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OXFORD CITY COUNCIL

Council

Date:	**Wednesday 18 February 2015**
Time:	**5.00 pm**
Place:	**Council Chamber, Town Hall**

For any further information please contact:

Jennifer Thompson, Committee and Members Services Officer

Telephone: 01865 252275

Email: democraticservices@oxford.gov.uk

This briefing note forms part of the Council agenda papers and should be read alongside these.

The Council meeting is available via a webcast. This means that people may choose to watch all or part of the meeting over the internet rather than attend in person. The webcast will be available to view on the City Council's website after the meeting.

		Pages
1	**APOLOGIES FOR ABSENCE**	
2	**DECLARATIONS OF INTERESTS**	
3	**RECOMMENDATION TO VARY COUNCIL PROCEDURES FOR THIS MEETING** Council is invited to suspend its normal procedure rules and adopt the procedures set out in the **note attached to pages 9 and 10 of the main agenda** to facilitate debate of the items on the agenda and any proposed amendments. There are no public speakers so indicative timings are now half an hour earlier than shown in this note.	
4	**ANNOUNCEMENTS** See the main agenda.	
5	**PUBLIC ADDRESSES AND QUESTIONS THAT RELATE TO MATTERS FOR DECISION AT THIS MEETING** No requests to make public addresses or ask questions were submitted by the deadline.	
	COUNCIL DECISIONS - OFFICER REPORTS AND RECOMMENDATIONS FROM THE CITY EXECUTIVE BOARD	
6	**SECTION 151 OFFICER'S BUDGET REPORT** **Report attached.**	5 - 18
7	**BUDGET AND MEDIUM TERM FINANCIAL PLAN** **Council is asked to consider the following:** o Report of the Head of Finance (published as a separate supplement). o City Executive Board 12 February decisions (attached). o Scrutiny Finance Panel report to the City Executive Board (published with the CEB agenda of 12 February and attached here). o Responses of the Executive Member for Finance, Asset Management and Public Health to the Panel's recommendations (attached).	19 - 56

- Liberal Democrat Group alternative budget proposals (attached). Proposed by Councillor Fooks, seconded by Councillor Altaf Khan.

- Commentary of the Head of Finance (attached).

- Green Group alternative budget proposals (1) (attached). Proposed by Councillor Hollick, seconded by Councillor Simmons.

- Commentary of the Head of Finance (attached).

- Individual amendments submitted in time for publication with this supplement (those received are attached).

8 COUNCIL TAX 2015/16

See pages 11-24 of the main agenda for the report and recommendations.

9 TREASURY MANAGEMENT STRATEGY 15/16 57 - 74

See pages 25 - 42 of the main agenda and revised report attached.

Revised report attached updating only:
- paragraph 14 of Appendix 2,
- heading on table 4 and 5

on the recommendation of the Scrutiny Finance Panel and City Executive Board.

City Executive Board decision

The City Executive Board considered the report of the Head of Finance at its meeting on 12 February and resolved to **recommend that Council**:

1. Approve the Treasury Management Strategy 2015/16, and adopt the Prudential Indicators 2015/16 – 2017/18 at paragraphs 8 to 37, and Appendix 2.

2. Approve the Investment Strategy for 2015/16 and investment criteria set out in paragraphs 23 to 37 and Appendix 1.

3. Approve the Minimum Revenue Provision (MRP) statement at paragraphs 12 to 22 which sets out the Council's policy on debt repayment.

10 ADOPTION OF THE CORPORATE PLAN 2015-19

See pages 43 – 116 of the main agenda.

The City Executive Board considered the report of the Head of Policy Culture and Communications at its meeting on 12 February and resolved to

recommend Council to:

1. approve the draft Corporate Plan 2015 – 19.

Council is also recommended to

2. delegate authority to the Head of Policy, Culture and Communications to make minor textual changes to the Corporate Plan 2015 -19 in advance of formal publication.

11 MATTERS EXEMPT FROM PUBLICATION

See main agenda

UPDATES AND ADDITIONAL INFORMATION TO SUPPLEMENT THIS AGENDA ARE PUBLISHED IN THE COUNCIL BRIEFING NOTE.

The Agenda and Briefing Note should be read together.

To: **Council**

Date: **18th February 2015**

Report of: **Head of Finance**

Title of Report: **Report of the Council's Chief Finance Officer on the robustness of the 2015/16 budget**

Summary and Recommendations

Purpose of report:

Under Section 25 of the Local Government Act 2003 there is a requirement for the Council's Chief Financial Officer to report to Council on:

a) the robustness of the estimates made for the purposes of the calculations of the budget; and

b) the adequacy of the proposed financial reserves.

Council in considering its Budget should have regard to this advice.

Recommendation: That Council notes thisreport in setting its budget for 2015/16 and the indicative budgets for 2016/17 – 2018/19

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Appendix A : Statement of Reserves and Balances

Robustness of the Budget.

Economic Outlook

1 The Chancellor delivered his Autumn Statement on 3rd December and the National picture still appears difficult. The deficit-reduction target has been missed according to the latest figures from the Office for Budget Responsibility (OBR). Borrowing is set to fall, but only after rising by @ £5 bn more in the first seven months of the fiscal year than was projected in March 2014, hence the deficit will fall to £91.3 bn from £97.5 bn last year.

2 When the Chancellor presented his emergency budget in June 2010, borrowing this year was expected to be £37 bn. Whilst the deficit has been coming down the Chancellor has fallen far behind his original plans.

3 With tax receipts forecast to be £23bn lower by 2017-18 than previously thought the Chancellor's latest forecast that Britain will be back in surplus by 2018-19 will only be delivered through 'very substantial savings in public spending' with future cuts in local government funding estimated by the LGA to be as much as 40%.

4 Recent briefings to officers have indicated that government grant ("Revenue Support Grant") will disappear by 2018-19 and could 'go negative' as the Government seeks to redistribute resources across the country. As a result; revisions have been made in the Council's Medium Term Financial Plan to reflect these latest indications.

Preparation of the Medium Term Financial Plan

5. The Council has undertaken a prudent and robust approach in developing its Medium Term Financial Plan, as in previous years. This has reaped rewards in terms of the delivery of significant levels of savings and provides a firm foundation on which to build.

6 The efficiency savings, additional income streams and service reductions have, been subject to rigorous review, with Service Heads being required to review theplans they put forward in previous years and confirm delivery of the proposals. Any changes to previous proposals put forward have been reflected in the updated plan.

7 The Strategy of identifying and securing significant cross cutting savings has continued albeit that these get more challenging to identify year on year. Heads of Service were also requested to identify base budget savings from a line by line review of their service budgets plus savings equivalent to 5% of their budget.The cross cutting savings include:

- **Review of Office Accommodation - £200k per annum from 2017/18**
  A review of admin buildings at St Aldates Chambers, Horspath Depot, Cowley Marsh depot and the Town Hall to for Identification of the potential to reduce occupation to generate income.
- **ICT Efficiencies - £220k per annum**

  Applications portfolio and telephony review and scanning contract review
- **Staff Restructuring - £200k per annum**

  Proposals to streamline management team through restructuring proposals

8 The General Fund Medium Term Financial Plan continues to include an increased reliance on income arising from external work undertaken by the Council's Direct Services workforce. Whilst this does create some additional risk for the Council this is partially mitigated by the inclusion of a contingency to cover shortfalls in income

9 Scrutiny of the budget has been undertaken by

- The Finance Team
- Directors and Chief Executive
- Executive Members
- The Scrutiny Committee's Finance Panel

10 Monitoring of the budget through the year is undertaken by Finance in conjunction with Heads of Service and Cost Centre Managers to ensure that the budget is on target or variations are reported and acted upon at an early stage. Going forward enhanced financial training and new software is planned to assist managers to take more ownership for the preparation of budget forecasts in a 'self-service' manner.

General Fund Assumptions

11 Assumptions on which the four year Medium Term Plan are based are contained within the main budget report presented elsewhere on the agenda, however, some of the key assumptions include:

- **Council Tax increase-** The assumed Council tax increase is1.99% which is below the referendum level.
- **Finance Settlement** – The settlement figures for 2015/16are in line with the Government's announcement in December 2014. With the Governments stated intention to balance the Budget Deficit by 2018/19, the draft budgetassumes Government Grant will reduce to zero from this point on.
- **Retained Business Rates**– The Medium Term Plan includes estimates of the amount of Retained Business rates income for the authority, in addition to which there is a reserve of £600k to cushion the authority against increases in business rates appeals. With a 1% variation in gross business rates income representing £850k there is a risk that this sum is not sufficient.
- **New Homes Bonus –**2015/16 is the fifth year of the 6 year scheme and there is speculation that New Homes Bonus will be phased out entirely at some point, for the purposes of the Medium Term Financial Plan it is assumed to be zero from 2018/19. Should it reduce sooner, then the Council would be able to mitigate the cut by reducing its Capital Programme
- **Inflation**–With the exception of contractual inflation e.g. Leisure contact and ICT maintenance contracts and pay budgets are cash limited
- **Contingencies**and Provisions - Contingencies have been allowed for potential shortfalls in efficiency savings, additional income and planned service reductions based on 40% of the value of high and medium risk proposals. Abudget of £700k 2015-16 and £200k per annum thereafterhas also been incorporated to facilitate organisational change. There is also a one-off provision of £900k to facilitate the implementation of a new ICT Infrastructure contract from April 2016
- **Revenue contributions to Capital–**Revenue contributions to fund the capital programme have been included in four year MTFP in the order of £5 million, £6million, £6 million £2millon respectively.

Housing Revenue Account (HRA) Assumptions

12 The Scrutiny of the HRA budget and Business Plan has followed a similar process to that for the General Fund outlined above.

13 Prudent assumptions have been built into the HRA Business Plan to mitigate potential risk around increased rent arrears and increased numbers of houses sold through Right to Buy. The revision to the HRA Business Planallows for an additional £32 million of borrowing and a rolling over of the first debt repayment of £20 million in 2020/21. This leaves residual borrowing headroom of £10 million which is considered sufficient to cover fluctuations in the major capital projects which are being undertaken.

14 Other key assumptions in the HRA budget include:

- **Rent Setting –** Rents continue to be increased in line with formula rent for 2015/1 at CPI + £2 plus 1% a rate of 3.49%.Allowance has been made in the Business Plan for on-going variations in CPI.

- **Right To Buy**

  The HRA Business Plan assumes disposals of around 40 dwellings per year until 2021/22. Actual completions during 2014/15 are already close to this limit and as such the level of RTB disposals will continue to be closely monitored

- **Inflation and pay assumptions**

  All the assumptions for pay Inflation are the same as for the Council's General Fund.

- **Service Charges**

  Service charges such as caretaking, cleaning, CCTV, communal areas etc. have been increased in line with the convergence formula in previous years. In 2013/14 Council agreed to remove any associated service charge limiter (credits) over a 4 year period limited to a maximum of £1/wk. It is estimated that this will deliver £80k of additional income in 2015/16 and a further £50k in 2016/17 by which time the limiter would have been removed from all associated accounts.

Capital

15 The Council has set an ambitious Capital Programme for the next four years in excess of £147 million.

16 The preparation of the on-goingProgramme has undergone similar scrutiny to the other areas of the Council's budget with the Capital Asset Management Group also having an oversight of all new bids. Monitoring of delivery through the year will be undertaken by this group. The Council have recently implemented a 'Capital Gateway' process to increase the robustness of capital estimates and the on-going delivery and monitoring of the Capital Programme by reference to a number of gateways/ milestones that projects have to achieve. Contingencies are included within individual schemes for variations in spend with any other variations outside these amounts being subject to the normal virement and supplementary estimate approvals set out in the

Council's Financial Rules.

17 Financing of schemes within the Programme is predominantly through revenue and capital receipts. Going forward the general fund programme is no longer financed from Prudential Borrowing. The HRA Capital programme is largely financed by revenue contributions.

Adequacy of Reserves and Balances

18 The prudent level of reserves that the Council should maintain is a matter of judgement and cannot be judged merely against the current risks facing the Council as these can and will change over time.

19 The consequence of not keeping a prudent level of reserves can be significant.In the event of a serious problem, or a series of events; the Council could run the risk of a deficit and or, of being forced to cut expenditure in a damaging or arbitrary way.

20 CIPFA (Chartered Institute of Public and Finance and Accountancy) have stated that there should be no imposed limit on the level or nature of balances required to be held by an individual Council. However for a district council, where changes to a few areas can have a disproportionate impact, a higher percentage level of reserves to net expenditure is desirable.

21 The Council has maintained a reasonable level of reserves and working balances as a result of its prudent financial management. Working balances for both HRA and General Fund are in the region of £3.6 million and £4.0 million they are unallocated and held specifically to cover unexpected adverse variations in the Council's financial position. Whilst the authority would be exceptionally unlucky to suffer adverse consequences from all major potential sources of risk in the course of a financial year by way of example a 10% reduction in car parking income represents around £800k and a similar percentage reduction in commercial rent income would represent around £600k reduced income. Similarly there are still financial risks around increased costs of homelessness, the cost of universal credit roll out and also a pending decision from the Secretary of State around the transfer of the £7 million balance from the HRA.

