www.oxford.gov.uk

OXFORD CITY COUNCIL

To: **City Executive Board**

Date: **19th December 2012**

Report of: **Head of Finance**

Title of Report: **Medium Term Financial Strategy 2013-14 to 2016-17 and 2013-14 Budget for Consultation – A Fair Future For Oxford**

Summary and Recommendations

Purpose of report: To present the Council's Medium Term Financial Strategy for 2013/14 to 2016-17 and the 2013-14 Budget for consultation.

Key decision Yes

Executive lead member: Councillor Ed Turner

Policy Framework: The Council's Corporate Plan

Recommendation(s): The City Executive Board is recommended to recommend to Council:

a) Agree the Council's Medium Term Financial Strategy for 2013-14 to 2016-17 and the 2013-14 General Fund, Housing Revenue Account and Capital budgets for consultation as set out in Appendices 1-7 attached.

b) Agree to consult on an increase in Council Tax of 2% for 2013/14 as set out in paragraph 28

c) Agree to consult on an increase in council housing rents for 2013/14 of 4.61% utilising the national convergence formula, as set out in paragraph 61

d) Agree to consult on an increase in council house service charges for 2013/14 of 3% and remove the service charge limiter subject to a cap on the increase of £1 per week per annum on the increase as set out in paragraph 61

e) Agree to consult on amendments to fees and charges as laid out in Appendix 7 to this report

f) Agree to consult on the level of exemptions and discounts on empty homes and unoccupied properties as outlined in paragraph 21

Appendices to the report:

Appendix 1. Summary of Proposed Budget by Service 2013-14 to 2016-17

Appendix 2. Detail of General Fund Revenue Budget by Service 2013-14 to 2016-17

Appendix 3. Detailed Service Budgets 2013-14 to 2016-17
Appendix 4. Oxford City Council's Housing Revenue Account
Appendix 5. Housing Revenue Account Rent increases by property type
Appendix 6. Oxford City Council's Draft Capital Programme 2013-14 to 2016-17
Appendix 7. Variations in Fees and Charges
Appendix 8 New Investment proposals
Appendix 9 Risk Register
Appendix 10 Equalities Impact Assessment

INTRODUCTION BY COUNCILLOR ED TURNER DEPUTY LEADER OF THE COUNCIL FINANCE, CORPORATE ASSETS AND STRATEGIC PLANNING BOARD MEMBER

This budget is an important staging-post in Oxford City Council's attempts to make our city a fairer, more equal, more sustainable place, to improve our services, and to be an excellent employer. Two years ago, the Council faced unprecedented cuts to its budgets. Councillors and officers from across the organisation rallied round, and agreed a package of difficult decisions, including over £7 million of efficiency savings, as well as some service reductions and increases in fees and charges. These efficiencies have ranged from new ways of working – often stemming from ideas put forward by our staff themselves – to the "Offices For the Future" programme, which has improved the environment for the public visiting our offices and for staff, as well as delivering a substantial saving. Our proactive approach to managing our assets has also generated efficiencies, helped deliver a stable income stream (in a difficult market), improved the quality of community buildings in the city, and will help fund our future capital programme.

I would particularly highlight the sacrifice made by our staff, both in their pay and also in going the extra mile to keep services going at this difficult period. Not only that, but our staff's performance has improved still further, with the number of days of sickness absence per year, to take just one example, projected to around half the level it was a few years ago.

Last year, we noted that efficiency savings had been successfully delivered, and therefore were able to reallocate some contingencies towards vital areas of service improvement, under our budget and MTFS "A Fair Future for Oxford". In particular, we wanted to mitigate the consequences of cuts by central government and other public authorities, especially where they affect the most vulnerable groups in our city; to minimise redundancies; and to seek to reduce inequality in Oxford. From this flowed our programme to raise educational attainment in Oxford's schools, to support older people, to invest in the youth activities, and to raise standards in privately rented housing for families.

This consultation budget and MTFS continues the trajectory set out last year. At the same time, we have reviewed our current budgets, seeing if savings agreed are being delivered, and adjusting things where they are not. We have also set a further "efficiency challenge" to service heads for the final year of the MTFS (2016/17), when we expect to be in a difficult position as a result of further

expected government cutbacks, both to our own funding and in other policy areas. At the same time, we retain our ambition to make Oxford a fairer, more equal place, and therefore it is proposed to earmark funding for the final year of this MTFS to continue programmes of investment agreed last year. They will of course be reviewed, but we do not expect the need for council investment to have vanished. We are also proposing new investment to combat isolation amongst older people, and are further increasing our funding for apprenticeships.

The government is offering councils a one-off sum in return for freezing council tax this year (which Oxford City Council has done for the past two years). This year we are not proposing to take this money, and will instead increase our council tax by 2% (an average of 10p per household per week extra). If we did not do this, we would face severe funding shortfalls in future years, when the government is not proposing any extra grant.

In addition to our general fund revenue budget, this report sets out proposals for the Capital Programme, and our Housing Revenue Account budget. We are proposing a capital programme, taking both sides together, of over £115 million over 4 years. This will invest in our housing stock, will build new homes, sees substantial investment in our community centres and parks pavilions, deliver a new competition swimming pool on the Leys, and will also safeguard properties we rent out to fund council services. Work will be procured using our procurement strategy, so staff working on these contracts can expect the "Oxford Living Wage" of at least £8.01 an hour, and firms will be expected to create apprenticeships for local people. Overall we estimate future years programme will create 1,000 jobs, and we have a target to spend over 40% with local businesses, giving a major boost to our city's economy.

The Housing Revenue Account budget proposes increasing rents only by the national convergence formula, reflecting Oxford City Council's commitment to social rents, and also proposes a major programme of investment in environmental improvements on our housing estates. We also plan to build around 500 new council homes over the coming years – again part of our ambitious capital programme.

I would thank officers and councillor colleagues for their work in putting together this report, and encourage anyone interested to feed back to us in the consultation.

INTRODUCTION

1 This report sets out the Council's Medium Term Financial Strategy (MTFS) and associated spending plans for the next four years (2013/14 to 2016/17) including the Council's 2013/14 budget for consultation. The report covers all aspects of the Council's spend: General Fund Revenue expenditure funded by the council tax payer, Housing Revenue Account expenditure, funded by council tenants and the Council's Capital Programme funded by Capital Receipts, revenue and borrowing.

2 For ease of reading; the report is split into four sections:

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

Section A - Background and Overarching Aims and Objectives

3 Oxford City Council will deliver around £12 million savings over the 4 years to 31/3/2013. When pressures are taken into account this reduces the controllable budget from £28.4 million in 2008/9 to £24.1 million in 2012/13. Delivering this level of savings reflects a significant commitment from staff across the organisation. As a result, investment in major social and community projects, including educational attainment and youth, has been possible.

4 The current year's budget monitoring information is positive. The forecast financial outturn for 2012/13 based on financial monitoring information as at 30th September 2012 indicates a favourable variance to the latest budget of approximately £745,000 after taking account of a budgeted transfer from the General Fund working balance of £1.6 million. This variance has been driven largely by increased rental income receivable from investment property which despite the current economic climate continues to thrive in Oxford. The underlying ongoing variances have been factored into the revision of the Medium Term Financial Strategy.

National Economic Position

5 Following the General Election in May 2010 and the formation of the Liberal Democrat/Conservative Coalition Government, the new Chancellor set an emergency budget in June of that year to bring the structural deficit into balance by 2014-15. The Chancellor outlined £6.2 billion of cuts to be implemented before his Autumn spending review.

