend on their own services, in exchange for a one-off reallocation of debt. The key issue for the Oxford City Council is the level of debt and how it is calculated. The report to CEB on the 30th June 2010 sets out the proposals and issues in detail
www.oxford.gov.uk/PageRender/decCD/committeemeeting.htm?meetingId=38920
- 14.4 The outcome of the consultation exercise and further guidance is still awaited. However, in his speech on the Comprehensive Spending Review in October the Chancellor made the following announcements on Housing:
- Continue with HRA Reform - no details were given at the time but since the announcement it has been confirmed that HRA Reform will be implemented with effect from 1st April 2012.
 - Continue with Decent Homes - £2billion would be made available for Councils to bid for, although this may be restricted to authorities with a significant backlog.
 - There would be no changes to the rent of existing tenants but new housing association tenants could be charged 80% of market rent.
 - Right To Buy (RTB) - receipts would all be pooled/paid over to the government (the current requirement is to pool 75% of total RTB receipts).
 - The increase in the cost of borrowing from the Public Works Loan Board (PWLb) announced in the CSR could impact the cost of servicing the debt allocation under HRA Reform.

15. Housing Subsidy

15.1 On 10th November 2010 the authority received the Draft HRA Subsidy Determination for 2011/12. The effect on the authority's position is as follows:

Subsidy Calculation 8th Nov 2010	Per draft determination	
	2010/11	2011/12
Annual Guideline Rent	33,056,464	34,360,789
Voids 2%	-661,129	-687,216
Guideline Rent less voids per determination	32,395,335	33,673,573
less M&M allowances	14,166,738	14,151,068
less Admissible Allowance	0	0
less charges for capital	2,106,096	870,911
add interest on receipts	8,918	9,972
Subsidy Payable	16,131,419	18,661,566
Increase/(decrease) on previous Year	358,539	1,475,848
Minor Repairs Allowances	5,367,434	5,457,104
Net Subsidy after MRA	10,763,964	13,204,463
Increase/(decrease) on previous Year	330,924	1,386,200

15.2 In detail the determination indicates:

- An increase in the management allowance per dwelling of 1.43%
- A decrease in the maintenance allowance of 0.09%
- A decrease in the charges for capital allowance due to reduced interest rates
- An increase in the Major Repairs Allowance of 2.34%, this is used to finance the Decent Homes Programme.
- An increase in the guideline rent of 4.59% and rental convergence will move from 2015/16 to 2016/17. No details have been given as to whether a cap will be placed on the maximum rent increase.

Overall, this results in an increase in the net subsidy payable from the Council to central government of £1.386 million as shown above equating to approximately £180 per dwelling per annum. However, it should be noted that this is a draft determination and confirmation of these figures including the level of maximum rent increase, if applicable, will not be received until late December 2010.

16. Housing Revenue Account Budget 2011/12

- 16.1 As outlined above, there are significant uncertainties around HRA reform in terms of how the system will operate and the allocation of debt to the authority etc. which will have a material effect on the construction of the budget going forward. Consequently, the HRA revenue budget has been constructed on a one year basis for 2011/12 only.
- 16.2 Appendix 5 attached shows the detail of the Housing Revenue Account with the position summarized below:

	Original Budget 2010/11	Base Budget 2011/12
	£000's	£000's
INCOME		
Dwelling Rents	(31,334)	(32,848)
Other Income	(2,794)	(3,500)
Sub Total	(34,128)	(36,348)
EXPENDITURE		
Housing Subsidy	16,131	18,661
Tenancy Services	4,533	4,234
Repairs	6,469	6,155
Overheads	5,581	5,433
Depreciation	10,017	10,017
Net interest payable	840	675
Sub Total	43,571	45,175
Net Expenditure	9,443	8,827
Appropriations	(9,943)	(9,943)
Transferred to Decent Homes Reserve	500	616
HRA (Surplus)/Deficit	0	(500)

HRA Working Balance		
Balance b/f	(2,000)	(2,000)
HRA (Surplus)/Deficit	0	(500)
Balance c/f	(2,000)	(2,500)

- 16.3 Key assumptions made in preparing the budget for 2011/12 are set out below:

17. Rent Increase

- 17.1 Social housing rents continue to be based on the formula put forward by DCLG in advance subsidy notices, normally issued in December. The basic formula used has not changed for a number of years although DCLG has in the past either capped and/or changed the date of convergence towards a target rent.
- 17.2 The basic formula weekly rent is $RPI + 0.5\% + £2$. Rental convergence was scheduled to be achieved by 2015/16 although with the recent subsidy determination this has now changed to 2016/17. It should be noted that some of our properties have already reached convergence and so the extra £2 will not apply.
- 17.3 RPI is currently running at 4.6% applying this to the formula, without any rent cap produces an average rent increase of 7.64% to £84.75 per week with a range of between 7.06% and 10.13%. Appendix 6 attached shows this impact by City ward.
- 17.4 Whilst the authority could impose a cap on the rent increase unless a similar cap is included in the final Housing Subsidy Determination in December the authority would be financially worse off since the payment of subsidy to the government from the council would be based on an assumed higher rental income for 2011-12 and each subsequent year. For example, if rents were capped at 5%, the loss would be £446k. The indicative rent increases will be adjusted as appropriate once the position is confirmed.