22 In total the Council's reserves and balances are forecast to be in the region of £17.802 million at 31st March 2015 as shown in the Table 1 below. This is forecast to reduce significantly from the balance of £38.617 million at the beginning of the financial year as it is expected that the property fund £7.4 million, Westgate reserve £3.2 million and around £3.8 million of the capital reserve will have been spent in the financial year. A full schedule of reserves and balances is attached at Appendix A with an explanation as to their intended use and the anticipated position as at 1st April 2015 after forecast commitments have been funded in 2014/2015. A summary is shown below:

Table 1: Earmarked Reserves and Working Balances

Reserve Description	Balance 1/4/2014	Projected Balance 31-03-15	Projected Balance 31-03-16
	£000's	**£000's**	**£000's**
General Fund			
Earmarked Reserves	28,097	7,348	7,505
Working Balance	3,622	3,622	3,622
Sub Total	**31,719**	**10,970**	**11,127**
Housing Revenue Account			
Earmarked Reserves	1,437	1,437	683
Working Balance	4,000	4,000	4,000
Sub Total	**5,437**	**5,437**	**4,683**
Insurance Funds	**1,461**	**1,395**	**1,400**
Total	**38,617**	**17,802**	**17,210**

23 Earmarked reserves include:

- ring fenced accounts funded by third parties and which must be repaid if it is not use for the purpose specified, e.g.Salix Fund and much of the Grants Reserve
- reserves which have a statutory limitation on their use; such as the Taxi Licensing Reserve and the HMO Licensing Reserve
- accounts which it is considered prudent to set aside for a specific purpose such as the Insurance Fund
- committed but unspent budgeted amounts carried forward at the end of the Financial year to fund/complete specific projects

24 **General Fund Working Balance -** This is forecast to be around £3,622k at 31st March 2015 representing 3.6% of gross general fund expenditure and 15.50% of net expenditure. This is considered by the Section 151 Officer to be the prudent minimum level to be held by this authority and over the Medium Term Financial Plan no further use of this reserve is forecast. In a Survey carried out by the Audit Commission it was found that unallocated reserves in those District Councils surveyed varied between 0% and 226% of net revenue spending with a median of 22%. The ratio of unallocated reserves to earmarked reserves was 27 : 73.

25 **Housing Revenue Account Working Balance–** This is forecast to be £4 million at 31st March 2015 the prudent minimum level of working balance considered by the Section 151 Officer for this authority representing around 9% of gross rental income.

Progress on the 2014/15 Budget

26 Current budget monitoring for the half year ending 30th September 2014 presented to the City Executive Board in December on the General Fund indicated a forecast underspend of £0.379 million (1.57% of net expenditure) largely arising from increased commercial rental income and operational savings in Direct Services. On the Housing Revenue Account there was a forecast underspend of £0.163 million(0.4% of gross income) largely arising from delays in commissioning repairs and maintenance work whilst analysis of the recently stock condition survey was being undertaken.

27 At year an assessment will be made on the councils overall financial position and any underspend allocated to bolster capital resources as in previous years or potentially to create a reserve for further property investments which will create an on-going revenue stream.

Conclusion

28 I have reviewed the budget preparation process for 2015-16 to 2018/19 and the level of reserves and balances and would conclude the following:

- The process for the formulation of General Fund, HRA and Capital budgets, together with the level of challenge, provides a reasonable assurance of their robustness.
- The approach which has been taken to those funding streams which are currently uncertain is prudent and puts the Council in a positive position to manage underlying pressures going forward.
- The level of contingencies provided for unachieved efficiency savings and income projections etc. is prudent
- The level of the Council's total reserves is sufficient to provide:
    - A working balance to cushion the impact of unexpected events or uneven cash flows and
    - The setting aside of funds to meet known or anticipated liabilities (earmarked reserves).

Financial Implications

29 These are covered within the report

Legal Implications

30 These are covered within the report

Risk Implications

31 An analysis of ‘Key Risks’ is shown in the main Budget report elsewhere on the agenda and should be considered before making any decisions upon the use of reserves. One risk particularly worthy of mention relates to the transfer of £7 million from the HRA to the General Fund, agreed by Council in September 2013. The Council has used this reserve to fund capital expenditure although recent communications from Department for Communities and Local Government (DCLG) have advised that they have still not made a decision as to whether the Council will be directed to transfer this money back to the HRA. The Council if so directed would take appropriate action but may need to draw on reserves or undertake prudential borrowing to mitigate the financial impact.

Name and contact details of author:-

Name: Nigel Kennedy

Job title: Head of Finance

Service Area / Department: Finance

Tel: 01865 252708 e-mail: nkennedy@oxford.gov.uk

APPENDIX A

STATEMENT OF RESERVES AND BALANCES

Ref	Reserve Description	Balance 31/03/2014	Projected Balance 31-03-15	Projected Balance 31-03-16
		£000's	£000's	£000's
General Fund Earmarked Reserves				
	Ring fenced accounts funded by third parties			
1	SALIX Energy Projects Reserve	271	200	200
2	Barton Reserve	106	-	-
3	Oxford Strategic Partnership reserve	39	30	30
29	Procurement Hub Reserve	9	9	-
	Reserves which have a statutory limitation			
6	Taxi Licence Reserve	212	162	160
7	Grants Reserve	930	267	200
8	HMO Licensing	242	112	100
9	Reserve for Land Charges	42	42	42
10	General licensing reserve	51	91	100
	Prudent to set aside for specific purposes			
12	Town Hall Equipment Reserve	20	20	-
13	Work Of Art Reserve	5	5	-
14	Shopmobility Reserve	13	13	13
15	Severance Reserve	1,349	1,228	1,500
16	IT Infrastructure Reserve	100	100	-
17	Repairs & Maintenance Reserve	259	179	-
18	Leisure Repairs & Maintenance	355	280	-
19	Business Transformation Projects	616	371	300
20	City Council Elections Reserve	57	-	-
21	Chief Executive´s Fund	5	3	-
23	Capital Funding Reserve	6,857	3,000	2,500
24	Property reserve	7,401	-	-
25	Agresso Improvement Reserve	84	84	-
26	Car Parks maint/replace lamp columns	9	9	-
30	Ward Members Budget Reserve	38	-	-
31	Homelessness Reserve	1,583	1,500	500
32	Loan Guarantee Reserve	115	-	-
33	Lord Mayors Deposit	59	59	60

34	Home Choice fund for single persons	36	36	-
35	Rose Hill Demolition	339	-	-
36	Community Partnership Fund	400	400	400
37	Community and Neighbourhoods Reserve	124	121	-
38	Town Team Partners	10	10	-
39	Assets of Community Value	21	21	-
40	Unlawful Dwellings Reserve	96	-	-
41	Westgate Redevelopment Reserve	3,279	-	-
42	Emergency Flood Reserve	302	302	300
43	Park and Ride - County Contribution to Maintenance	117	117	-
44	Organisational Development Reserve	523	365	400
47	Flooding Business Support Scheme	63	-	-
48	Severe Weather Recovery Scheme	35	35	-
49	Bob MK	4	4	-
50	NNDR Retention Reserve	600	600	600
	Committed unspent budgeted amounts			
45	Committed Projects Reserve	1,323	576	-
	Self-Insurance Funds			
46	Self-Insurance Funds	1,461	1,395	1,400
Total General Fund Earmarked Reserves		**29,557**	**8,743**	**8,905**

General Fund Working Balance	**3,622**	**3,622**	**3,622**

Housing Revenue Account Earmarked Reserves				
1	Committed Projects Reserve	753	753	-
2	IT Projects Reserve	248	248	248
3	IT Equipment Reserve	435	435	435
Total HRA Earmarked Reserves		**1,437**	**1,437**	**683**

Housing Revenue Account Working Balance	**4,000**	**4,000**	**4,000**

Total Council Reserves and Balances	**38,617**	**17,802**	**17,210**

General Fund Earmarked Reserves

1 The Salix Energy Projects reserve created from a grant made available via Salix. The fund is used to loan money to Service Areas within Oxford City Council. Services then utilise these funds to implement energy efficient schemes. Savings on energy costs are then used to repay the initial loan.

2 Barton – The balance of a Housing Communities Agency grant to fund set up costs in relation to the joint venture with Grosvenor for the development of housing at Barton.

3 Oxford Strategic Partnership – balance of Local Area Agreement / Breaking cycle of deprivation funding received in 2012/13

5 Improvement Efficiency SocialEnterprise Grant Reserve – remaining balance of grant allocation from the Improvement and Efficiency Social Enterprise for Oxfordshire Procurement Hub has been spent in 2013/14.

6 The Taxis A/C reserve was created to manage the ring fenced taxi licensing cost centre. Surplus / deficits associated with this cost centre are collected and the balance is used to improve and / or address pressures within the Taxi Licensing area.

7 A reserve established under accounting convention to accumulated all unspent balances of grants received in the year pending their spend on projects including Oxfordshire Sports Partnership, Homelessness, Community Safety and flood prevention.

8 Houses in Multiple Occupation Licensing Reserve – Ringfenced licensing income in respect of HMO's to fund future service area expenditure.

9 The Reserve for Land Charges reserve collects the surplus / deficit associated with Land Charges. This is a ring fenced account; funds are used to improve the services/ address pressures associated with the Land Charges area.

10 General Licensing reserve – net surplus on the administration of licences

12 The Town Hall Equipment reserve is used to fund new / replacement or repair of Town Hall equipment. The balance represents the net surplus of this cost centre year on year.

13 The Work of Art Reserve was created to aid the purchase or restoration of Council works of art.

14 The Shopmobility reserve was created to fund replacement or repair of Shopmobility equipment. Any under or overspend associated with the service is collected in this reserve account.

15 Severance reserve was created to cover any unexpected pressures related to employee costs e.g compensation for loss of office.

16 The IT Infrastructure reserve is used to fund IT Infrastructure replacement across the Council.

17 Repairs and maintenance – established from residual revenue balances to supplement the capital and revenue programme for repairs and refurbishment of council buildings

18 Leisure repairs and maintenance – established to fund repairs and refurb of

leisure centres.

19 The Business Transformation reserve is a transitory account. At the year end budgets associated with transformation projects not yet completed are transferred to this reserve. At the start of the following year projects are approved to continue and the funds allocated back to the projects.

20 The City Council Elections reserve is created from the budget surplus / deficit on the City Council Elections cost centre. City elections are held every 2 years and this reserve is used to fund additional costs in election year.

21 Chief Executives Fund – used for initiatives put forward by Chief Exec

23 Capital Funding Reserve – created to fund capital expenditure.

24 Property reserve – created to purchase investment property as an invest to save initiative

25 Agresso Improvement Reserve – used to fund the implementation of modules on the Financial Management system

26 Car park maintenance

30 Ward members reserve – established to carry forward unspent balances of monies allocated to ward members

31 Homelessness – unspent budget and grant monies associated with homelessness.

32 Loan Guarantee Reserve – Created to fund potential shortfalls in recovery of loans to small organisations.

33 Lord Mayors Deposit - scheme to help people on a low income afford to move into private rented accommodation by issuing a Deposit Guarantee Bond to landlords.

34 Homes Choice funds – needed as top-up for bonds/deposits re Private Sector properties.

35 Rose Hill Demolition – established from previous years balances to fund the demolition of Rose Hill community centre

36 Communities Partnership Fund – Used in connection with community safety schemes

37 Community and Neighbourhood Reserve- includes ring-fenced project funding for Connecting Communities, Community Actions Groups and Wood Farm Community Centre.

38 Town Team Partners- grant to improve the High Street working with Local Businesses. Additional financial support for the City Council will be required to work up a scheme.

39 Assets of Community Value- DCLG new burdens grant for setting up a register of Assets of community value.

40 Unlawful dwellings reserve – established to cover revenue running expenses of enforcement against unlawful dwellings i.e beds in sheds

41 Westgate redevelopment reserve – established to fund the provision of temporary car parking following the demolition of Westgate multi story car park in relation to the redevelopment of the Westgate

42 Emergency flood reserve – established to cover the costs of flooding in the city

43 Park and Ride maintenance – monies in respect of maintenance of park and ride car parks

44 Organisational Development Reserve – This fund was set up in 11/12 to fund the Council's Partnership Payment and support the Council's organisational development aspirations, in particular the Corporate Plan objective of achieving IIP Gold.

45 Committed projects is a reserve relating to the carry forward unspent budgeted amounts from previous years for committed projects

46 The Self-Insurance Reserve is used to cover claim costs that are below the Council's insurance policy excess limit. The fund was subject to actuarial review in 2012/13 and will be adjusted in line with any recommendations flowing from it

47 Flooding Business Support Scheme –grant available to assist businesses suffering financial loss from flooding

48 Severe Weather Recovery Scheme –Grant to be used in connection with costs incurred by the council arising from flooding

49 BOB MK – Oxford City Council hosts a Planning Forum funded by subscriptions received from Local Authorities in Berkshire, Oxfordshire, Buckinghamshire and Milton Keynes. The budget is ring-fenced and any surpluses in year need to be carried forward to future years.