6 In November 2011 the Office for Budget Responsibility downgraded its outlook for the UK economy, with the result that another £15 bn of cuts were required to keep the deficit reduction on track

7 The UK started 2012 with the biggest trade deficit since 1955 and in January UK unemployment rose to a 17 year high of 2.68 million or 8.4 % of the workforce.

8 By August 2012 the deficit stood at £14bn, slightly up on the previous year.The Chancellor's Autumn Statement (not available at the time of writing) will need to address this issue.

9 The Chancellor's next budgetary statement is due on 5th December 2012. Although unemployment and RPI were down in September compared to the previous month, the base (interest) rates remains low and is not expected to increase from the current 0.5% level until well into 2014. In light of the Government's recent announcement that the Formula Grant will not be released until 19th December, official sources in government have indicated

councils should expect considerable future reductions in funding from central government. Therefore substantial pressures upon the finances of Oxford City Council are expected to continue.

10 The Council's Medium Term Financial Strategy has therefore been set prudently to reflect the above issues and assumes:

- Reductions of up to 15% in Formula Grant (31% over the life of the plan).
- Reduced levels of investment income
- Increased provision of bad debts on both the General Fund and Housing Revenue Accounts
- Increased contingencies for homelessness expenditure as a result of welfare cuts

The assumptions within the Medium Term Financial Strategy are explained in more detail below.

Changes to Government Funding In the Medium Term

11 A number of changes to local government funding have been firmed up or announced since the current Medium Term Financial Strategy was published and approved at Council in February 2012 which, as far as possible, have been included in the Medium Term Financial Strategy refresh. They are as follows:

Business Rates Retention Proposals

12 On 19th August the Government issued eight Technical Papers for consultation, detailing aspects of its Business Rate retention proposals. The outcome of the consultation, to which the Council responded, and the detailed exemplifications of the system were published in the summer of 2012. The new system is scheduled to commence in April 2013. In summary the proposal is that:

- The Department for Communities and Local Government (DCLG) will calculate the total business rates that will be collected by all English billing authorities in 2013/14. 50%, (the **Central Share)** will be retained by DCLG to fund Formula and specific grants. The residual 50%, (the **Local Share)** will be being retained locally.
- DCLG will calculate the 'proportionate share' for each billing authority based on the average share of total business rates over the last five years. This determines the **billing authority business rates baseline**.
- The billing authority baseline will be split on an 80/20 basis between Districts and Counties respectively to determine the **individual authority business rates baseline**.
- DCLG will then calculate the **baseline funding level** for each authority by applying the 2012/13 Formula Grant methodology to the local share of the business rates aggregate.

- A local authority must pay a **tariff** if its individual authority business rate baseline is greater than its baseline funding level. Conversely a local authority will receive a **top up** if its baseline funding level is greater than its individual authority business rate baseline.
- At year end an authority's total business rates collected will be compared to its baseline funding level and **a levy** will be applied, leaving the local authority with the balance. Similarly where an authority's business rates collected are less than 7.5% of its baseline funding level **a safety net** will be paid to the authority.
- The scheme gives the opportunity for local authorities to pool their business rates. The stated objectives are
    - To encourages combined working across local authorities – rather than constraining activity within administrative boundaries
    - To allows the benefit from investment in economic growth to be shared across a wider area. This potentially provides a growth dividend to pool partners
    - To helps local authorities manage volatility in income by sharing fluctuations across the pool

13 **Implications for Oxford** – There is considerable uncertainty over the amount of money that will be retained by the Council under business rates retention. The current consultation around business rates may change the whole methodology and it is known that the levy rates calculated for individual authorities have been a significant issue of challenge by many authorities. The initial calculated levy rate for Oxford City indicated that 82% of business rates growth would be retained by the Government after the 80/20 split between District and County. Following consultation on the Retention Scheme the Government have announced that there will be a maximum levy rate of 50%, so for example £100 additional growth may give the authority around £20. In addition, the quantum of money available for RSG and New Homes Bonus is unknown and there is a difficulty in determining the amount of RSG to be paid to the authority.

14 Business rates pooling from a financial viewpoint it may offer some safety for the authority from large reductions in Business Rates up to the point where the safety net is triggered. The safety net for the City outside of the pool would be triggered if Business Rates compared to baseline funding falls by £400,000. Up to that figure the City would bear the loss, whereas inside the pool it may have some of the loss covered from the growth in Business Rates of other authorities. However, the safety net trigger for all authorities is around £5.8 million, equivalent to the loss of three rateable premises the size of the BMW plant. The levy for the pool on growth is estimated to be around 43% whereas for Oxford outside of the pool it is capped at 50%. The Government initially gave authorities until 9th November (subsequently revised to 5th December) to declare their intentions to pool. At this point in time, due to the lack of information on the outcome of the Consultation, it is proposed that Oxford City should keep its options open and express interest in joining the pool. All other authorities in Oxfordshire have taken a similar view and have declared their intention to pool. When further information is know in December

the position for Oxford and other authorities may be different and consequently the authority may consider it more beneficial to be outside of the pool, although if any one authority leaves the pool, the pool will be collapsed for all.

New Homes Bonus

15 In 2011/12 the Government brought in a system to pay grant to local authorities based on the net growth in housing (new build less demolitions) over a 12 month period. The Government provides a 'bonus' for the net number of new homes by match funding the additional Council Tax raised from new homes and empty properties brought back into use, with an additional amount for affordable homes for the following six years. Based on conservative estimates of growth bonus payments are estimated to be as follows:

2013/14 £1,560,000
2014/15 £1,831,000
2015/16 £2,109,000
2016/17 £2,395,000

16 Currently it is understood that New Homes Bonus will continue at least until 2020 by top slicing the amount to pay the bonus from the Business Rate Central Share although in the longer term there is some uncertainty over the overall amount of support to be received.

Formula Grant

17 Currently Oxford City Council collects around £76million in Business Rates and receives back around £11.5m. An amount of £0.2 million currently represents RSG making a total of £11.7 million in Formula Grant. In the absence of certainty used for forecasting Formula Grant in the current Medium Term Financial Strategy continues up to 2015/16. From this point there is a new Comprehensive Spending Review and the rate of reduction is expected to worsen. The level of grant anticipated and the percentage reductions are given below:

Formula Grants Estimates		
	Estimated Formula Grant	**Percentage Reduction on previous year**
	£million	**%**
2013/14	11.52	1.67
2014/15	10.44	9.44
2015/16	8.87	15.00
2016/17	8.43	5.00

18 **Localising Support for Council Tax**

On 2nd August 2011 the Government issued a consultation paper on their proposals for the Localisation of Council Tax Support from 2013/14. This confirmed a 10% reduction in the grant provided for Council Tax Benefit, and stated that pensioners were not intended to be worse off. The scheme allows for a reduction in the Council's tax base (band D equivalent properties used to calculate council tax income) equivalent to the amount of council tax discount given against each property band. The loss of council tax income resulting from the reduced tax base is reimbursed in the form of a grant less a 10% reduction based on the previous years spend. CEB was recommended to agree on the 5th December details of the Council's Council Tax Support Scheme. The scheme put forward has been agreed by all Districts across Oxfordshire and replicates to a large extent the existing Council Tax Benefit.