18. HRA Working Balance

- 18.1 It is considered that a prudent level for the HRA working balance equates to 4 weeks rents. This results in a working balance of around £2.5 million an increase of £500k on the existing balance. This is reflected in the draft HRA budget for 2011/12.

19. Tenant Consultation

- 19.1 Consultation meetings with tenants are scheduled to take place in early December 2010.

Section D Capital Budget

20.1 As part of the budget process officers were invited to submit outline business cases for new schemes to be included within the Programme. The bids also included schemes where although approval has previously been given they have not yet commenced. This enables the Capital Programme to be looked at holistically in terms of available resources, including re-evaluating the priorities of bids which had not been committed.

21. General Fund Capital Programme

21.1 As part of the officer review process General Fund bids were evaluated using a scoring mechanism which took into account:

- Their contribution to the Councils corporate priorities
- Their statutory or contractual nature
- The cost of the scheme in total , small schemes scoring more points than larger ones
- Whether the scheme attracts external funding
- Whether there were additional revenue implications and whether there was budget provision for them
- The risk of not doing the project

21.2 The proposed General Fund Programme amounts to £32.7 million over the four year period including £27.3 million of new schemes. The £5 million difference is made up of schemes that are currently committed or have a long lead in time e.g. ICT infrastructure £500k ,Offices for the Future £4 million, fees in respect of the New competition pool £140k and schemes funded by Section 106 developer contributions such as Barton Village pavilion refurbishment £182K and West End regeneration £207k.

21.3 Appendix 7 attached details the Council's Proposed Capital Programme for 2011/12 to 2014/15 together with associated funding.

21.4 The Draft General Fund Capital Programme is funded over the next four years predominantly by Prudential Borrowing (47%) and capital receipts (28%). All revenue costs in respect of prudential borrowing have been included in the General Fund revenue budget. This is consistent with one of the key objectives of the MTFS, i.e. that the Capital Programme should be funded on a more sustainable basis going forward, with a greater reliance on revenue contributions, the use of prudential borrowing where projects improve the Council's financial position, and reduced use of asset disposals.

21.5 The Council's General Fund property disposal programme includes significant asset disposals such as Blue Boar Street and St Clements car park but is sufficient to sustain the £7.6 million of receipts to be used over the next four years. The Council is actively pursuing other asset disposal opportunities.

22. Housing Revenue Account Capital Programme

22.1 The draft HRA Capital Programme totals some £31.7 million over the four year period. The Council will meet the Decent Homes Standard in December of this year and the majority of the Capital Programme now consists of ongoing maintenance and refurbishment. . Other expenditure includes:

- Repairs and maintenance to tower blocks of £600k over the next four years. Work is currently underway to provide a formal report on the condition on the tower blocks and should further substantial repairs be required then appropriate funding will need to be found
- Sheltered housing accommodation maintenance – An amount of £600k over the period has been included. This will ensure that sheltered accommodation dwellings are suitably refurbished as they become vacant pending any more substantial redevelopment work.
- Aids and adaptations, an amount of £3.6 million has been included to fund suitable aids and adaptations to council dwellings for the disabled and elderly.

22.2 The HRA Programme is funded predominantly from three sources:

- The Major Repairs Allowance which accounts for 66% of total funding over the 4 years and payment via the Housing Subsidy mechanism. Despite wide speculation of a considerable reduction in 2011/12 the draft subsidy determinations has indicated an increase of 2.34% to £5.4 million for the year.
- Capital receipts, which over the four year programme accounts for 20% of total funding. However, it should be noted that the Comprehensive Spending Revenue indicated that the current requirement to pool (pay over) 75% of all RTB receipts would increase to 100% and whilst there has been no further information on this to date, the Council is currently assuming that this will take effect from the 1st April 2011. Therefore, the capital programme is reliant on other property disposals such as the sale of sheltered blocks at Grantham House etc. as they become available, subject to HRA reform this may change in future years.
- The Major Repairs Reserve which is built up from surpluses on the HRA. The amount transferred to this reserve and hence available to finance the capital programme is reliant on the outturn of the HRA at year end.

22.3 Appendix 7 attached details the Council's Proposed Capital Programme for 2011/12 to 2014/15 together with associated funding.

23. Budget next steps

23.1 The timetable for consultation and for Budget approval by Council is set out in the following table:

Consultation Budget Report and MTFs to CEB	8th December
<i>Provisional Settlement and Housing Subsidy Determination announced</i>	
Budget Consultation including Business breakfast	December/ January
VAP Scrutiny Panel review	December/ January
<i>Final Settlement and Housing Subsidy Determination announced</i>	
Final Budget Report to CMT	17th January
Final Budget Report to Cross Party Working Group	27th January
Final Budget Report to CEB	9th February
Council - budget approval and Council Tax setting	21st February
Council - budget approval and Council Tax setting (second date if needed)	24th February

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