50 NNDR Retention Reserve - Reserve created to cushion the effect on the of Business Rates appeals on the councils Retained Business Rates income

Housing Revenue Account Earmarked Reserves

1 The Committed projects reserve is for funding uncompleted projects at the end of the financial year

2 The IT Projects Reserve is to fund the HRA element of IT development projects

3 The IT equipment reserve is to fund future IT equipment purchased used specifically for HRA activity e.g. Housing Rents and Servitor job costing

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Council 18 February 2015 Agenda Item 7 – Budget and Medium Term Financial Plan

City Executive Board decisions – Minute 129

The City Executive Board considered the report of the Head of Finance (Medium Term Financial Strategy 2015-16 to 2018-19 and 2015-16 budget) at its meeting on 12 February

and**resolved to approve**the amendments to the Consultation Budget following the public consultation process

And resolved to recommend that Council:

a) Approves the Council's General Fund Budget Requirement of £23.304 million for 2015/16 and an increase in the Band D Council Tax of 1.99% or £5.44 per annum as set out in Table 8 and Appendices 1-4, representing a Band D Council Tax of £278.97 per annum;

b) Approves the continuance of the Council's Council Tax Support Scheme (formerly Council Tax Benefit);

c) Approves the Housing Revenue Account budget for 2015/16 to 2024/25 as set out in Appendix 5 and 6 and an increase in average dwelling rent of 3.49% for April 2015 representing £3.59 per week an annual average rent of £105.77 as set out in Appendix 7;

d) Approves the Capital Programme for 2015/16 -2018-19 as set out in Appendix 8 and 9;

e) Approves the Fees & Charges schedule as set out in Appendix 10;

f) Adopts the criteria for adopting the Business Rates Retail Relief scheme as set out in paragraph 21 and transitional relief as set out in paragraphs 22 – 24;

g) Approves an increase in the 2014-15 capital budget of £550,000 in relation to the property purchase referred to in paragraph 43 and referred to elsewhere on the CEB agenda of 12 February 2015.

In relation to recommendation (g):

Minute 132: The City Executive Board considered the report of the Executive Director for City Regeneration and Housing detailing the acquisition of the long leasehold interest in St Aldate's Chambers; and to agree to vary the long leasehold interest at 5 Queen Street.

The City Executive Board resolved to:

1) Grant approval for the acquisition of the long leasehold interest in St Aldate's Chambers for £7,539,230 (which comprises the purchase price of £7,200,000 plus acquisition costs of £339,230).

2) *Agree the variations detailed in this report to the long lease of 5 Queen Street such that the City Council receives not less than £25,000 pa in rent until 2144.*

3) *Recommend to Council the increase of the budget in the Council's Capital Programme for the purchase of property in the sum of £539,230 to be financed from underspends in the Council's General Fund Revenue Budget in 2014-15.*

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OXFORD CITY COUNCIL

To: **City Executive Board**

Date: **12 February 2015**

Report of: **Scrutiny Finance Panel**

Title of Report: **Budget Review 2015/16**

Summary and Recommendations

Purpose of report: To present the conclusions and recommendations of the Scrutiny Budget Review Group on the Consultation Budget and Medium Term Financial Strategy 2015-2019

Key decision? No

Scrutiny Lead Member: Councillor Simmons, Chair of Scrutiny Finance Panel

Executive Lead Member: Councillor Turner, Board member for Finance, Asset Management and Public Health

Policy Framework: Corporate Plan and Budget

Recommendations: The Budget Review Group recommend to the City Executive Board:

1. That reserves and balances are reviewed with a view to investing any overstated reserves.

2. That the City Council explores new ways of increasing public engagement in its budget setting process.

3. That Council Tax is increased by 1.99% (rather than the proposed 1.50%) in 2015/16.

4. That the City Council continues to engage constructively with other Oxfordshire Councils in order to optimise any potential benefits available from business rates pooling and distribution arrangements.

5. That the City Council looks at ways of mitigating the impacts of higher than average rents on those Council tenants who will be most affected.

6. That further consideration is given to covering more enforcement costs through higher, related fees and charges. This should include keeping legislation under review and asking the LGA what other local authorities

charge for.

7. That to protect future Park and Ride incomes, the City Council seeks agreement with the County Council on consistent charging rates across all Oxford Park and Rides.

8. That the City Council explores mechanisms for the earlier release of land value locked up in the Barton Park development.

9. That the following efficiency savings are re-rated as high risk:

    a) Shifting services towards community settings and online (£126k from 2017/18 in Customer Services),

    b) Application portfolio & telephony review (£150k from 2015/16 in Business Improvement & Technology).

10. That there is a re-energising of attempts to identify new invest-to-save opportunities in future budget rounds (see recommendation 17d).

11. That sufficient flexibility is in place to mitigate the risk of the City Council having to repay £7m to the Housing Revenue Account.

12. That the City Council explores how it can become a more agile operator in the housing market to ensure it secures best value for new property acquisitions.

13. That half of the additional waste disposal costs pressure is re-instated in the budget from 2016/17.

14. That off street parking income is re-modelled in light of the most recent parking data and experience with the temporary Westgate car park.

15. That any savings achieved through lower than assumed energy prices are invested in energy efficiency improvements.

16. That HRA void losses are modelled at 1.0% (rather than the proposed 1.2%), at least in the early years of the budget period.

17. That the following areas should be priorities for further spending in the event that additional general fund resources become available (we have identified some options for raising revenue in the short to medium term). These suggested priorities are listed in no particular order:

    a) Staff Training and Wellbeing – continue funding the training budget increase (£100k) and funding for staff wellbeing (£75k) beyond 2016/17,

    b) Apprenticeships – reinstate £50k from 2015/16 or a sufficient amount to fund no fewer than 25 apprentices in future cohorts,

    c) Community Development (Social Inclusion) Fund – reinstate £60k from

2015/16,

d) Business Improvement staffing reductions – reverse the £110k cut in 2016/17 in full or in part (see recommendation 10),

e) Partnership development – new investment,

f) Fund raising – new investment,

g) Planning enforcement – continue funding the Beds in Sheds project at the post April 2015 level to April 2016. A more detailed review of alternative funding streams should be undertaken during this period,

h) Discretionary Housing Payments – continue the current level of funding to April 2016.

Introduction

Background

1. The Scrutiny Budget Review Group 2015/16 (RG) comprised of Councillors Simmons (Chair), Darke, Fooks and Fry. This year the RG was joined by members of the Scrutiny Housing Panel in considering budget proposals relating to housing, and their input was greatly appreciated.

2. The RG would like to thank the Chief Executive, Executive Directors and numerous supporting officers for their helpful engagement with the Budget Review process. In particular the RG would like to thank Nigel Kennedy for his support and advice throughout these considerations.

3. The RG based its Budget Review on the draft budget that was approved for consultation by the City Executive Board on 17 December 2014, rather than the amended budget included in the 12 February 2015 City Executive Board paperwork.

Aims

4. The RG aimed to test the robustness and underlying principles used in framing budget proposals, and the extent to which the budget supports the City Council's Corporate Plan priorities.

5. This report is intended to provide a second opinion on the budget proposals, with some constructive commentary and suggestions. The recommendations challenge the City Council to strive to do even better where possible. Recommendation 17 details the RG's suggested priorities for additional investment. The RG has also identified several areas where short and medium term savings could be made. The RG's conclusions and recommendations are structured around key themes that emerged during the Budget Review:
   a) Overview

b) Maximising income
c) Efficiency and investing to save
d) Pressures and risks
e) Priorities for additional spending

Method

6. Evidence gathering took place between 10 December 2014 and 3 February 2015. The RG took the following into consideration in scrutinising the budget proposals:
    a) A presentation and discussion with the City Council's Head of Finance on the draft budget proposals,
    b) A thorough review of the Budget 2015/16 paperwork that was approved by the City Executive Board on 17 December 2014. This included a line by line review of the detailed budget proposals, and a review of Equality Impact Assessments,
    c) Responses to written questions put to the Chief Executive and Executive Directors,
    d) Discussions with each of the Executive Directors and their supporting officers,
    e) Responses to follow up questions and requests for additional information put to Executive Directors,
    f) A discussion with the Chief Executive,
    g) Consultation feedback,

Conclusions and recommendations

Overview

7. Overall, the RG is satisfied that the proposed budget is balanced over 4 years and supports the City Council's Corporate Plan priorities.

8. City Council Officers are commended for producing a budget that contains few service reductions and no compulsory redundancies in frontline staff in 2015/16. This follows a prolonged period of constrained public spending, which looks set to continue for the duration of the budget period.

9. The budget proposals support an ambitious programme of capital investment in 2015/16. The RG welcome the City Council's 10-year programme of house building and found that robust financing is in place to deliver this. It stressed the need for the housing to be built sooner (within the 4 year budget period) rather than later.

10. The City Council's reserves and balances have fallen significantly in the last year but remain healthy. The RG endorse plans to review reserves and balances with a view to investing any overstated reserves.

    Recommendation 1 – That reserves and balances are reviewed with a view to investing any overstated reserves.

11. The RG recognise that the relative financial health of the City Council can be largely attributed to sound financial decision making over a number of years. This includes decisions taken to keep the delivery of many services in-house, and notably the difficult decision to retain ownership and management of the City Council's housing stock.

12. The general fund proposals include significant efficiency savings across the majority of service areas, totalling £3.97m per year by 2018/19. Service reductions will save the City Council £628k per year by 2018/19. The Scrutiny Committee has already reviewed the City Council's Educational Attainment investments and made recommendations, so the RG chose not to focus on this during the Budget Review.

13. There are greater risks and uncertainties in the later years of the budget period, and the use of contingencies is likely to rise compared to recent years. Over the 4years, Government grant funding is assumed to reduce to zero and it could 'go negative' in future as central Government seeks to redistribute resources nationally. In some service areas, half the staffing posts are now funded by external income streams and this trend will continue, particularly in the latter years of the medium term plan. There will also be an increasingly important role for services in generating new forms of income.

14. Wider risks to the City Council's plans could include the outcome of the general election, future public spending levels, delayed Universal Credit implementation, judicial reviews and cuts to partner organisations' budgets. Continued uncertainty surrounding whether the City Council could be required to repay £7m that was transferred from the Housing Revenue Account into the General Fund in 2013 remains a significant risk.

15. The RG identified some possible sources of additional general fund resources in 2015/16. These include:
    a) Additional New Homes Bonus funding
    b) Higher than assumed Business Rates income
    c) Additional Revenue Support Grant funding
    d) Reduced fuel and energy costs
    e) Grant funding for Individual Voter Registration. This would relieve part of a £110k pressure in the Electoral Registration Budget but the exact level of funding is not yet known.

16. The RG also identified some specific areas where the budget allocation or income projections may prove to be insufficient:
    a) Off street parking income
    b) Additional waste disposal costs
    c) Homelessness in light of reduced funding for Discretionary Housing Payments

17. The RG note that the City Council received at total of 60 responses to its budget consultation this year, compared to 59 responses last year. The RG ask the City Council to look at new ways of improving engagement.

Recommendation 2 – That the City Council explores new ways of increasing public engagement in its budget setting process.

Maximising income

Council Tax

18. The Council Tax referendum level has remained at 2% this year but the draft proposals assume increases of 1.5%. The RG agree that it would be prudent to increase Council Tax by 1.99% in 2015/16. This would have a very marginal impact on household finances, while increasing the City Council's base funding by approximately £57k each year (rising slightly as the tax base grows). The majority of respondents to the budget consultation were in favour of this approach. The RG note that it would be imprudent to assume higher Council Tax increases in future years at this stage due to uncertainty around future referendum thresholds.

Recommendation 3 – That Council Tax is increased by 1.99% (rather than the proposed 1.50%) in 2015/16.

Business Rates Pooling and Distribution

19. The RG note the Oxfordshire Pool Arrangements and efforts to seek agreement to a Business Rates Distribution Group. The level of income that this could potentially generate for the City Council is not yet known, and no income has been factored in to the current budget proposals.

Recommendation 4 – That the City Council continues to engage constructively with other Oxfordshire Councils in order to optimise any potential benefits available from business rates pooling and distribution arrangements.

Rent increases

20. The policy of rent convergence will lead to greater consistency in Council house rent levels and raise £23m of additional resources in the period to 2024/25. On average rents would increase by 3.49% (with a maximum increase of 6.25%).

21. Some 27% of social tenants will be subject to the full impact of the higher CPI+1%+£2 rent increase. It is not known how many of these tenants are currently in arrears. There is a possible risk that arrears will increase, particularly in cases where tenants are on low incomes but not in receipt of housing benefit. However, the RG also recognise that many factors influence tenants getting into arrears, including their financial management skills, the availability of advice, and wider economic factors.

22. Higher rents may also result in more people being affected by the benefit cap, which is likely to be lowered by the next government. The RG note that this could impact the workload of the Welfare Reform Team.

23. Some of the additional revenue generated will be spent on measures that could off-set the impacts of higher rents on household finances. The offer of a free energy audit for every tenant could significantly reduce fuel bills. The RG also welcome the creation a new post to support vulnerable tenants.

24. The RG heard that the tenants who had been engaged with were not unduly concerned by the average 3.49% rent increase proposed and generally came to the view that the balance between rent increases and service improvements is about right. However, the RG remained concerned about those experiencing higher than average rent increases (up to 6.25%).

Recommendation 5 – That the City Council looks at ways of mitigating the impacts of higher than average rents on those Council tenants who will be most affected.

<u>Fees and charges</u>

25. Most fees and charges are increasing with inflation. The RG questioned whether income is being maximised and whether the cost of enforcement activities could be built in to charges. Some enforcement costs are covered by fees and charges but not those relating to legal enforcement e.g. prosecution. The RG note that the legislation governing licencing fees has been subject to challenge and suggest that this should be explored in more detail.