19 **Implications for Oxford**

- The reduction in the Council's Tax Base is estimated at 6,447 properties which is equivalent to a reduction of £1.747 million of Council Tax income.
- The Government have indicated that the council will receive a grant of around £1.559 million although this is subject to change based on their prediction of the 2013/14 council tax caseload.
- This creates a shortfall of around £188,000, which is partially offset by a one-off transitional grant of £42,000, resulting in a net deficit of £146,000

Council Tax Exemptions

20 In October 2011 the Department for Communities and Local Government released a consultation paper on reforms to the Council Tax system and proposals to give Billing Authorities greater discretion over reliefs in respect of second homes and empty properties and other potential reforms of the Council Tax system. In summary the proposals include:

- giving Billing Authorities power to levy up to full Council Tax on second homes
- replacing exemption Classes A (Vacant dwellings where major repair works or structural alterations are required, under way or recently completed (up to twelve months discount currently given) with an amount to be determined by the Billing authority
- replacing Class C discounts- a vacant dwelling (i.e. empty and substantially unfurnished –up to six months discount currently given) with an amount to be determined by the Billing authority
- abolishing Class L exemption, i.e. an unoccupied dwelling which has been taken into possession by a mortgage lender and making mortgagees in possession of empty dwellings liable to Council Tax in respect of them
- allowing Billing Authorities to levy an 'empty homes premium' of up to 50% in respect of dwellings which have been left empty for two years or more, and

21 To finance the Council's Local Council Tax support scheme the following changes to this Council's discounts and exemptions are recommended for consultation:

- **Exemption Class A** – Recently built or uninhabitable due to work (current 100% exemption for a time limit of 12 months then full charge)– **Proposal** - 25% exemption for a time limit of 12 months, then full charge
- **Exemption Class C** – Vacant – empty and unfurnished (current 100% exemption for a time limit of 6 months then full charge)– **Proposal** 25% exemption for a time limit of 6 months, then full charge
- **Exemption Class L** – Unoccupied where the mortgagee is in possession (current 100% exemption)– **Proposal** 0% exemption, ie full charge
- **Second Homes Discount** – (current 10% discount) –**Proposal** 0% discount ie full charge
- **Empty Homes Premium** – left unoccupied or unfurnished for two years or more (current 100% exemption for a time limit of 6 months and then full charge in line with class C) **Proposal** charge 150% council tax after 2 years empty

These changes would result in the following estimated additional income:

Exemptions and Discounts	
	Additional Income Per Annum £000's
Second Homes discount	16
Class L - Repossessions	4
Class A – Unoccupied or undergoing major repair	36
Class C - Unoccupied and unfurnished	89
Total	145

Note that no additional income has been forecast for budgeting pruposes on the in relation to the empty homes premium as it is considered that the proposal would act more as a deterrent.

This overall effect on Oxford City of the changes in Council Tax Support Council Tax exemptions and discounts is shown as follows

	Estimated (loss)/surplus Per Annum

	£000's
Shortfall of grant against loss of council tax income –para 19	(188)
Transitional grant – para 19	42
Changes in exemptions and discounts – para 21	145
Total (loss)/surplus	(1)

Welfare Reform

22 The White Paper "Universal Credit: Welfare that Works", published on 11 November 2010, set out the Coalition Government's plans to introduce legislation to change the welfare system by creating a new Universal Credit between 2013 and 2017. The stated objectives are, to radically simplify the system and make work pay thus combating worklessness and poverty.

23 The Universal Credit will merge out-of-work benefits and in-work support. This means that people will no longer have to move from one system to another, as they move into and out of employment, potentially reducing the problems of poor work incentives and the complexity of the current network of benefits and Tax Credits. Administration of the new benefit will be managed by the Department for Work and Pensions and is assumed to operate through a complex new internet based link between the PAYE system and benefits calculations.

24 **Implications for Oxford**

- There are significant financial risks associated with this proposal for Oxford. In particular, it would lead to a reduction in staffing of approximately 20 posts over the four year period with potentially costly redundancy implications as it is understood that the staff are not subject to TUPE transfer.
- The Housing Benefit and Council Tax Benefit Administration grant, which is currently around £1 million per annum, will be reduced over time, presumably over a similar time period to the introduction of universal credit. This may have a favourable impact on the Plan since the cost of providing the service is more than the grant.
- Housing Benefit is being substantially reduced, and the Government is also introducing an overall "benefit cap". This demand for services and demand for council tax support is likely to increase, which will create cost pressures. As a contingency an amount of £1million has been included within the next two years of the Medium Term Financial Strategy.

Council Tax Freeze Grant

25 For the third year the Government has announced the payment of a Council Tax Freeze Grant. Last year, in exchange for freezing Council Tax local authorities were awarded a one year grant equivalent to a 2.5% increase in its Band D Council Tax. For 2013/14 the Government has announced a 2 year grant equivalent to a 1% increase in its Band D Council Tax should the Council choose to freeze it. A 1% increase in the Band D tax is equivalent to £109,000 per annum.

26 In addition the Government has advised that any council planning to raise its Council Tax above 2% will be required to hold a referendum. Triggering a referendum would be likely to cost the Council as much as a 0.5% Council Tax rise.

27 It should be noted that if the Council accepts the Council Tax Freeze Grant the loss of income over the four year period of the plan is estimated at around £659,000, assuming 2% increases after year 1, shown as below.

Effect of Council Tax Freeze			
	2% Council Tax Foregone	**Council Tax Grant**	**Net Variation**
	£000's	**£000's**	**£000's**
2013/14	**212**	**(109)**	**103**
2014/15	**217**	**(112)**	**105**
2015/16	**223**		**223**
2016/17	**228**		**228**
Total	**880**	**(221)**	**659**

28 The £221,000 loss is ongoing and members are requested to consider rejecting a Council Tax freeze because of this. A 2% increase has been factored into the Medium Term Plan year on year which would raise the Band D Council Tax from £262.96 to £268.22 per annum in 2013/14 – an additional cost of around 10p per household per week.

Public Sector and State Pensions

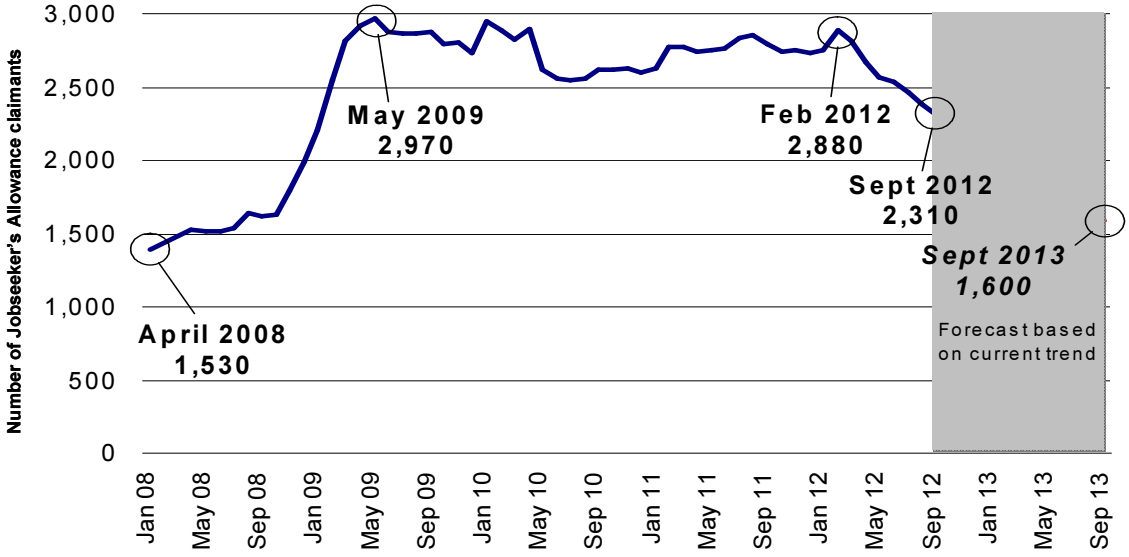
29 The Centre for Policy Studies (CPS) estimates that the difference between pension contributions by the UK's public sector workers and the amount being paid out to people who have retired will be around £32 billion in 2017. Reforms being introduced following the Hutton inquiry will see public sector workers paying more for their pensions and in the long term will see a redesign of the Local Government Pension Scheme.