Recommendation 6 – That further consideration is given to covering more enforcement costs through higher, related fees and charges. This should include keeping legislation under review and asking the LGA what other local authorities charge for.

26. Income from Park and Ride parking charges is expected to increase by £500k in 2018/19. This represents a £1 (50%) increase in the current £2 charge, which has been in place for a number of years. This rise is timed to coincide with the completion of major developments in the city centre. It is rated high risk because it is a long way off and difficult to predict. There is also the possibility that County Council Park and Rides could offer lower charges. The RG suggest that the City Council should work with the County Council and negotiate consistent charging increases across all Oxford Park and Rides.

Recommendation 7 – That to protect future Park and Ride incomes, the City Council seeks agreement with the County Council on consistent charging rates across all Oxford Park and Rides.

<u>Competitive bidding</u>

27. A £407k ring-fenced grant for fraud prevention has been received since the draft budget was published, following a successful competitive bid. The RG welcome the City Council's successful record of accessing new funding streams through competitive bidding processes. This grant will result in some loss of income being avoided and the Council will get some properties

back sooner. There will also be a positive preventative effect. The RG asked to be kept abreast of the returns on this investment.

Commercial property

28. No additional commercial lease income is projected in years 3 and 4 of the plan following a large increase of £731k in 2015/16. The RG note that this is a cautious assumption which should be kept under review in future years.

Land value

29. The value of land at Barton is rising but the City Council is unable to realise the benefits of this in the short term. The RG suggest looking at ways of making this asset value more liquid.

Recommendation 8 – That the City Council explores mechanisms for the earlier release of land value locked up in the Barton Park development.

Efficiency and investing to save

Efficiency savings

30. The RG was assured that the total scale of new efficiency savings (£3.97m per year by 2018/19) is stretching but realistic and deliverable. The RG note that some savings are becoming more difficult to achieve because the easier savings have already been made.

31. Where efficiencies are rated as high or medium risk, a contingency of 40% has been allocated, in line with a previous scrutiny recommendation. No contingency is held against efficiencies rated as low risk. Overall, the value of contingency against risk has been significantly reduced. However, given that contingencies have previously been rarely called upon, the RG is satisfied that current levels of contingencies are appropriate.

32. The RG reviewed risk ratings against specific efficiency savings and suggest that the following efficiencies in particular may need to be reconsidered or re-phased:
    a) Customer Contact – Shifting services towards community settings and online (£126k from 2017/18). This assumes the closure of Templar Square following the full implementation of Universal Credit. Savings from shifting services online will be subject to take up. Delivery of this saving could necessitate the closure of other channels, which may not be politically desirable.
    b) Business Improvement – Application portfolio & telephony review (£150k from 2015/16). There is a plan in place to achieve this saving but it involves cultural change and there is a risk of slippage.

Recommendation 9 – That the following efficiency savings are re-rated as high risk:

a) ***Shifting services towards community settings and online (£126k from 2017/18 in Customer Services),***

b) ***Application portfolio & telephony review (£150k from 2015/16 in Business Improvement & Technology).***

Investing to save

33. The Transformation fund is the invest-to-save budget but the RG heard that this has been used to top up other projects. It is proposed that £150k is removed from this budget from 2016/17.

34. The RG note that a management review and an admin review will generate significant savings but there is not much else in the pipeline.

35. The RG express disappointment at the lack of invest-to-save ideas included in the budget proposals. The majority service areas have no new invest-to-save proposals and those that are included in the budget only provide an annual saving of £65k by 2017/18. The RG questioned whether employees are encouraged to contribute invest to save ideas as part of the 4 year planning process and suggest that this area is strengthened. This could be an area of focus for Business Improvement.

    Recommendation 10 – That there is a re-energising of attempts to identify new invest-to-save opportunities in future budget rounds (see recommendation 17d).

Pressures and risks

DCLG decision

36. There is a risk that the Department for Communities and Local Government could decide to force the City Council to reverse the transfer of £7 million from Housing Revenue Account that was agreed by Council in September 2013. This would have a substantial £385k general fund impact but would significantly benefit the Housing Revenue Account. The RG recognise that officers have plans for this eventuality and suggest that the City Council retains the flexibility to divert funds from non-mandatory services as necessary.

    Recommendation 11 – That sufficient flexibility is in place to mitigate the risk of the City Council having to repay £7m to the Housing Revenue Account.

Right to Buy (RTB) sales

37. The budget assumes 40 RTB sales each year but significant variations on this figure pose considerable risks. Higher RTB sales would provide additional capital funding, but a loss of income in the Housing Revenue Account. Lower than anticipated sales would have the opposite affect; additional revenue income but greatly reduced capital receipts. RTB sales therefore require close monitoring.

Homelessness

38. The RG heard that a projected overspend in 2014/15 is likely to be a temporary pressure. The number of people housed in temporary accommodation is currently within target but occasionally it is necessary to temporarily house large families in hotel accommodation.

39. The RG note that £100k of unallocated grant funding has been diverted from earmarked reserves to pay for frontline homelessness staff. The RG heard that the level of the homelessness reserve is currently deemed to be sufficient.

40. The RG note that government funding for Discretionary Housing Payments (DHP) is being greatly reduced from approximately £514k in 2014/15 to £288k in 2015/16. The RG express concern that this could further increase pressure on homelessness.

41. The City Council's programme of purchasing properties for homelessness has recently been scaled back as additional demand has not materialised. Revenue savings of £140k from 2016/17 may need to be reconsidered in light of this change. If demand does increases, the RG note that the City Council needs to be able to move quickly when purchasing properties in a buoyant property market.

Recommendation 12 – That the City Council explores how it can become a more agile operator in the housing market to ensure it secures best value for new property acquisitions.

Waste disposal costs

42. The RG noted that a £110k pressure relating to commercial waste disposal costs is being removed in 2016/17. Given that this will be subject to negotiations or possibly a legal challenge, the RG suggest that it would be prudent to re-instate part of this pressure.

Recommendation 13 – That half of the additional waste disposal costs pressure is re-instated in the budget from 2016/17.

Off Street Parking

43. The RG considered the impact of the Westgate closure and city centre developments on car parking income, noting that additional demand has not occurred at Oxpens as expected. The RG also heard that parking income is down across the board. The RG suggest that further consideration should be given to understanding whether the budget allocations are sufficient overall.

Recommendation 14 – That off street parking income is re-modelled in light of the most recent parking data and experience with the temporary Westgate car park.

Fuel and energy

44. The RG questioned the impact of a recent fall in oil prices on the budget proposals. The RG heard that reduced fuel prices have in part been amalgamated with savings from driver training. In terms of the City Council's energy bills, the prices are likely to be locked in for a period. The RG suggest that any savings are directed into improving energy efficiency.

Recommendation 15 – That any savings achieved through lower than assumed energy prices are invested in energy efficiency improvements.

Void losses in the Housing Revenue Account

45. Void losses will reduce slightly in 2015/16 when the assumed loss rate is reduced from 1.4% to 1.2%. Losses then rise because there will be more moves when new Council houses come on stream. The RG heard that current performance is 0.6% so future losses appear to be over-stated. The RG suggest that the City Council should aim to continue to bear down on void losses and assume a lower loss rate of 1.0%.

Recommendation 16 – That HRA void losses are modelled at 1.0% (rather than the proposed 1.2%), at least in the early years of the budget period.

Priorities for additional spending

Staff wellbeing

46. There will be no compulsory redundancies in frontline staff in 2015/16. An overall pay increase of 2.5% per year has been assumed. This includes a 1.5% annual pay uplift in accordance with the current 5 year pay deal, plus the impact of incremental rises within pay grades.

47. The proposals include an overall increase in the City Council's staffing headcount of 4 FTE posts in 2015/16. This is followed by decreases in headcount over the following 2 years. The net position at the end of the budget period is a staffing reduction of 16.5 FTE posts. The majority of this reduction (13.5 FTE) is attributed to efficiency savings.

48. The RG questioned how the overall composition of staffing by pay grade has changed over recent years and found that this data provided little or no evidence that de-skilling has occurred.

49. Senior officers acknowledge that many City Council Officers are being asked to do more with less and to work more flexibly. To this end, the RG welcome the new employee assistance scheme but regret the removal of the training budget increase (£100k) and funding for staff wellbeing (£75k).

See recommendation 17a

Apprenticeships

50. The RG reviewed the proposal to remove £50k of funding from apprenticeships, reflecting changes in the labour market. This change won't impact the 25 apprentices currently employed by the City Council but it would reduce the size of future cohorts.

51. The RG heard that there is no lack of demand for these apprenticeship opportunities so this cut seems regrettable if the organisation can continue to adequately support 25 apprentices. The RG suggest that funding is reinstated in order to maintain the current number of apprenticeship opportunities in future years. The RG recognise that the City Council is now creating new apprenticeship opportunities in other ways, and scrutiny will monitor progress in this area.

    See recommendation 17b

    <u>Community Grant Funding</u>

52. The RG note concern around changes to community grant funding, some of which has been cut, reinstated and then cut again. The current proposal to remove the £60k Community Development Grant does not appear to have been subject to an equality impact assessment. However, it has been considered by the Scrutiny Committee and the RG suggest that this funding is continued.

    See recommendation 17c

    <u>Business Improvement</u>

53. The reduction of £108k and two posts in Business Improvement is a particular concern as it will affect the City Council's future capacity to identify and deliver further efficiency savings beyond those set out in the medium term plan. The RG heard that there is scope for process improvement work in some service areas and suggest that this proposal is revisited.

    See recommendation 17d

    <u>Delivery of the Capital Programme</u>

54. The City Council has a very ambitious capital programme, particularly in 2015/16. The RG has separately reviewed the management of the City Council's capital programme and welcomed transformative improvements in this area. Some risk of slippage is still present and rising build costs is also a concern.

55. The RG note that some additional capital replacement costs may need to be factored into the capital programme. For example the longevity of new flood equipment is likely to be dependent on the frequency and extent of future flooding events.

56. The RG express concerns around whether the City Council has sufficient resources and capacities in place to deliver its capital programme, including project management and financial support. The RG also note that a bid for

£46k for an additional Lawyer to provide planning and commercial advice has been rejected.

57. Partnership working is crucially important to the delivery of many of the City Councils functions including various capital schemes. The RG suggest that consideration is given to prioritising and investing in partnership development.

See recommendation 17e

Fund raising

58. The City Council's spending plans are becoming increasingly dependent on new income streams. The City Council has a good recent record of securing external funding and Oxford is a strong brand. The RG suggest that consideration should be given to investing in building on this success.

See recommendation 17f

Planning enforcements

59. The Housing Panel considered work underway to tackle the phenomena of "beds in sheds". Funding for the project will be scaled down in April and lost in September 2015. After this date the work will be mainstreamed within other enforcement services and will have to compete with other priorities.

See recommendation 17g

Discretionary Housing Payments

60. In light reduced government funding for Discretionary Housing Payments (DHP), the RG ask the City Council to explore ways of allocating a higher level of funding for DHP, at around £500k to April 2016.

Recommendation 17 – That the following areas should be priorities for further spending in the event that additional general fund resources become available (we have identified some options for raising revenue in the short to medium term). These suggested priorities are listed in no particular order:

a) Staff Training and Wellbeing – continue funding the training budget increase (£100k) and funding for staff wellbeing (£75k) beyond 2016/17,

b) Apprenticeships – reinstate £50k from 2015/16 or a sufficient amount to fund no fewer than 25 apprentices in future cohorts,

c) Community Development (Social Inclusion) Fund – reinstate £60k from 2015/16,

d) Business Improvement staffing reductions – reverse the £110k cut in 2016/17 in full or in part (see recommendation 10),

e) Partnership development – new investment,

f) Fund raising – new investment,

g) Planning enforcement – continue funding the Beds in Sheds project at the post April 2015 level to April 2016. A more detailed review of alternative funding streams should be undertaken during this period,

h) Discretionary Housing Payments – continue the current level of funding to April 2016.

Name and contact details of author:

Andrew Brown on behalf of the Scrutiny Committee (Finance Panel)
Scrutiny Officer
Law and Governance
Tel: 01865 252230 e-mail: abrown2@oxford.gov.uk

List of background papers:
Version number: 1

Council 18 February 2015 Agenda Item 7 – Budget and Medium Term Financial Plan

Executive Response to recommendations of the Scrutiny Budget Review 2015/16

Recommendation	Agreed Y/N	Executive response of Councillor Ed Turner, Board Member for Finance, Asset Management and Public Health
1. That reserves and balances are reviewed with a view to investing any overstated reserves.	Y	Agree. This is something that we are undertaking anyway, as we want to maximise return on investment. It is worth noting that reserves may not be "over-stated" but may still be suitable for investment if they are held against a risk or item of expenditure occurring in a future year.
2. That the City Council explores new ways of increasing public engagement in its budget setting process.	In part	We can look at the consultation and welcome suggestions. However, it is important to note that the budget is a politically-led process and that it would need to be consistent with the aims and values of the administration setting the budget.
3. That Council Tax is increased by 1.99% (rather than the proposed 1.50%) in 2015/16.	Y	Agreed.
4. That the City Council continues to engage constructively with other Oxfordshire Councils in order to optimise any potential benefits available from business rates pooling and distribution arrangements.	Y	Agreed. We already do work with the other councils on this, but at present pooling is not to our advantage.
5. That the City Council looks at ways of mitigating the impacts of higher than average rents on those Council tenants who will be most affected.	N	The overall average rent rise for council tenants is 3.49% but the range is -6.58% to 6.25%. If a tenant faces into difficulties, s/he should approach the Council for assistance. For instance, there may be tenants who are not receiving all funds to which they are entitled, or in some cases a claim for Discretionary Housing Payment might be appropriate. However, the far bigger issue is for tenants in privately rented accommodation, rather than those paying comparatively low council rents.
6. That further consideration is given to covering more enforcement costs through higher, related fees and charges. This should include keeping legislation under review and asking the LGA what other local authorities charge for.	Y	We are happy to do this, but it should be noted that some budgets are ring-fenced and there is a limit to what can be charged for.