The County Council commissions' triennial reviews of the Pension Fund, the next of which is due in 2014/15 and the Medium Term Financial Strategy allows for an increase of £400k in employer's pension fund contributions which may arise as a result of the difficult conditions in the financial markets.

Local Economic Conditions in Oxford

30 The timeliest indicator we have of the local economy is the number of residents claiming unemployment benefit (Jobseeker's Allowance or JSA). There has been a sustained fall in the number of residents claiming JSA over the last six months. Whilst this is good news, even if the current trend continues it will take another 12 months to return to the pre-recession average of 1,600 claimants per month. And whilst there has been a fall in total claims, the number of long-term claims (greater than one year) has risen.

Oxford residents claiming Jobseeker's Allowance (unemployment benefit), 2008 - 2013



31 Not everyone who is unemployed will be eligible for or choose to claim JSA. The latest estimate is that between 3,900 and 6,100 Oxford residents are unemployed – much larger than the number claiming JSA.

Homelessness

32 There are a number of challenges facing the Council and people in high housing need over the next few years. These include the current economic recession; welfare reform (including LHA rates; Benefit Caps; the "Bedroom Tax"; and Universal Credit); rising living and housing costs; the continued gap between housing supply and demand within the City; and the buoyancy of the private rental market. The combined effect of these is likely to be an increase in demand for services over time as a result of households struggling with financial pressures and ultimately loosing their homes.

33 The Benefit Cap being introduced in April 2013, limits the total benefit paid (to Singles & Couples £350 per week and Families £500 per week). As this includes housing costs, the cap impacts hardest in high cost areas such as London and parts of the South East. In Oxford, approximately 240 households (across tenures) are expected to be affected by this change. About £1.3m per annum will be saved from the benefit bill as a result – an average of over £5,400 per household.

34 In April 2013, penalties are also being introduced for working age households under-occupying social housing. These are based on the number of bedrooms in the property above that which the household is deemed to require under benefit rules. (A penalty of 25% or 14% of the benefit paid will be applied, depending on whether the property is two or more, or one bed under-occupied). Work is on-going at present to identify households impacted by this change; to notify them; and pro-actively assist them in managing this.

35 With regard to the Local Housing Allowance (LHA), we are seeing a significant divergence between the local market rates for private rented accommodation in Oxford, and the LHA rates. This is due to changes to LHA rates which were introduced in April 2011 for new claims, and which will affect existing claims as they come out of protection up to January 2013. The reduction of LHA to reflect only the 30th percentile of local market rents (rather than the median) is of particular concern in Oxford as local market rents are currently calculated on the basis of rents across an area extending well beyond the City's boundary and rents in other parts of the County are cheaper than in Oxford City. This means that much of the accommodation in the cheapest 30% of the market is outside the City. However, this is compounded by the rising buoyancy of the local private rental market, with many landlords and agents experiencing heightened competition for vacancies, resulting in rental price inflation, and prospective tenants in receipt of LHA often not being able to access accommodation. The situation is expected to worsen from now onwards, with the LHA rates frozen in 12/13 and only being increased in line with CPI from April 2013 on.

36 Our ability to manage homelessness by use of the private rented sector has been undermined by the LHA levels for all property types. The rate for properties larger than four bedrooms remains capped at the four bed rate and this has rendered such properties unaffordable for large families on low incomes without substantial additional support from the City Council. These changes have made it increasingly difficult for the Housing Needs team to use the private sector as effectively as it has done in recent years as part of the homelessness prevention strategy. In the first six months of 2011/12, the number of new private sector tenancies created with assistance from the Housing Needs Team fell by 50% against the same period the year before. It has remained at broadly this level this year (58 new starts in the first six months of 12/13), although greater use of Discretionary Housing Payment budgets and rent top-ups are being

required to maintain this. This increases the pressure on having to place homeless households into temporary accommodation (although our ability to source temporary accommodation for households in receipt of Housing Benefit is also increasingly constrained).

37 We have seen a marked increase in young people presenting as homeless following the up-rating of non-dependent deductions from Housing Benefit (HB)/Local Housing Allowance (LHA), whereby benefits are reduced if – for instance – a young person living in a family gets a part-time job. Exclusion by friends or family is the largest single cause identified by people presenting as homeless, particularly amongst younger people. The increases in the amount deducted from benefit as a result of having a non-dependent in the household are likely to trigger a further wave of exclusions in the short term, and to make households in receipt of housing benefit more likely to exclude non-dependents if they gain employment in the future.

38 Some funding is available for topping up Local Housing Allowance payments, from the Discretionary Housing Payments (DHP) budget. The budget, funded by central government, was £229,846 in 2012/13, but this is intended to be a short-term fix, rather than an ongoing commitment. Some topping up of the DHP budget (by 2.5x the allocation) is permissible Based on current spend of £89k as at 31/10/12 the authority is unlikely to use its allowance in 2012/13.

39 Grant received from the Department for Communities & Local Governments Homelessness & Worklessness Directorate for the 2011/12 financial year (commonly known as "Preventing Homelessness Grant") totalled £1,047,000, a 40 percent increase on the previous year's funding. This increase was the result of Government's decision not to "top-slice" the grant pot for national schemes to the same extent as in the past, and to distribute the increased funding as a straight percentage increase to all housing authorities. This funding was maintained in 2012/13. In 12/13 and 13/14, there has been a change to the formula and method of payment (now paid through the Business Rate Retention Scheme) but £957,040 per annum is to be paid. There is no certainty beyond this CSR period of future grant rates. Much of this funding is used to support services for rough sleepers and single homeless people, but £100,000 has been used to top-up the DHP budget in the current year. A report outlining officers' suggested allocations of this budget for 2012/13 will be brought to the City Executive Board in the New Year following confirmation of the amount receivable.

Impact of current year's budget 2012/13

40 The General Fund Revenue budget position at the half year indicates a favourable variance of £745,000 (3%) bolstered by a favourable variance in investment property returns. Whilst some of this increase is down to

proactive property management it is noticeable that in Oxford, rental returns are holding up. This increase in rental values has been factored into the Medium Term Financial Strategy going forward.

Value for Money & Efficiency

41 The Council has made substantial progress in improving value for money and generating over £11 million of efficiency savings over the past four years. Within the current year's budget, 2012/13, are £1.761 million of efficiency savings. The quantum of savings is currently forecast to be approximately £170,000 short of target, but this may be recovered over the remainder of the financial year.