7. That to protect future Park and Ride incomes, the City Council seeks agreement with the County Council on consistent charging rates across all Oxford Park and Rides.	Y	We want to have common charges with the County Council, to avoid extra journeys being made to visit a cheaper park and ride. Ultimately the charges levied by the County Council are a matter for that authority. Our budget figure is our best estimate of the approach to be taken by the County Council.
8. That the City Council explores mechanisms for the earlier release of land value locked up in the Barton Park development.	N	This does not look feasible or desirable. If the desire is to release waterfall payments earlier, that would not be possible without renegotiating the whole deal, which would not appear to be an endeavour with great prospect of success. Alternatively, if it is to borrow off the back of the deal, this would present the authority with additional risk, and it is not clear what the borrowing would fun. We are already providing well over £100 million of investment over the next ten years, and are borrowing around £232 million.
9. That the following efficiency savings are re-rated as high risk: a) Shifting services towards community settings and online (£126k from 2017/18 in Customer Services), b) Application portfolio & telephony review (£150k from 2015/16 in Business Improvement & Technology).	N	a) We believe this saving is deliverable and the risk rating is appropriate. b) The applications review should deliver savings through reduced maintenance and reduced staffing resources that's why its medium risk. It doesn't make a difference to the budget since we provide a 40% contingency against unachieved savings for high and medium risks.
10. That there is a re-energising of attempts to identify new invest-to-save opportunities in future budget rounds (see recommendation 17d).	In part	We are very ambitious here already but will continue to look.
11. That sufficient flexibility is in place to mitigate the risk of the City Council having to repay £7m to the Housing Revenue Account.	Y	We will be in a position to mitigate this, but would be undesirable.
12. That the City Council explores how it can become a more agile operator in the housing market to ensure it secures best value for new property acquisitions.	In part	We believe we are appropriate and agile in this area of work, but are always happy to receive suggestions.

13. That half of the additional waste disposal costs pressure is re-instated in the budget from 2016/17.	N	Not agreed. It would not be in the interests of the authority to make this change, and if the budget is not deliverable it will be reviewed next year.
14. That off street parking income is re-modelled in light of the most recent parking data and experience with the temporary Westgate car park.	N	At this stage we do not see any evidence to suggest remodelling is necessary.Parking fees income has been hard to predict these last few years due to flooding, traffic works and other operators undercutting the Council's fees. We will respond to trends when we see them happening.
15. That any savings achieved through lower than assumed energy prices are invested in energy efficiency improvements.	N	Prefer not to ring fence energy savings but we will continue to prioritise energy efficiency regardless of the movement on energy prices.
16. That HRA void losses are modelled at 1.0% (rather than the proposed 1.2%), at least in the early years of the budget period.	N	It would be prudent to retain potential void losses at 1.2%, in case void levels are higher when the Barton development becomes available. The impact upon the budget is minor.
17. That the following areas should be priorities for further spending in the event that additional general fund resources become available (we have identified some options for raising revenue in the short to medium term). These suggested priorities are listed in no particular order: a) Staff Training and Wellbeing – continue funding the training budget increase (£100k) and funding for staff wellbeing (£75k) beyond 2016/17, b) Apprenticeships – reinstate £50k from 2015/16 or a sufficient amount to fund no fewer than 25 apprentices in future cohorts, c) Community Development (Social Inclusion) Fund – reinstate £60k from 2015/16,	In part (N a-f, Y g&h)	On all of these, they are really matters for councillors and groups to take a view of when it comes to budget setting. a) The Staff wellbeing fund was initially seen as discrete one off fund. b) Apprenticeships will be funded through the increased capital budget

d) Business Improvement staffing reductions – reverse the £110k cut in 2016/17 in full or in part (see recommendation 10),		
e) Partnership development – new investment,		
f) Fund raising – new investment,		
g) Planning enforcement – continue funding the Beds in Sheds project at the post April 2015 level to April 2016. A more detailed review of alternative funding streams should be undertaken during this period,		g) “Beds in Sheds”, we are proposing a carry forward to continue to fund some of this work.
h) Discretionary Housing Payments – continue the current level of funding to April 2016.		h) We will, of course, review the situation with respect to DHP in the light of the coalition government’s dramatic, inappropriate reduction of our budget. We could, if needs be, support it from the homeless contingency, in some circumstances from the HRA, and we may also need to revisit the criteria for the scheme.

Council 18 February 2015 Agenda Item 7 – Budget and Medium Term Financial Plan
Liberal Democrat Group amendments

REVENUE

LIB DEM PROPOSED AMENDMENTS TO THE ADMINISTRATIONS CONSULTATION BUDGET
REVENUE

	£1000's	2015/16 £000'S	2016/17 £000'S	2017/18 £000'S	2018/19 £000'S
	Consultation Budget Net Budget Requirement	23,127	21,460	20,347	19,920
	Changes since the consultation budget				
	New Homes Bonus	(154)	(154)	(154)	
	Additional Savings				
1	Elections every four years	(13)	(13)	(13)	(13)
2	Introduce District car parking Charges to Alexandra Courts	(26)	(26)	(26)	(26)
3	Cut funds not yet allocated to education projects	(43)	(23)		
	Total additional savings/growth	**(82)**	**(62)**	**(39)**	**(39)**
	Cumulative additional savings	**(82)**	**(144)**	**(183)**	**(222)**
	Additional costs				
1	Relining popular pond in Cutteslowe Park, stopping leaks and resurfacing the surrounding path, enabling buggie-use by replacing steps with ramps		90		
2	Additional fund for Oxford primary schools, eg for ESOL teaching	100			
4	Reinstatement of issuing letters to residents on planning applications	50	50	50	50
5	Senior Environmental Development officer to support delivery of low-carbon initiatives	30	50	50	50
6	Neighbourhood planning support officer	30	40	40	40
7	Planning officer to work with developers to encourage best environmental practice	30	50	50	50
8	Community Action Group Grant	10	10	10	10
9	Removal of hike in parking charge at Park and Ride sites				300
	Total additional costs	**250**	**290**	**200**	**500**
	Net effect on budget in-year	**168**	**228**	**161**	**461**
	Cumulative effect on budget	**168**	**396**	**557**	**1,018**
	Budget transfer to/(from) reserves	163	77	147	(304)
	Alternative Budget Net Budget Requirement	**23,304**	**21,611**	**20,501**	**20,077**
	Financed By :				
	Formula Grant and specific grants	(4,433)	(2,955)	(1,478)	0
	Additional revenue support grant	(29)	0	0	0
	Council Tax	(12,130)	(12,083)	(12,325)	(12,635)
	Additional council tax 1.99% for 2015/16 then 1.5%	(57)	(58)	(60)	(61)
	Retained Business Rates	(6,655)	(6,515)	(6,638)	(7,381)
	Total	(23,304)	(21,611)	(20,501)	(20,077)
	(surplus)/deficit	0	0	0	0
	General Fund Working Balance				
	Working Balance 1st April	3,621	3,784	3,861	4,008
	Transfer to/(from) balance	163	77	147	(304)
	Working Balance 31st March	3,784	3,861	4,008	3,704

Council 18 February 2015 Agenda Item 7 – Budget and Medium Term Financial Plan
Liberal Democrat Group amendments

HRA

PROPOSED AMENDMENTS TO THE ADMINISTRATIONS CONSULTATION BUDGET
REVENUE

£1000's	2015/16 £000'S	2016/17 £000'S	2017/18 £000'S	2018/19 £000'S
Consultation Budget Net (operating income)/expenditure after appropriations	44,250	47,474	49,695	52,198
Changes since the consultation budget				
Additional Savings				
1				
2				
3				
4				
Total additional savings/growth	**0**	**0**	**0**	**0**
Cumulative additional savings	**0**	**0**	**0**	**0**
Additional costs				
1				
2				
3				
Total additional costs	**0**	**0**	**0**	**0**
Net effect on budget in-year	**0**	**0**	**0**	**0**
Cumulative effect on budget	**0**	**0**	**0**	**0**
Budget transfer to/(from) reserves	(208)	(431)	0	0
Alternative Budget Net (surplus)/deficit	**44,042**	**47,043**	**49,695**	**52,198**

Financed By :				
Income	-44,042	(47,043)	(49,695)	(52,198)
Total	(44,042)	(47,043)	(49,695)	(52,198)
(surplus)/deficit	0	0	0	0

General Fund Working Balance				
Working Balance 1st April	(4,139)	(3,504)	(3,535)	(3,540)
Transfer (to)/from balance	208	431	0	0
Working Balance 31st March	(3,931)	(3,073)	(3,535)	(3,540)

(surplus)/deficit	0	0	0	0

Council 18 February 2015 Agenda Item 7 – Budget and Medium Term Financial Plan
Liberal Democrat Group amendments

CAPITAL

PROPOSED AMENDMENTS TO THE ADMINISTRATIONS CONSULTATION BUDGET
CAPITAL

	2015/16 £000'S	2016/17 £000'S	2017/18 £000'S	2018/19 £000'S
CAPITAL PROGRAM AS PER CEB 17TH DECEMBER - General Fund	15,820	8,059	5,371	4,414
HRA	21,047	32,339	35,947	22,556
Changes since the consultation budget				
Slippage in existing schemes since December 2014	2,028	(722)		
Reinstatement of scheme at Gypsy Lane Campus	60			
ADDITIONAL SPENDING				
Cuttslow Pond		90		
REVISED CAPITAL PROGRAM	**38,955**	**39,766**	**41,318**	**26,970**

FINANCING				
FINANCING AS PER CEB REPORT 17TH DECEMBER	36,867	40,398	41,318	26,970
Changes since the consultation budget				
Re financing of slippage since the consultation budget	2028	-722		
Use of Section 106 to fund Gypsy Lane Campus scheme	60			
ALTERNATIVE BUDGET PROPOSALS				
Funding repair of pond in Cutteslowe Park from revenue		90		
REVISED CAPITAL FINANCING	**38,955**	**39,766**	**41,318**	**26,970**

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LibDem alternative budget proposals February 18th 2015

As Liberal Democrats we believe in letting local people decide local issues as far as practically possible. We have welcomed the introduction of Neighbourhood Plans to enable residents to have more of a say in how their local area is developed. We propose the creation of an officer post to advise and support those communities working to develop a Neighbourhood Plan; the expertise would be invaluable in guiding them through what is a complex and at times difficult process.

We are very much in favour of encouraging commuters, visitors and shoppers to use Park and Ride instead of driving into our increasingly congested city. The original idea was that it should be cheaper as well as less polluting to leave your car at a Park and Ride and take the bus into the city. Sadly this is already being eroded by the charges introduced for parking at the Park and Ride sites. We are therefore very much against the Labour proposal to increase the parking charges from £2 to £3 a day from 2018/19. Our budget proposals show that this is perfectly financially possible as well as eminently desirable for both the air quality in the city and the pockets of the low-paid workers unable to afford to live in Oxford and having to commute in to work.

The recent revelation that the City has been squandering public money on an unsuccessful scheme to raise attainment in eight Oxford primary schools has depressed us. We were in favour of working with schools tom raise attainment but it seems that the wrong scheme was chosen, so that while some children have benefitted, in some schools the results have actually got worse. We are therefore moving the residual budget, as yet not allocated to anything, into a fund to which schools can apply from whatever they think will most benefit their pupils. Teachers tend to know best what will help their pupils.

We are proposing a new senior post to support the delivery of the many excellent low-carbon and energy-saving initiatives from the Low Carbon agenda. We also believe that developers need to eb given more advice and encouragement to adopt truly sustainable practices in their buildings, making the best use of new technology and learning from others in how to meet the zero-carbon standard , so are proposing an officer in the planning department to take this on.

Better consultation on planning applications is sorely needed, as recent well-publicised disasters have shown. We propose to reinstate the practice of delivering letters to neighbours of all planning applications, so that the chance of a nasty surprise over the wall or round the corner is hugely reduced.

We have been very alarmed at the proposal by the County Council to reduce and perhaps remove altogether the grants to Community Action Groups in the county. Oxford has benefitted more than elsewhere from the work of these groups, so we have proposed a £10k grant for each year as a start to keep them afloat.

The very splendid and very popular Cutteslowe Park attracts people not only from across the city but from the surrounding areas as well. The duck pond is a favourite with children. Sadly this pond is leaking and smelly at times; the surrounding path gets muddy and has a set of steps which buggies and wheelchairscannot manage.