Efficiencies		
	Per Annum	**Cumulative**
	£000's	**£000's**
2009/10	2,211	2,211
2010/11	1,168	3,379
2011/12	3,296	10,054
2012/13 Estimated	1,761	11,815

42 The Council has performed well in recent years, implementing £12 million in efficiencies and improving its performance to a point where last year 90% of targets were met This year we have launched an organisation development programme which we have called 'moving the council from good to great'. Central to the Council's programme of efficiencies and the "Good to Great" transition are a number of strategic boards that drive the programme including:

1 Customers First

- Implementation of Benefits fundamentals service review
- Universal Credit and Direct Payments Pilot projects
- Customer Service Excellence
- Temple Cowley One Stop Shop

2. Organisational Improvement and Efficiency Board

- Investors in People Gold award
- Procure to pay development of invoice processing
- Direct debit implementation
- Fixed assets module implementation

4. Trading and Business Development Board

- Building maintenance fundamental services review
- Transport fundamental services reviews
- Street cleaning fundamental service review
- Stores fundamental service review
- Drive the trading strategy of the council in all areas of council business

5. Housing Board

- Development of 30 year Housing Business Plan
- Review of Housing strategy
- Review of tenant participation
- Review homelessness and empty homes strategy

6 Capital Asset Management Group

- Monitoring and review capital programme
- Review Asset management strategy
- Review progress on capital receipts disposal
- Review returns form investment property
- Review health and safety arising

Audit Commission Value for Money Opinion

43 The Audit Commission's Annual Audit Letter for 2011/12 concluded that the Council had proper arrangements to secure financial resilience and to secure economy, efficiency and effectiveness in use of resources. In addition the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

Section B General Fund Revenue Budget

The Budget Process

44 As part of the annual Medium Term Financial Strategy refresh Service Heads were requested to:

- Review the savings and efficiencies included within the current Medium Term Financial Strategy (and agreed by Council in February 2012) and to present alternative proposals to achieve the savings where necessary in order to live within an overall cash envelope.
- Present plans to achieve a further 2% year on year efficiency savings with effect from 2016/17

45 Detailed templates for capturing proposed Efficiency Savings, Spend to Save opportunities and Fees & Charges options as well as Pressures and Service Reductions were submitted to the Finance Team for collation and review in September.

46 The Corporate Management Team scrutinised all proposals for consistency of approach and deliverability of savings. Given the high level of savings offered these proposals have been ranked as High, Medium and Low risk and a level of contingency calculated against the medium and high risk savings and income generation proposals of 80% and 40% respectively. These contingencies are included in the consultation budget and MTFS.

47 The administration has subsequently reviewed options and worked with officers to develop proposals that help to reduce inequality in Oxford and which maintain as far as possible existing levels of service provision, and avoid redundancies.

.

Planning Assumptions Used

48 The following Planning assumptions are assumed within the Medium Term Financial Strategy:

- **Base Budget** - The starting point for planning is the 2012-13 base budget position as presented in the 2011 MTFS.
- **Formula Grant** - Reductions of
  - 2013/14 1.67%, In line with previous estimates
  - 2014/15 9.44% In line with previous estimates
  - 2015/17 15% Commencement of CSR11
  - 2016/17 5%
- **Council Tax Increase** - An increase of 2% in Council Tax is assumed year on year in the MTFS.
- **Housing Benefit Admin Grant –** This has been confirmed as just under £1 million in 2013/14 and estimated to taper down over the four year period for implementation on welfare reforms
- **Inflation** - No general inflation has been applied to non pay budgets.
- **Pay Assumptions** – Negotiations are ongoing between the Council and the unions and the plan assumes no changes to previous year's assumptions at this stage. The Council will make a 'partnership' payment in 2012/13 of up to £550 per annum payable on an equal basis to all staff below Director level if the efficiency savings are delivered in year and individual appraisal and attendance targets are met.
- **Investment Income** - Investment income has been forecast based on a 1.5% rate of return. This remains an area of considerable uncertainty for medium term forecasts.
- **Increases in Fees and Charges** – The Medium Term Financial Strategy agreed last year allows for fees and charges to increase over the medium term in line with 'what the market can bear' and this approach is continued with increases as follows:
  - Leisure activities including swimming, tennis, membership fees, fitness gyms, skating average 3.2%, with all Bonus Slice concessions frozen
  - License fees – approximately 2%
  - Garden waste bins – 5%

- Planning 15%, pre planning applications 10% (this increase has been determined by central government)
- Car Parking 2% (after a freeze for 2 years in city centre car parks). Suggestions for revenue neutral amendments to car park charges in suburban car parks will be carefully and sympathetically considered
- Park and Ride from £1.50 to £2, but with the creation of new season ticket schemes

- **Capital Financing** - Capital financing for the draft Capital Programme is detailed in Section D. The four year Medium Term Financial Strategy includes no prudential borrowing other than for council vehicles with all other capital expenditure being financed from revenue contributions, grants and capital receipts.
- **Contingencies** - Contingencies have been included against the high and medium level risk efficiency savings, service reductions and fees and charges on the basis of 80% and 40% respectively. In addition, sums have been set aside for the escalation of homelessness costs next year in the order of £400,000 and for potential redundancy costs in the order of £300,000 per annum throughout the period of the plan. In addition an amount £400,000 per annum has been set aside to meet any employer's pension fund increases that may arise from the pension fund triennial review in 2014/15.
- **Bad Debts** – Due to the proposed changes in Council Tax Benefit and the changes to welfare benefits the anticipated Council Tax collection rate has been reduced from the current 98% to 97%

49 The Council's General Fund Budget for Consultation is set out in Appendix 1 attached and is summarised below:

MEDIUM TERM FINANCIAL STRATEGY 2013-14 to 2016-17				
	2013/14	**2014/15**	**2015/16**	**2016/17**
	£000's	**£000's**	**£000's**	**£000's**
INCOME AND EXPENDITURE				
Total Base Budget	**20,770**	**20,770**	**20,770**	**20,770**
Fees and Charges increases	(1,692)	(2,633)	(2,977)	(3,425)
Service Reductions	(209)	(443)	(593)	(603)
Efficiencies	(1,294)	(2,006)	(2,395)	(2,843)
Invest to save proposals	(157)	(205)	(203)	(201)
New Investment	250	376	409	1,280
New Homes Bonus	(1,560)	(1,831)	(2,109)	(2,395)

Contingencies	3,632	5,285	6,907	8,240
Revenue Contributions to capital	2,856	2,408	1,139	1,194
Other Corporate	1,537	1,602	1,095	(126)
Transferred to (from)working Balance	0	0	0	0
Net Budget Requirement	**24,133**	**23,323**	**22,043**	**21,891**
FUNDING				
Council tax support grant	1,535	1,535	1,535	1,535
Council Tax	11,075	11,353	11,638	11,930
Formula Grant	11,523	10,435	8,870	8,426
Total	**24,133**	**23,323**	**22,043**	**21,891**

GENERAL FUND WORKING BALANCE				
Opening	3,621	3,621	3,621	3,621
Transferred to/(from)	0	0	0	0
Closing	**3,621**	**3,621**	**3,621**	**3,621**

50 The above table shows over the four year period efficiencies of £2.9 million, being required, increased income from Fees and Charges including trading totalling £3.4 million and New Investment of over £2.1 million as detailed in Appendix 8

51 **New Investment –** The MTFS approved by Council in February 2012 allowed for ongoing new investment of £871k per annum up to 2015/16. The revised plan presented in this report allows for this investment to continue for a further year as well as extending the period of some investment previously taken out and adding additional investment to the plan. Appendix 8 gives a breakdown of the total position with a summary shown below :

New Investment 2013/14 – 2016/17				
	2013/14	**2014/15**	**2015/16**	**2016/17**
	£000's	**£000's**	**£000's**	**£000's**
New investment agreed Feb 2012	**1128**	**951**	**761**	**0**

Continuation of investment from 2015/16				**871**
Extension of schemes deleted				
Leisure/school partnership activities			33	33
Councillor social inclusion		50	50	50

initiatives				
Elderley person support	50	50	50	50
Replacement welfare advice to mitigate loss of legal aid		29	29	29
Low carbon Oxford		25	25	25
River Bank enforcement		22	22	22
Apprenticeships	150	150	150	150
Sub total	**200**	**326**	**359**	**359**
New Schemes				
Events	50	50	50	50
Sub total	**50**	**50**	**50**	**150**
Total New Investment	**250**	**376**	**409**	**1,280**

Total Ongoing Revenue Investment	**1,378**	**1,327**	**1,170**	**1,280**

52 The new schemes relate to:

Continuation of Investment from Current Medium Term Strategy
The Council has made provision for approximately £309,000 of schemes which were not anticipated to continue in the current MTFS together with extending £871,000 if schemes already included within the plan. Most notable of these schemes are:

- **Educational attainment** - £400,000. Following the introduction of this initiative last year a project manager has been appointed, contracts have been let and 10 schools within Oxford have already signed up to participate.