Unless the walls are repaired soon there is a danger that that they will collapse altogether, meaning an expensive, unplanned repair job. We have found the required £90k needed to sheet-pile the whole pond, stopping the leaks , and to improve the path to make it disabled-friendly as well as buggie-friendly.

Overall we propose measures that will much improve the Council's commitment to real localism, helping local people to make well-informed local decisions and which will support the work needed to fulfil the Council's commitment to a low-carbon economy. Stabilising the parking fee at the City Park and Ride suites will remove what might well be a disincentive to people to use the sites, leading to more traffic in the city and perhaps discourage low-paid workers from taking a job in the city at all.

Our budget has a higher General Fund balance at the end than at the beginning of the four-year period – and this is in fact higher than the Labour administration's predicted balance. What we propose is a financially sound package of significant improvements for citizens, city workers and the city's aspirations for a low-carbon economy.

Jean Fooks

Leader, Oxford City CouncilLiberal Democrat Group

Head of Finance – Section 151 Comments on Liberal Democrat Group's Alternative Budget for 2015/16

Date 06-02-15

I have reviewed the budget submitted by the Liberal Democrat party as an alternative to the Labour Administrations budget and can conclude that it is arithmetically correct and could be implemented if voted through. There are no changes to the Administrations HRA budget and one addition to the Capital Budget funded by Revenue resources. The General Fund Revenue Budget does rely on transfers from the General Fund Working Balance in 2018-19 of around £304k, in year 4 of the Medium Term Financial Plan. In order to ensure that the plan was sustainable in future years consideration would need to be given to reductions in on-going revenue expenditure.

Nigel Kennedy

Head of Finance (Section 151 Officer)

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Council 18 February 2015 Agenda Item 7 – Budget and Medium Term Financial Plan
Green Group Amendments

RESISTING AUSTERITY: GREEN GROUP BUDGET AMENDMENT 1
PROPOSED AMENDMENTS TO THE ADMINISTRATIONS CONSULTATION BUDGET

REVENUE

	£1000's	2015/16 £000'S	2016/17 £000'S	2017/18 £000'S	2018/19 £000'S
	Consultation Budget Net Budget Requirement	23,127	21,460	20,347	19,920
	Changes since the consultation budget				
	New Homes Bonus	(154)	(154)	(154)	
	Additional Savings				
1	Reinstate lost Westgate Business Rates (repaid when Westgate re-opens - see below)	(400)	(400)	(400)	
2	Introduction of late night license fees	(25)	(50)	(50)	(50)
3	Tourist tax (levied as 1% hotel bed tax on luxury hotels only) - start Y3			(100)	(100)
5	Phase in P&R charge increases over two years rather than one year			(250)	
6	Increase off-street car parking by 3% (not 2%) to offset additional Westgate losses	(71)	(88)	(42)	(42)
7	Cut additional riverbank enforcement	(22)	(22)	(22)	(22)
	Total additional savings/growth	**(518)**	**(560)**	**(864)**	**(214)**
	Cumulative additional savings	**(518)**	**(1,078)**	**(1,942)**	**(2,156)**
	Additional costs				
1	Prudential borrowing (@6%) to offset temporary business rate loss during Westgate redevelopment. Repayment starts in Y4 out of increase BR take from expanded Westgate	24	48	72	72
2	Education-focused Learning Outcomes Grant to continue after Eductional Attainment Prog (£50k/yr to 2019)	7	27	50	50
3	Research/lobbying relating to Tourist Tax	20			
4	Increase support for housing & homelessness following lower-than-expected DHP settlement (4 years)	150	150	150	150
5	Reverse £24k cut to children safeguarding and vulnerable adults fund		24	24	24
6	Reinstate half of the £175k cut to staff training and wellbeing budgets		90	90	90
7	New Inequalities Fund to replace cut Community Development/Social Inclusion fund (4 years)	100	100	100	100
8	Reverse £50k cut to apprenticeship programme (reinstates 8 apprenticeships) (4 years)	50	50	50	50
9	Replace current Ward Member Spend with increased Area-based budgets (total £250k/yr)	180	180	180	180
10	Research in innovative affordable housing funding models (municipal bonds, Real Lettings etc.)	25			
11	Establish no-fees letting agency	50			
12	Increase allocation to community and voluntary grant budget 2015-2019 (open bidding)		50	50	50
13	Archway Foundation - plug £5k shortfall in requested funding	5			
14	Asylum Welcome - plug £2.5k shortfall in requested funding	2.5			
15	BBL Adventure Plaground - plug £2.5k shortfall in requested funding	2.5			
16	Donnington Doorstep - plug £5k gap in requested funding	5			
17	Oxfordshire - My Life My Choice - plug £2.5k gap in requested funding	2.5			
18	Oxford City of Sanctuary - to plug £2k shortfall in requested amount	2			
19	Dovecote Voluntary Parent Committee - to plug £5k gap in requested funding	5			
20	Oxford Credit Union - to plug £10k shortfall in requested amount	10			
21	Exeter College Vacations Project - to plug £5.5k shortfall in requested amount	5.5			
22	Broken Spoke Bike Co-op - Asylum earn-a-bike project- plug funding gap of £5k	5			
23	Cuttleslowe community associated - plug £5k of £7.5k shortfall in requested funding	5			
24	Electoral registration - additional funding focused on student registrations	50			
25	Cycling officer (part-time)	25	25	25	25
	Total additional costs	**731**	**744**	**791**	**791**
	Net effect on budget in-year	**213**	**184**	**(73)**	**577**
	Cumulative effect on budget	**213**	**397**	**324**	**901**
	Budget transfer to/(from) reserves	118	121	381	(420)
	Alternative Budget Net Budget Requirement	**23,304**	**21,611**	**20,501**	**20,077**
	Financed By :				
	Formula Grant and specific grants	(4,433)	(2,955)	(1,478)	0
	Additional revenue support grant	(29)	0	0	0
	Council Tax	(12,130)	(12,083)	(12,325)	(12,635)
	Increase Council Tax to 1.99% in Y1 - retain at 1.5% for Y2, Y3, Y4	(57)	(58)	(60)	(61)
	Retained Business Rates	(6,655)	(6,515)	(6,638)	(7,381)
	Total	(23,304)	(21,611)	(20,501)	(20,077)
	(surplus)/deficit	(0)	(0)	0	0
	General Fund Working Balance				
	Working Balance 1st April	3,621	3,739	3,860	4,241
	Transfer to/(from) balance	118	121	381	(420)
	Working Balance 31st March	3,739	3,860	4,241	3,821

Notes:
1. Should it not be possible to levy the Tourist Tax, we would make up the deficit by drawing on the additional monies we have put into balances
2. Several items (as indicated) are funded for four years only to balance the budget in Y5.
3. The scenario for the repayment of the Westgate business rates loan shown is 'worst case'. In reality, the repayment would start from Y4

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Prepared by the Green Group

Green Group Budget Amendment 2015 Explanatory Notes

Resisting Austerity

We have sought in our amendments to the Administration Budget to use available funds to resist the austerity cuts being forced upon us by the Tory/LibDem Coalition Government. Sadly, these look likely to continue beyond the General Election. We need to be prepared.

Our budget is bold, caring and principled. It focuses on the pressing problems that Oxford faces; rising inequality, deprivation and the housing crisis.

Bold

We have funded a number of new initiatives:

- **A new Inequalities Fund (£100k per annum)**. We are excited by the potential of the new Inequality Panel set up under the auspices of the Green-chaired Scrutiny Committee. It is the first Panel to respond to the Peer Review challenge to be more pro-active in setting policy and scrutinising the operations of the Council. However, we don't believe that the Panel can be effective without secured funding to support its activities. They could previously have drawn on the Social Inclusion Fund (latterly known as the Community Development Grant) but this has been cut entirely from the budget. We envisage this new £100k per annum Fund being managed by Scrutiny Officers and Inequality Panel under the auspices of the Scrutiny Committee.
- **Research into a Tourist Tax(£20k)** to bring much needed income into the City to offset the direct costs of maintaining a world class city. We have conservatively estimated that such a tax could bring in £100,000 of much needed new income per annum. However, in case the incoming Government chooses not to support such a tax, we have put sufficient surplus into our reserves over the four year period to cover the deficit.
- **Research into innovative affordable housing models (£25k)** – such as municipal bonds, crowd-funding and direct investment models – such as Real Letting. Oxford has the least affordable housing in the Country, we need to be leading the way on new approaches to providing low cost homes. We have an active social investment sector and a track record of community fund-raising. We believe that new funding models could provide the Council with £m's of new money for affordable housing.
- **Establishment of a no-fees letting agency (£50k).** Rents in Oxford are rising well above inflation making private rented housing unaffordable for many. We believe Oxford should follow the example of other Councils in setting up a no-fees letting agency to help keep down the cost of renting.
- **New part-time cycling post (£25k per annum).** We have been disappointed by the slow progress being made on initiative for cyclists. The capital funding is there but not the officer resources to support consultation and project delivery. Our funding would create a dedicated half-time cycling officer.

Caring

We strongly oppose some of the cuts set out in the Administration budget and have sought to reverse those which we believe will most adversely affect the most vulnerable City residents.We have also included additional support for staff and boosted our community and voluntary grant budget. In addition to compensating for the loss of the Social Inclusion Fund/Community Development Grant (see above), we would:

- **Reverse cut to support for housing and homelessness (£150k per annum).** This is particularly critical in the light of the reduced Discretionary Housing Payment and the rising rents being imposed on Council house tenants by the City. Under the Administration's plans, rents will rise significantly in the next three years until rent convergence is achieved. At the same time the benefit cap is likely to affect even more people pushing them into debt.
- **Reverse cut to children safeguarding and vulnerable adults fund (£24k per annum).** In the light of the County cuts and recent concerns around safeguarding, we do not believe cutting this budget is sensible or desirable.
- **Retain on-going Learning Outcomes Grants after the Educational Attainment Programme winds down (£50k per annum).** We recognise that the City's foray into the educational arena has not been entirely successful. There has beenpoor engagement with schools and disagreements amongst the educational experts tasked to deliver the various programmes. Nonetheless, we believe that there is merit in supporting schools to achieve better learning outcomes for disadvantaged pupils. We would maintain educational funding at a lower rate in the form of a Learning Outcomes Grant open to schools to bid against as part of our open bidding programme.
- **Reverse the cut to the apprenticeship programme (£50k per annum).** There remains unmet need for apprenticeships at the City Council. Reinstating this cut would support eight apprenticeships each year.
- **Reinstate half the cut to staff training and wellbeing budget (£90k per annum).** We expect our staff to do more and be more flexible. We believe that cutting our staff training and wellbeing budget at this time is ill advised.
- **Increased allocation to community and voluntary grant budget (£50k per annum).** Community and voluntary organisations offer an effective means of directly delivering servicesto those in most need. Unfortunately, most years the City is unable to meet all requests for funding. We believe that as inequality and deprivation increases there is a good case to be made for increasing the size of this budget. We have set out, in Y1, which organisations would be in receipt of this additional funding.

Principled

We believe that a healthy, thriving democracy and public engagement in Council decision-making makes for good Government. Our budget puts additional funds into electoral registration and area committees.

- **Electoral registration support (£50k)**. With Councillors representing the University wards of Holywell and Carfax, we are deeply concerned at the drop-off of electors (students in particular) from the electoral register caused by the new, flawed registration system. We have written to all colleges and spoken to our election officers. Although much is already being done, we are convinced that, with the additional funding we are providing in our budget, still more could be achieved.

- **Additional funds to reinstate Area Committees (£180k per annum)**. Together with the re-allocation of ward member spend (£70k), this initiative would provide £250k to refresh and re-vitalise area committees. This funding would be sufficient to support some level of devolved decision-making, increased officer support, and the effective doubling of area committee spending.

Where does the money come from?

We have taken a responsible approach to funding our spending plans. Our budget balances over four years and puts money back into working balances. This money we would use to cover the deficit should the introduction of the Tourist Tax be obstructed by Central Government.

We would also phase the planning increase in Park and Ride charges over two years and increase parking charges by an additional 1% (from 2% to 3%) to cover the stated loss in parking revenues during the Westgate development.

As in previous years, we are supporting the introduction of the so-called ‘Late Night Levy’ and cutting what we consider to be excessive riverbank enforcement.

However, our main source of revenue comes from reinstating, via borrowing, the lost business rates during the Westgate redevelopment. We do not believe front line services should suffer as a result of the £400k per annum loss over the three year build phase. Finance officers have agreed with us that it is reasonable to prudentially borrow this money on the basis that business rates will substantially increase when the expanded Westgate re-opens. We will start paying back the borrow £1.2m in Y4 out of this increased business rate income.

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Head of Finance – Section 151 Comments on Green Group's Alternative Budget for 2015/16

Date 12-02-15

I have reviewed the budget submitted by the Green party as an alternative to the Labour Administrations budget and can conclude that it is arithmetically correct and could be implemented if voted through. There are no changes to the Administrations HRA budget or the Capital Budget with the exception that £1.2million of prudential borrowing has been used over a 3 year period to fund the programme in exchange for revenue contributions. The General Fund Revenue Budget does rely on transfers from the General Fund Working Balance in 2018-19 of around £420k, in year 4 of the Medium Term Financial Plan although £300k of revenue budget items have already been identified to mitigate this in future years.In order to ensure that the plan was sustainable in future years consideration would need to be given to further reductions in on-going revenue expenditure.