- **Youth activities**: This programme, funded at £240,000 per annum, is intended to reverse where appropriate the County Council's reductions in youth provision, as well as expand youth activity to some areas which currently have no provision. Provision is particularly targeted at those areas with greatest need; again, partnership funding is being sought from other organisations. This will deliver a major improvement in the level of support for young people in Oxford, and along with the focus on improving educational attainment, is intended to ensure that young people from all parts of Oxford get to enjoy the life-chances which they deserve.

- **Apprenticeships:** Originally an amount of £50,000 was provided for two years to provide for apprentices at Oxford City Council. Due to the success of the scheme the fund has been increased to £150k with an additional sum of £50,000 being paid by services wishing to take up an apprenticeship. This will provide for 10 apprentices, who are already in post for this year. The scheme has been

extended over the life of the plan with a new cohort of apprentices being taken on every two years.

53 **New Schemes introduced**

- **Disabled transport** – The responsibility for concessionary fares transferred from the City to County Council last financial year. The County Council subsequently changed the provision from 2 buses per week to 1 bus per week and tendered the contract for provision of the service. Officers are being asked to negotiate an increased service with the County Council and a contingency has been earmarked for this.

- **Events -** Within the budget for 2012/13 a one-off amount of £100,000 was included as a contingency for events surrounding the Olympic torch relay. Following the success of these events the Council has extended this budget at an amount of £50,000 per annum as a contingency to allow for events of a similar nature to be held throughout the year in Oxford, although it is hoped that spend can be minimised if sponsorship is achieved.

Risk Implications

54 The main risks to the balanced position of the General Fund consultation budget (Appendix 9) are:

- Business Rate Reform, which is currently being consulted upon, may not be as financially beneficial as expected
- Closure of businesses in the city will adversely effect the Council's financial position if not covered by the safety net
- Welfare Reform may affect the authority even more adversely than estimated
- Localising support for Council Tax may cost the Council more than estimated as the grant awarded to the Council may insufficient should caseload increase.
- New Homes Bonus - This is based on estimated numbers of new dwellings constructed and occupied during a given 12 month period, clearly this may be subject to variation.
- Interest rates falling lower than projected
- Additional pressures on the 2012-13 budget between now and the year end that could impact on 2013-14.
- Efficiencies and savings, especially those arising from trading, not being delivered. Trading income from Direct Services in areas such as engineering, motor and building works provides contributions to offset overheads of £500,000 per annum. This 'translates' into turnover of £4.4 million per annum. The Direct Services unit is currently proactively bidding for a number of contracts with other authorities and Housing Associations but failure to win contacts to

meet the expected turnover could lead to significant business restructuring in order to reduce cost.

- The Council's Formula Grant Settlement Figures are less than estimated when they are released on 19th December 2012.

However, as outlined above there are contingencies included within the MTFP to manage some of the more volatile aspects. There is also the possibility of slowing down the Capital Programme if insufficient revenue funds are available in later years.

Budget Consultation

55 The budget consultation exercise will commence in December 2012 and will utilise the Council's Talkback panel, an online survey and the Oxford Mail which will carry a simplified version of the survey. There will also be a staff survey. The outcome of the consultation process will be reported to CEB in February 2013, together with the outcome of the final settlement determination.

Section C Housing Revenue Account Budget

Background

56 The Council's 2012/13 Housing Revenue Account (HRA) budget projects an in-year surplus of £6.1 million, raising its year-end balance to £8.8m. Budget monitoring continues to suggest that this outturn position will be achieved and this is £730,000 favourable compared to the latest budget, mainly driven by a favourable variance in the interest rate achieved on self financing compared to the budget. This favourable variance has been factored into the MTFS going forward and contributes to funding the future investment programme.

57 The 2012/13 financial year has been the first year of the Government's new self-financing regime which saw local authority housing landlords buy themselves out of the old housing subsidy mechanism. For Oxford City Council this saw the Council take out £198.5m of debt, repayable over the next 9 to 50 years. The HRA under this new arrangement no longer needs to pay back to the Government centrally negative subsidy, which totalled £13m in 2011/12. Instead the authority's HRA now makes interest payments on its loans amounting to just over £7m per year.

58 Self financing has therefore enabled the authority to explore opportunities such as creating new build affordable housing as well as continuing with to improve its existing housing stock.

Current Position

59 The Council's HRA strategy is governed by the production and regular review of its 30 year HRA Business Plan. This document sets out the Council's HRA priorities over the longer term and details the assumptions made regarding inflation uplifts, rent increases, additional capital spend,

secondary borrowing, arrears, bad debts provision, void levels etc. Oxford City Council is committed to building more affordable homes. In 2012/13 the Council is undertaking a new build programme part funded by the Homes and Communities Agency, in which 112 new properties will be built by March 2015 utilising £2.4m of Government Grant. Running alongside this the HRA Business Plan assumes funding for the purchase of the first 300 affordable homes developed on Barton. The Council has earmarked in total £60m from its HRA Business Plan to provide additional homes for residents in the City over the next 9 years. This spend on new build is in addition to the continued improvement of the current stock on items such as kitchens/bathrooms, windows, disabled adaptations and environmental works.

60 Despite the introduction of self-financing the Government have still indicated that local authorities should continue to adopt the rent convergence formula for annual rent increases for individual dwellings, namely RPI + 0.5% +/- £2 until convergence is achieved. The details of what the Council should adopt will be published in final Government Housing Determinations that will be available in January 2013. The main issues to consider are:

- Rental assumptions in the settlement will be as previously stated, namely that the rent restructuring formulae will continue to be adopted. The RPI used is the September prior to the beginning of the new financial year. So for 2013/14 the RPI used, will be September 2012, which was 2.6%.
- The cap on housing debt will be measured through the Housing Capital Financing Requirement (which is the long-term need for borrowing to support the business plan). It is estimated this will not change and will remain the same as for 2012/13, namely £241m.
- The HRA ring fence remains.
- Clarity regarding the use of Right to Buy receipts has now been received following the Government's initiative to re-invigorate the RTB agenda. Despite the offer of increasing the maximum discount cap to £75k, there have been no completions to date during 2012/13. This may be down to general economic factors, availability and cost of current mortgage products and the demographics of the Council's existing tenant population. Briefly the Government's policy (that the Council has signed up to) states that pooling of RTB receipts remains for the numbers within Department for Communities and Local Government's self-financing valuation. For Oxford City Council this equates to 9-10 properties per year. Any RTB sales above this figure and the associated capital receipts will not be subject to pooling as long as the Council spends them within 3 years on new affordable housing schemes.