The Amendment 2, if voted through could be implemented, has a reduced level of additional items to the substantive budget and still relies on £1.2 million of prudential borrowing to be used over a 3 year period to fund the programme in exchange for revenue contributions.

Nigel Kennedy

Head of Finance (Section 151 Officer)

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Council 18 February 2015 Agenda Item 7 – Budget and Medium Term Financial Plan

Individual amendments

1. Amendment (2) proposed by Councillor Hollick, seconded by Craig Simmons
   To be taken if the submitted amendment (1) debated earlier is **not** adopted.

RESISTING AUSTERITY: GREEN GROUP BUDGET AMENDMENT 2 - Version 5	REVENUE	£1000's		
PROPOSED AMENDMENTS TO THE ADMINISTRATIONS CONSULTATION BUDGET				
(To be tabled if Green Group Budget Amendment 1 falls.)	2015/16 £000'S	2016/17 £000'S	2017/18 £000'S	2018/19 £000'S
Saving				
Reinstate lost Westgate Business Rates (repaid when Westgate re-opens - see below)	(400)	(400)	(400)	
Total additional savings/growth	**(400)**	**(400)**	**(400)**	**0**
Cumulative additional savings	**(400)**	**(800)**	**(1,200)**	**(1,200)**
Additional costs				
Prudential borrowing (@6%) to offset temporary business rate loss during Westgate redevelopment. Repayment starts in Y4 out of increase BR take from expanded Westgate	24	48	72	72
Increase support for housing & homelessness following lower-than-expected DHP settlement (3 years)	150	150	150	
Reverse £24k cut to children safeguarding and vulnerable adults fund (4 years)		24	24	24
New Inequalities Fund to replace cut Community Development/Social Inclusion fund (2 years)	100	100		
Reverse £50k cut to apprenticeship programme (reinstates 8 apprenticeships) (4 years)	50	50	50	50
Research in innovative affordable housing funding models (municipal bonds, Real Lettings etc.)	20			
Electoral registration - additional funding focused on student registrations	50			
Total additional costs	**394**	**372**	**296**	**146**
Cumulative additional costs	**394**	**766**	**1,062**	**1,208**
Notes:				
1. Several items (as indicated) are funded for four years only to balance the budget in Y5.				
2. The scenario for the repayment of the Westgate business rates loan shown is 'worst case'. In reality, the repayment would start from Y4				

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Revised version published after City Executive Board – Updating
Appendix 2 paragraph 14and the headings on tables 4 and 5

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OXFORD CITY COUNCIL

To:	**City Executive Board** **Council**
Date:	**12th February 2015** **18th February 2015**
Report of:	**Head of Finance**
Title of Report:	**Treasury Management Strategy 2015/16**

Summary and Recommendations

Purpose of report: To present the Treasury Management Strategy for 2015/16together with the Prudential Indicators for 2015/16 to 2017/18.

Key decision Yes

Executive lead member: Councillor Ed Turner

Policy Framework: Sustaining Financial Stability

Recommendation(s): City Executive Board is asked to recommend that Council:

1. Approve the Treasury Management Strategy 2015/16, and adopt the Prudential Indicators 2015/16 – 2017/18 at paragraphs 8 to 37, and Appendix 2;
2. Approve the Investment Strategy for 2015/16 and investment criteria set out in paragraphs 23 to 37 and Appendix 1
3. Approve the Minimum Revenue Provision (MRP) statement at paragraphs 12 to 22 which sets out the Council's policy on debt repayment.

Appendices:
Appendix 1 – Credit and Counterparty Risk Management
Appendix 2 – Prudential Indicators

Executive Summary

1. The Council's Treasury Management Strategy has been written in accordance with the CIPFA prudential code and the CIPFA treasury management code of practice. The main change to the Strategy is the inclusion of the Ethical Investment Policy set out at paragraph 39.

2. The report presents the Council's prudential indicators for 2015/16 – 2017/18. Notable indicators include capital expenditure and borrowing limits, as these are areas of significant activity.

3. Members are required to agree the Council's Minimum Revenue Provision (MRP) policy, which is the charge to revenue each year for the repayment of debt.

4. The average value of investments during the financial year to date is£69.4m, they have ranged from £63.7m to £76.1m at any one time; an increase on the previous year, when average balances were £58.2m and ranged from £40.7m to £74.3m. This reflects slippage in the Council's Capital Programme.

5. The Council's external debt will reduce to £200.1m by the end of March 2015 from £200.5 at the same time last year. The debt is held at fixed rates with varying fixed periods to maturity. £198.5m relates to the Housing Revenue Account following the introduction of self-financing in April 2012.

6. The Council's General Fund Capital Programme over the next four years continues to be funded from a combination of government grants, capital receipts, revenue resources and Community Infrastructure Levy.

7. Whilst the majority of the Housing Capital Programme continues to be funded directly from Council House rents the Council's budget also allows for increased ' borrowing '(£32 million) to fund a package of Housing investments.

Treasury Management Strategy
Borrowing and Debt Strategy 2015/16

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

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

10. The parameters for determining the level of prudential borrowing are:

- A balanced revenue budget that includes the revenue consequences of any capital financing ie: interest, debt repayment and running costs of any new project;
- That the impacts of the authorised borrowing limit on council tax or council rents is reasonable.

11. The draft Capital Programme which appears elsewhere on the Agenda; includes approximately £32m of HRA borrowing, to fund new build and estate regeneration over the next four years. This is utilising the Capital Financing Requirement (CFR) headroom available to the HRA.

Minimum Revenue Provision (MRP) Statement 2015/16

12. Prudential borrowing increases the Council's Capital Financing Requirement (CFR) or underlying need to borrow. Whether the Council actually borrows to finance capital expenditure is a treasury management decision unconnected to the capital financing decision. In practice the Council is unlikely to need to borrow externally in the medium term to fund the Capital Programme as it has sufficient cash balances. The Council is required to make a charge to its revenue account for internal borrowing. This charge is known as Minimum Revenue Provision (MRP) and reflects the repayment of principal borrowed.

13. Regulations require Full Council to approve the Council's MRP policy on an annual basis. The following statement is recommended:

    a) For capital expenditure incurred before 1st April 2008 or which in the future will be supported capital expenditure[1], existing practice, outlined in the former DCLG regulations will apply;
    b) For capital expenditure that relates to the assets transferred from HRA to GF- MRP will be based on the estimated useful life, but taking into account the number of years the assets have been in existence, and previous funding allocated to them;
    c) For all unsupported borrowing[2] incurred after 1st April 2008 the MRP policy will be the Asset Life Method, i.e. the MRP will be based on the estimated life of the asset and borrowing charged to the revenue account in equal instalments over the life of the asset.

14. TheHRA is not required to make a MRP but is required to make a depreciation charge. Regulations allow the Major Repairs Allowance (MRA) to be used as a proxy for depreciation for the first five year of the HRA self-financing scheme. Depreciation on HRA properties is estimated at £6.3m per annum and the MRA received is in line with

[1] Supported Capital Expenditure means the total amount of capital expenditure which a local authority has been notified by Government will be given as part of the grant payment
[2] Unsupported borrowing is any borrowing not covered by Government grants.

this. After the five year period depreciation will be a charge to the HRA with no offsetting available.

15. The S151 officer has delegated authority to determine the need for any future borrowing taking into account prevailing interest rates and associated risks. A combination of long-term and short-term fixed and variable rate borrowing may be considered. This may include borrowing in advance of future years' requirements.

16. Borrowing may be undertaken to fund the approved Capital Programme or to fund future debt maturities. The S151 officer will adopt a cautious approach and take into account the following factors:

    - The on-going revenue liabilities created, and the implications for the future plans and budgets;
    - The economic and market factors that might influence the manner and timing of any decision to borrow;
    - The pros and cons of alternative forms of funding including internal borrowing;
    - The impact of borrowing in advance on cash balances and the consequent increase in counterparty risk.

17. Council officers, in conjunction with our treasury advisors, Capita Asset Services - Treasury solutions, monitor both prevailing interest rates and market forecasts, thereby allowing the Council to respond to any changes that may impact on the timing and manner of borrowing decisions, to ensure these are optimised.

18. The Council had £200.5m of external debt as at 1st April 2014, all of which was held at fixed rates with varying maturity terms upto 2057. This debt is wholly related to housing.

19. Repayments during 2014/15 will reduce the debt to £200.1m as at 31st March 2015.

20. The Council's CFR as at 1st April 2014 exceeded the level of external borrowing, and is an indication of the Council's underlying need to borrow to fund its capital investments due to the level of internal borrowing that has been undertaken over the past few years.

21. This position is expected to continuein the short term and indicates a potential need to borrow on the external market in the medium term, if all schemes in the proposed Capital Programme go ahead.

22. In summary the main change to the borrowing strategy is to utilise the CFR headroom on the HRA to borrow a further £32m over the next four years.

Investment Strategy 2015/16
Interest rates

23. Average cash balances are currently £69.4m. They have fluctuated between £63.7m to £76.1m during the year to date.

24. Interest rates remain at an all-time low, with the Base Rate having been held at 0.50% since March 2009. The Council's advisors expectrates to begin to rise slowly during 2015 peaking at around 3% by 2017/18.

25. All existing investment dealterms are less than 364 days. The Strategy allows for investments beyond 364 days with high quality counterparties; howeverprevailing interest rates have not been attractive enough to outweigh the additional risk that a longer term investment brings.

26. Investments are made in accordance with the Council's Treasury Management Strategy such that returns are balanced against security of investment, liquidity of cash to ensure funding of day to day cash flows and yield. Consequently procedures are in place to determine the maximum periods that funds may be invested for, as well as the nature of those investments.

27. The Council works to achieve the optimum rate of return on its investments commensurate with proper levels of security and liquidity.

28. Investment instruments identified for use are listed in Appendix 1 under the specified and non-specified investment categories. Counterparty limits are set in accordance with the Council's Treasury Management Practices (TMPs).

29. The Council utilises the creditworthiness services provided by Capita Asset Services – Treasury Solutions. The model combines the credit ratings, credit watches and credit outlooks provided by the credit rating agencies - Fitch, Moody's and Standard and Poor's in a weighted scoring system which is then combined with an overlay of Credit Default Swap[3] (CDS) spreads and sovereign ratings for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration of investments.

30. The Council is alerted to changes to ratings by Capita Asset Services - Treasury solutions creditworthiness service and takes the following action in respect of this update:

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, it is withdrawn immediately from further use

[3] A financial swap agreement that the seller of the CDS will compensate the buyer in the event of default

- If a counterparty's credit rating is placed on negative watch or negative outlook, officers carry out a review to determine whether the institution is still worthy of inclusion on the counterparty list. If there is any doubt, the counterparty is temporarily suspended pending the credit rating agency's full review.

31. As part of the creditworthiness methodology a minimum sovereign rating of AA- from Fitch (or equivalent from other agencies if Fitch does not provide) has been determined.

32. For operational purposes, the Council's counterparty list is reviewed on a daily basis taking into account market information and changes to criteria provided. The list is maintained by the Treasury Team, and reported to the S151 Officer on a regular basis.

33. The Investment Strategyprovides delegated authorityfor the S151 Officer to determine the most appropriate form of investment dependant on prevailing interest rates and counterpartyrisk at the time.

34. Limits on countries and sectors are as follows:

    - No more than 20% of the previous year's average monthly investment balance with any one counterparty or group (currently at £15.8m)
    - Maximum of 10% of total investments to be with institutions in other countries that meet the required criteria

Specified and Non-Specified investments

35. In approving the Investment Strategy Members are approving the types of investments the Council can undertake. Investments are classified as either specified or non-specified and are show in more detail in Appendix 1.

36. A specified investment is one that is in sterling, no more than one year in duration or, if in excess of one year can be repaid earlier on requestand with counterparties that meet the council's credit rating criteria. Non-specified investments are any other type of investment including property funds. Whilst generally these investments will earn a higher rate of return they are inherently more risky in nature and a maximum level of 25% of the previous year's average monthly investment balance is placed on such investments.

37. The Council placed deposits with two Icelandic banks prior to their collapse in 2009; original balances were £3m with Heritable and £1.5m with Glitnir. Heritable has repaid 94% of the initial deposit plus interest, no further repayments have been received during 2014/15. The Council has received over 80% of the original deposit with Glitnir. The remaining balance is currently held in Iceland, under Icelandic law, and

the Council is seeking advice from Bevan Brittan, our solicitors acting on behalf of all local authorities, regarding its options on this matter.

Ethical Investment Policy

38. At its meeting on 14th July, Council proposed to adopt an ethical investment policy, which is set out below. This Strategy formally endorses and adopts it for the first time.

39. The Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's mission and values. This would include, inter alia, avoiding direct investment in institutions with material links to:

    a. Human rights abuse (eg child labour, political oppression)
    b. Environmentally harmful activities (eg pollutions, destruction of habitat, fossil fuels)
    c. Socially harmful activities (eg tobacco, gambling)

Banking Services

40. The Council's banking services have recently been tendered following the withdrawal of the Co-operative Bank from the local authority market. Barclays won the contract andare currently working with officers on an implementation plan. The new contract will commence on the 1st April 2015.

Prudential Indicators

41. The Council is required to set out a number of indicators, relating to the affordability and prudence of its treasury strategy. These indicators are detailed in Appendix 2 for the period 2015/16 – 2017/18, and should be monitored and reported on an annual basis.

42. The Council is on track to meet all of the prudential indicators for 2014/15.

Legal implications

43. This report fulfils four key requirements:
    - The reporting of the prudential indicators setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities). Agreeing the Council's Minimum Revenue Provision (MRP) policy, which sets out how the Council will pay for capital assets through revenue each year (as required by guidance under the Local Government and Public Involvement in Health Act 2007).
    - Agreeing the Treasury Management Strategy, which sets out how the Council's treasury services will support the capital

decisions taken, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit, the maximum amount of debt the council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing limit required by S3 of the Local Government Act 2003. Agreeing the Investment Strategy, this sets out the council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

44. The Local Government Act 2003 and supporting regulations require the council to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set prudential and treasury indicators to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

45. The Constitution requires the Strategy to be reported to the City Executive Board and Full Council outlining the expected treasury activity for the forthcoming four years on an annual basis.

Financial Issues

46. All financial issues have been addressed in the body of the report.

Environmental Impact

47. Following the inclusion of the Ethical Investment Policy, this ensures that through our investments we will not knowingly, directly invest in businesses that undertake harmful environmental activities.

Equalities Impact

48. There is no equalities impact relating to this report.

Name and contact details of author:-

Name: Anna Winship
Job title: Financial Accounting Manager
Service Area / Department: Finance
Tel: 01865 252517 e-mail: awinship@oxford.gov.uk

List of background papers:

APPENDIX 1

<u>Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management</u>

The Department of Communities and Local Government(CLG) issued Investment Guidance in 2010, and this forms the structure of the Council's policy below.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Section 151 Officer has produced Treasury Management Practices (TMPs). This part, TMP 1, covering investment counterparty policy requires approval each year.

Annual Investment Strategy - The key requirements of both the Code and the investment guidance are that Councils set an annual Investment Strategy, as part of theirTreasury Strategy for the following year, covering the identification and approval of the following:

- The guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use.
- Non-specified investments, clarifying the greater risk implications, and the overall amount of various categories that can be held at any time.

Specified Investments – These investments are sterling investments that do notexceed a maturity period of more than one year, or those which could be for a longer period but where the Council has the right to be repaid within twelve months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or Gilts with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A Local Authority, Parish Council, Community Council, Fire or Police Authority
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4, this

covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.

5. A body that is considered of a high credit quality (such as a bank or building society) meeting the minimum 'high' quality criteria where applicable.

Additionally, and in accordance with the Code, the Council has set duration and value limits as follows:

	Minimum credit criteria/colour banding	Max % of total investments /£ limit per institution	Max maturity period
Debt Management Office– UK Government	Not applicable	100%	364 days
UK Government Gilts	UK Sovereign rating	20%	364 days
UK Government Treasury Bills	UK Sovereign rating	20%	364 days
Bonds issued by multilateral development banks	UK Sovereign rating	20%	6 months
Money Market Fund	AAA	£20m	Liquid
Local Authorities, Fire and Police Authorities		100%	364 days
Term deposits with banks and rated building societies	Blue Orange Red Green	£15m or 20% of total investments whichever is the greater	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days
certificate of Deposit or corporate bonds with banks and building societies	Blue Orange Red Green	£10m or 20% of total investments whichever is the greater	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days
Enhanced Cash funds		20%	6 months
Corporate bond funds		20%	6 months
Gilt Funds	UK sovereign rating	20%	6 months

Non-Specified Investments – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Overall non specified investments will not exceed more than 25% of the previous yearsinvestment portfolio. If the Council's average investment balance increases further over the medium term decisions will need to be made on the viability of undertaking additional non specified investments. Non specified investments would include any sterling investments with:

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

The Monitoring of Investment Counterparties - The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services – Treasury Solutions on a weekly basis, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 151 Officer, and if required new counterparties which meet the criteria will be added to the list.

APPENDIX 2

Prudential Indicators

Prudence

A. Capital Expenditure Plans

1. The Council's capital expenditure plans are the key driver of treasury management activity. Estimates of capital expenditure for the period 2015/16 to 2017/18 are summarised below and this forms the first of the prudential indicators. The revenue consequences of associated borrowing and any on-going maintenance costs are accommodated within the Council's revenue budgets.

2. Capital expenditure can be paid for immediately, by applying capital resources such as capital receipts, capital grants, external funding or revenue contributions, but if these resources are insufficient any residual expenditure will be undertaken by Prudential Borrowing and will add to the Council's borrowing need, or Capital Financing Requirement (CFR).

3. Estimates of resources such as capital receipts may be subject to uncertainty i.e. anticipated asset sales may be postponed or reduced due to changes in the property market or planning issues.

4. Elsewhere on the agenda the draft Capital Programme is recommended for approval, a summary of these figures is in the table below, showing the capital expenditure and how it will be financed. Any shortfall of financing results in a borrowing need.

Table 1:-Capital Expenditure and Financing

	2013/14 Actual £000's	**2014/15 Estimate £000's**	**2015/16 Estimate £000's**	**2016/17 Estimate £000's**	**2017/18 Estimate £000's**
Expenditure					
General Fund	11,121.0	30,519.3	15,820.2	8,059.3	5,371.0
HRA	10,882.0	28,309.1	21,047.3	32,339.4	35,947.4
Total expenditure	**22,003.0**	**58,828.4**	**36,867.5**	**40,398.7**	**41,318.4**
Finance by:					
Developer Contributions	470.0	1,229.6	2,544.2	3,000.0	2,240.0
Capital Grants	10,378.0	32,898.3	7,305.1	6,513.0	6,752.2
Capital Receipts	3,876.0	8,413.3	5,991.5	-396.0	-508.6
Revenue	4,538.0	13,296.0	17,758.4	17,539.3	18,979.6
Prudential Borrowing	2,741.0	2,991.1	3,268.4	13,742.4	13,855.2
Total Funding	**22,003.0**	**58,828.3**	**36,867.6**	**40,398.7**	**41,318.4**

B. Capital Financing Requirement (CFR).

5. The CFR is the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Prudential borrowing is explored in more detail below.

6. The CFR includes any other long term liabilities (eg finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

Table 2:- Capital Financing Requirement

	2013/14 Actual £000's	2014/15 Estimate £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
General Fund	-1,746	23,578	22,570	21,563	20,555
HRA	222,297	199,384	202,653	216,395	230,250
Total	**220,551**	**222,962**	**225,223**	**237,958**	**250,805**
Movement in CFR	20,107	2,411	2,261	12,735	12,848

Affordability

7. The Strategy also includes the Prudential Indicators, which the authority is required to consider before determining its budget and treasury management arrangements for the new financial year. These indicators are a statutory requirement and therefore have to be reported to Council each year. These indicators are split into two categories the first is affordability. The affordability indicators are listed below:

C. Ratio of financing costs to the net revenue stream

8. This indicator represents the estimate of the ratio of financing costs to the net revenue stream for HRA and General Fund.

Table 3:- Ratio of financing costs to net revenue stream

	2013/14 Actual %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
General Fund	-0.7%	-4.4%	-5.7%	-7.4%	-8.6%
HRA	18.5%	18.1%	17.0%	16.1%	16.0%

D. Incremental impact of capital investment decisions on Council Tax and Rents

Council Tax

9. The estimate of the incremental impact of capital investment decisions on the Council Tax is shown below; this shows the impact of any decisions that are made on investment through the Capital Programme and how it affects the Band D Council Tax.

10. The figures in Table 4 below have been calculated by looking at those schemes that are uncommitted in the current Capital Programme and looking at the impact they will have on Council Tax after taking into account capital receipts and revenue contributions

11. The Council will not enter into any uncommitted capital scheme until the source of funding is confirmed, e.g. Capital receipts, grants, S106 or prudential borrowing. This will ensure we can avoid any unplanned revenue consequences as a result of capital expenditure.

Table 4:- Potential Impact of Capital Expenditure on Council Tax

	2013/14 Actual £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Overall net impact on Council Tax Band D per week	0.26	0.70	0.36	0.18	0.12

Housing Rents

12. The estimated incremental impact of capital investment decisions on weekly housing rents is shown in Table 5below. The figures have been calculated by looking at those schemes that are currently in the Capital Programme and deducting alternate funding resources.

13. The key drivers for setting housing rents with effect from 1st April 2015 will be affordability and the need to cover net expenditure . Formula rent guidance states that for 2015/16 for properties not at target rent will be CPI + 1% + £2, and those at target rent CPI + 1%. At September 2014 CPI was 1.2%.

14. The expected expenditure on the HRA Capital Programme could have the following impacton council rents:

Table 5:- Potential Impact of Capital Expenditure on Housing Rents

	2013/14 Actual £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Overall net impact on Weekly Housing Rents	1.34	3.48	2.59	3.98	4.42

E. Authorised limit for external debt

15. This represents a limit beyond which external debt is prohibited. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table 6:- Authorised Limit for external debt

	2013/14 Actual £000's	**2014/15 Estimate £000's**	**2015/16 Estimate £000's**	**2016/17 Estimate £000's**	**2017/18 Estimate £000's**
General Fund	5,000	4,000	2,000	2,000	2,000
HRA	242,199	242,199	245,566	259,308	273,163
Other Long Term Liabilities	1,000	0	0	0	0
Total	**248,199**	**246,199**	**247,566**	**261,308**	**275,163**

16. Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. The Council intends to utilise this headroom over the next three years to fund the Capital Programme, it is considered prudent to withhold £10m of the borrowing headroom as a contingency for potential changes in capital costs and interest charges. These limits are:

Table 7: HRA Capital Financing Requirement

HRA Debt Limit	**2013/14 Actual £000's**	**2014/15 Estimate £000's**	**2015/16 Estimate £000's**	**2016/17 Estimate £000's**	**2017/18 Estimate £000's**
Total	242,199	242,199	242,199	242,199	242,199

F. Operational boundary for external debt

17. This is based on the expected maximum external debt during the course of the year, it is not a limit, and actual external debt can vary around this boundary for short times during the year.

Table 8:- Operational boundary for external debt

	2013/14 Actual £000's	**2014/15 Estimate £000's**	**2015/16 Estimate £000's**	**2016/17 Estimate £000's**	**2017/18 Estimate £000's**
Borrowing	3,000	2,000	0	0	0
Additional HRA Settlement	234,000	234,000	234,000	240,000	255,000
Other Long Term Liabilities	1,000	0	0	0	0
Total	**238,000**	**236,000**	**234,000**	**240,000**	**255,000**

G. Net Borrowing Compared to the Council's Capital Financing Requirement

18. Table 9 below shows the Council's net borrowing position compared to its Capital Financing Requirement. As can be seen, the figures show that the Council is currently borrowing below its financing requirement which indicates a need to borrow in the short to medium term. The Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and the next two financial years. This allows some flexibility for limited early borrowing for future years.

Table 9:- Net borrowing compared to CFR

	2013/14 Actual £000's	**2014/15 Estimate £000's**	**2015/16 Estimate £000's**	**2016/17 Estimate £000's**	**2017/18 Estimate £000's**
Gross Borrowing	220,440	200,133	201,770	215,570	229,470
Other Long Term Liabilities	607	0	0	0	0
Total Gross Debt 31 March	**201,047**	**200,133**	**201,770**	**215,570**	**229,470**
CFR	220,551	222,962	225,223	237,958	250,805
Net Borrowing v CFR	**19,504**	**22,829**	**23,453**	**22,388**	**21,335**

H. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Sector

19. The Council can confirm that it has complied with this code throughout 2014/15 and will continue to do so.

I. Upper limit on fixed and variable interest rate borrowing and investments

20. The purpose of this and the following two prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. This indicator identifies the maximum limit for fixed interest rates based upon the debt position net of investments.

Table 10:- Upper limit on borrowing and investments

	2013/14 Actual %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Upper limit on fixed rate borrowing	100	100	100	100	100
Upper limit on fixed rate investments	100	100	100	100	100
Upper limit on variable rate borrowing	100	100	100	100	100
Upper limit on variable rate investments	100	100	100	100	100

J. Upper and Lower limit for the maturity structure of borrowing

21. These are used to reduce the Council's exposure to large fixed rate sums falling due for repayment at the same time.

Table 11:- Upper and lower limit on borrowing maturity

	2014/15 Estimate Upper %	2014/15 Estimate Upper %	2014/15 Estimate Upper %	2014/15 Estimate Upper %	2014/15 Estimate Upper %	2014/15 Estimate Upper %	2014/15 Estimate Upper %	2014/15 Estimate Upper %
< 12 mths	30	0	30	0	30	0	30	0
1 – 2 years	30	0	30	0	30	0	30	0
2 -5 years	80	0	80	0	80	0	80	0
5-10 years	100	0	100	0	100	0	100	0
10 years +	100	0	100	0	100	0	100	0

22. Upper limit for principle sums invested for periods longer than 364 days; this indicator is used to reduce the need for early sale of an investment, and is based on the availability of funds after each year end. This has been set at zero due to the uncertainty of the market and reducing the risk posed by longer term investments.

Table 12:- Upper limit for investments longer than 364 days

	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Upper Limit for investments for periods longer than 364 days	20	20	20	20

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