61 **Key assumptions made in preparing the budget for 2013/14**

- **Debt Profile**

The Council acquired 6 fixed rate mature PWLB loans amounting to £198.5m at the beginning of 2012/13. The profile of the debt is as follows:

Self Financing Debt Maturity Profile	
	£million
2020/21	20
2025/26	20
2031/32	40
2036/37	40
2041/42	40
2056/57	38.5
Total	**198.5**

The first repayment of £20m does not take place until 2020/21. Interest payable based on fixed rate maturities on this debt is estimated at £7.06 million per annum. The Council has available headroom for additional borrowing up to £19m. It is not intended to use this facility during 2013/14 or the foreseeable future

- **Responsive Repairs and Maintenance**

Within the four year Medium Term Financial Strategy and the 30 year Business Plan we have projected efficiency savings to be realised from the Council's Responsive Repairs budget. Namely, after allowing for uplifts a 5% reduction will be implemented in 2013/14 with further annual reductions of 1.5% up to a ceiling of 15%.

- **Property Change Assumptions**

The HRA BP assumes a 10% reduction (around 78 dwellings per year for the next 10 years) in current stock levels due to the Government's re-Invigorating RTB initiative. Whilst actual completions have been low during 2012/13, interest has nonetheless been significant with over 100 tenants requesting RTB valuations since April 2012.

- **Appropriations**

The majority of the HRA Capital Programme is financed from Revenue Contributions to Capital accounted for via appropriations to the Major Repairs Reserve. The 4 year medium term allows for £45 million of such contributions

- **Rent Increase**

As mentioned above the rent restructuring formula remains under self-financing and whilst the determinations are still awaited it is expected that increases will be based on RPI at 2.6% + 0.5% + £2. This will mean that average rents for 2013/14 will rise by **£4.27/week or 4.61%** meaning that the average rent for the next financial year will be £96.83/week. This is expected to produce an additional £1.58 million per annum. A detailed

summary of the range of increases for each dwelling type within the stock (excluding leased properties) is provided at Appendix 5.

It is fair to say that whilst rental convergence dates are part of the rent setting formula, in reality it is unlikely that all Council tenants will converge to the formula rents within this timescale.

The policy in which property rents are automatically placed at the formula level following a void period will continue during 2013/14, thus ensuring many properties converge. Once this occurs rent increases thereafter would be limited to RPI + 0.5%.

Whilst members could take a decision to raise rents higher or lower than formula rent, the HRA Business Plan anticipates rents will be in accordance with formula rent and any deviation from this would impact on the financing of the plan. It is worth noting that until the Housing Determinations are released in December it will not be known for sure whether a rental cap may be applied by the Government, something which has been done in the past.

- **Inflation and pay assumptions**

The assumptions for pay Inflation are the same as for staff and expenses within the Council's General Fund (see paragraph 48 above)

- **Working Balance in the HRA**

The working balance levels allow sufficient monies for the funding of the future years' Capital Programme and also the repayment of the debt described above. Within this amount the Section 151 officer has recommended an amount of £3.5 million as being required to cover unexpected eventualities such as increased rent arrears, falling investment income or increased costs.

- **Service Charges**

Service charges such as caretaking, cleaning, CCTV, communal areas etc will be increased in line with DCLG proposals namely RPI at 2.6% + 0.5% i.e. 3.1%. Members should note that the Council's rent accounts do have "service charge limiters" that effectively reduce the level of service charges payable by tenants. The annual value of these limiters is c. £650k per year. The historical reason for the introduction of these limiters was principally affordability, however it is deemed inequitable that tenants living next to one another who are receiving the same benefits associated with service charges are being charged different amounts that whilst introduced with the best intentions over a decade ago have now created anomalies that are difficult to justify remaining. It is therefore receommended Members approve a £1 reduction in the weekly limiter value each year over a 4 year period starting in 2013/14. It is estimated that approximately 2,800 tenants will initially be affected although for some the increase will be covered by Housing Benefit. The level of increased service charge income is difficult to predict but the following table indicates what has been included in the HRA Business Plan.

Removal of Service Charge Limiter		
Year	**Increased Service Charge Income (per year)**	**Cumulative Income**
2013/14	£168k	£168k
2014/15	£120k	£288k
2015/16	£80k	£368k
2016/17	£50k	£418k

- **Other Fees and charges**

Increases in other fees and charges have been allowed for in the plan at the following rates

- Garages – 3%
- Guest room hire in sheltered accommodation – nil

Housing Revenue Account Budget 2013/14 to 2016/17

62 Appendix 4 gives a detailed analysis of the HRA for the period 2013/14 to 2016/17 which is summarised below:

DRAFT HOUSING REVENUE ACCOUNT PROJECTIONS 2013/17
Oxford City Council

	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
INCOME:				
Rental Income	(39,536)	(40,987)	(42,796)	(44,408)
Void Losses	712	654	598	533
Service Charges	(1,040)	(1,192)	(1,308)	(1,396)
Non-Dwelling Income	(2,333)	(2,391)	(2,451)	(2,512)
Other Income	(621)	(621)	(621)	(633)
Total Income	**(42,818)**	**(44,537)**	**(46,578)**	**(48,416)**
EXPENDITURE:				
General Management	4,134	4,164	4,210	4,260
Special Management	2,514	2,529	2,544	2,561
Other Management	2,377	2,388	2,400	2,423
Bad Debt Provision	500	500	500	500
Responsive & Cyclical Repairs	9,684	9,933	10,128	10,328
Interest Paid	7,060	7,060	7,060	7,060
Interest Received	(56)	(41)	(52)	(58)
Depreciation	8,267	8,506	8,632	8,758
Total Revenue Expenditure	**34,480**	**35,039**	**35,422**	**35,832**
Net Operating Expenditure/(Income)	**(8,338)**	**(9,498)**	**(11,156)**	**(12,584)**
APPROPRIATIONS:				
Other HRA Reserve Adjustments	637	(113)	(113)	(113)
Revenue Contribution to Capital	10,830	10,822	6,654	15,827
Total Appropriations	**11,467**	**10,709**	**6,541**	**15,714**
ANNUAL (SURPLUS) / DEFICIT	**3,129**	**1,211**	**(4,615)**	**3,130**
Opening Balance	(8,799)	(5,670)	(4,459)	(9,074)
Closing Balance	**(5,670)**	**(4,459)**	**(9,074)**	**(5,944)**

Risk Implications

63 The main risks to the balanced position of the HRA budget are set out in Appendix 9 and summarised below:

- Increased tenants arrears due to the introduction of the Direct Payments Scheme, HB changes and other benefit changes arising from welfare reform e.g. Local Housing Allowance.
- Increased RTB sales. Whilst robust revenue budget implications are identified in the BP the impact on the Housing Service and the

Council as a whole if the stock does start to diminish rapidly need to be identified, evaluated and managed.

- Non-achievement of planned efficiencies.
- Since the Capital Programme is now largely funded by revenue, variations in the cost of schemes may have an adverse effect on the plan if the position is not closely monitored
- In a similar manner to the General Fund contingencies such as bad debt provisions have been built in to handle variations in items such as rent arrears and given that all capital is financed from rental income another mitigation (although perhaps undesirable) would be a reduction in the capital programme

Tenant Consultation

64 Following agreement to the draft HRA budget and rent and service charges changes then this will be the subject of consultation which will include a special focus group(s) of council tenants and leaseholders and the tenant newsletter 'Tenants in Touch'

Section D Capital Budget

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

66 The Council is committed to supporting the local economy through the use of proactively engaging with local suppliers and encouraging them to apply for tender opportunities to supply to the Council. The Procurement Team run monthly training workshops for suppliers and advertise these on our website and through the quarterly newsletters that go out to all suppliers and local businesses that register with us.

67 The Council's ambitious Capital Programme has created an additional opportunity to develop this engagement with local businesses and large contracts include a requirement to use where possible local sub contractors and or contractors to deliver the contract. Contractual requirements also include a requirement to create new apprenticeships and to monitor the implementation of this through regular reporting.

68 This year the Council has a corporate target to create 250 new jobs in the city, increase spend with local businesses to 42% and increase the number of Oxford based apprentices created through our direct employment or work programme to 60. The Council’s ambitious Capital Programme is estimated to create a further 1,000 jobs over the four year period.

General Fund Capital Programme

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

- Their contribution to the Council's corporate priorities
- Their statutory or contractual nature
- The cost of the scheme in total
- Whether the scheme attracts external funding
- Whether there were additional revenue implications and whether there was budget provision for them
- The risks of not doing the project

70 The proposed General Fund Programme amounts to over £38 million over the four year period including £13 million of new schemes. The £25 million difference is made up of schemes that are currently committed within the existing Programme e.g. improvement and refurbishment of Council buildings £6 million, mandatory disabled facility grants £3.2 million, new competition pool £7million.

71 Appendix 6 attached details the Council's Draft Capital Programme for 2013/14 to 2016/17. It is summarised below

General Fund Capital Programme 2013/14 to 2016/17				
	2013/14	**2014/15**	**2015/16**	**2016/17**
	£000's	**£000's**	**£000's**	**£000's**
Environmental Development	990	690	640	640
Corporate Assets	3,778	1,656	910	0
City Leisure	9,253	364	170	0
Direct Services	2,476	2,071	1,799	0
ICT	388	277	327	327
New Bids	4,245	3,848	790	2,215
Total General Fund	**21,130**	**9,906**	**4,636**	**3,182**

72 The draft General Fund Capital Programme is funded over the next four years by capital receipts (65%) revenue (15%) Prudential Borrowing for Vehicles (7%) and Government Grants and developer contributions(13%). All revenue costs have been included in the General Fund revenue budget. This is consistent with one of the key objectives of the MTFS, i.e. that the Capital Programme should be funded on a more sustainable basis going forward, with a greater reliance on revenue contributions and less reliance on prudential borrowing.

The use of capital receipts of around £14million relies on a number of key asset sales.

Housing Revenue Account Capital Programme
Improvement in our Existing Housing Stock

73. Self Financing has provided the Council with the necessary funds to continue the improvement of this stock beyond the decent homes standard which it achieved last year. In addition the Council recognizes that with increasing populations, demographics and car ownership there is also a need to ensure that investment is undertaken in the estates themselves, improving the environment in which our tenants live.

The draft HRA Capital Programme is intrinsically linked to the 30 year Business Plan. Under the new system the Major Repairs Allowance (MRA) will disappear and the Capital Programme will largely be funded by HRA surpluses generated by housing rents. In total over the initial four year term the Council is looking to invest £76 million (£314million over the 30 year plan) to fund

- Repairs and maintenance to tower blocks of £5million over the next four years (£10million over the 30 year plan)
- Kitchens (excluding wiring) -£5.5 million (£33 million over the life of the Business Plan)
- Central Heating £5 million (£26million over the life of the business plan)
- Aids and adaptations, an amount of £3.6 million has been included to fund suitable aids and adaptations to council dwellings for the disabled and elderly (£27 million over the life of the business plan)
- An additional £500k capital is included for each of the next four years to fund the Council's new "Great Estates" programme of environmental improvements on estates. A project group will be established to oversee this programme. In the first year, this will focus on parking improvements in areas with council housing - where damaged verges and a shortage of parking are major concerns for tenants.

74 In addition the following new investment is proposed

- Affordable homes programme – £17.5 million to fund new build housing of 112 dwellings part funded from grant monies of £2million receivable from Housing Communities Agency.
- Barton development – Provision of over £60 million has been allowed for new build on the Barton site with the first £20million provided for in the first four years
- Purchase of third party interests at Horspath Depot in the order of £2 million, in order to deliver a long-term revenue saving.

- Contribution to Rose Hill Community Centre - £1.5 million linked to affordable housing on the sites subsequently disposed of.

HRA Capital Programme 2013/14 to 2016/17				
	2013/14	**2014/15**	**2015/16**	**2016/17**
	£000's	**£000's**	**£000's**	**£000's**
Tower Blocks	500	1,500	1,500	1,500
Windows	250	250	250	250
Kitchens and Bathrooms	2,073	2,073	1,892	1,743
Heating	1,221	1,221	1,187	1,221
Voids	820	800	776	716
Electrics	785	726	666	607
Adaptations for disabled	900	900	900	900
Other	1,411	1,411	1,411	1,411
New Bids	11,094	12,366	5,728	14,012
Total HRA	**19,054**	**21,247**	**14,310**	**22,360**

The draft HRA programme is funded largely direct from rental income together with a £2 million grant from HCA in respect of the new build

Capital Receipts

75 To fund the Capital Programme the Council has earmarked a number of sites for disposal. These sites have been risk assessed and a view taken on both the level and timing of the receipt to be expected. The balance of capital receipts against the proposed use of the receipts through the proposed Capital Programme is as follows:

Capital Receipts – 2012/13 to 2016/17					
	2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Opening Balance	12,953	15,407	3,232	977	3,011
Used for Financing	(5,586)	(14,675)	(5,255)	(256)	(332)
New Receipts	8,040	2,500	3,000	2,290	0
Closing Balance	15,407	3,232	977	3,011	2,679

76 Whilst most of the receipts for 2012/13 the current financial year should be received the disposals pipeline going forward is limited and primarily relies on the sale of four sites.

Risk Implications impacting on the Capital Programme

77 The main risks to the balanced position of the consultation budget (Appendix 9) are:

- Disposals not secured causing a shortfall in funding of schemes
- Slippage in the Capital Programme and impact on delivery of priorities
- Robustness of estimates

Budget next steps

78 The timetable for consultation and for approval of the draft budget by Council is set out in the following table:

Budget Consultation	
Consultation Budget Report to CEB	19th December 2012
Budget Consultation Period	December to January 2013
Scrutiny	January 2013
Final Budget Report to CEB including outcome of Consultation	13th February 2013
Budget approval	18th February 2013
Council Tax Setting	25th February 2013

79 **Financial Implications**

These are covered within the main body of the report

80 **Legal Implications**

The Council is required to set its Council Tax by 1st March 2013 once the precepts for all major preceptors has been received. There is a possibility that the recently elected Police and Crime Commissioner (PCC) for Thames Valley Police Force will delay setting the Force precept until this date pending a review of the budget prepared by the outgoing Police Authority.. Whilst the Council has every intention of setting its Council Tax on 25th February 2013 a provisional date for Council of the 1st March 2013 has also been set aside to cover the eventuality of a delay in the precept from the PCC.

81 **Risk Implications**

These are outlined above and detailed in Appendix 9 attached.

82 **Equalities Impact Assessment**

The equalities challenge faced by the Council in the budget setting process is to ensure that there is no disproportionate adverse impact on communities of interest arising from the proposals. The impact of measures including welfare reform, rises in Council Tax, social housing rents/ service charges, and other fees and charges needs to be determined by a full impact assessment .

83 The provisional assessment of the budget has outlined the potential equality impact risks. This initial impact assessment has pointed to the need for further service profiling statistics but at this stage has not highlighted any significant concerns in relation to particular groups. There are aspects contained within the MTFS new revenue investment proposals (Appendix 8) that preserve and further embed positive interventions for key protected groups. The Disabled Adaptations budget has been fixed at £900k per annum for four years, the Home Improvement Grant has been set at £640k per annum for the same period, while the Council has extended its commitment to youth activities, educational attainment and developing apprenticeships with budgets ring fenced for the same four year period.

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

List of background papers:
Version number: 11

This page is intentionally left blank