

**To:** City Executive Board

**Date:** 12th February 2014

**Item No:**

**Report of:** Head of Finance

**Title of Report:** Medium Term Financial Strategy 2014-15 to 2017-18 and 2014-15 Budget for Consultation: A Fair Future for Oxford

## **Summary and Recommendations**

**Purpose of report:** To present the Council's Medium Term Financial Strategy for 2014/15 to 2017-18 and the 2014-15 Budget for recommendation to Council

**Key decision** Yes

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** The Council's Corporate Plan

**Recommendation(s): 1. The City Executive Board is asked to consider the outcome of the public consultation, agree the amendments to the Consultation Budget and recommend that Council:**

- a) approves the Council's General Fund Budget Requirement of £24.023 million for 2014/15 and an increase in the Band D Council Tax of 1.49% or £4.00 per annum as set out in Table 8 and Appendices 1-3, representing a Band D Council Tax of £272.19 per annum, subject to any alternative recommendation necessitated by the Secretary of State's determination as explained in paragraphs 6-10 below
- b) approves the continuance of the Council's Council Tax Support Scheme (formerly Council Tax Benefit) as referred to in paragraph 44
- c) approves the Housing Revenue Account budget for 2014/15 as set out in Appendix 4 and an increase in average dwelling rent of 5.42% representing £5.25 per week and taking the annual average rent to £102.08 as set out in Appendix 5
- d) approves the Capital Programme for 2014/15 -2017-18 as set out in Appendix 6;
- e) approves the Fees & Charges schedule as set out in Appendix 7 and
- f) approves the changes to the level of exemptions and discounts on empty homes and unoccupied properties as outlined in paragraph 44

2. The City Executive Board is also asked to adopt a retail relief scheme for business rates on the terms set out in Paragraph 19 and to delegate the authority to administer the Retail Relief Scheme to the Head of Customer Services in conjunction with the Section 151 Officer.

**Appendices to the report:**

- Appendix 1. Summary of Proposed Budget by Service 2014-15 to 2017-18
- Appendix 2 General Fund Revenue Budget by Service 2014-15 to 2017-18
- Appendix 3 Detailed Service Budgets 2014-15 to 2017-18
- Appendix 4 Housing Revenue Account Budget 2014-15 to 2017-18
- Appendix 5 Housing Revenue Account Rent increases by property type
- Appendix 6 Capital Programme 2014-15 to 2017-18
- Appendix 7 Fees and charges
- Appendix 8 New Investment proposals
- Appendix 9 Risk Register
- Appendix 10 Equalities Impact Assessment

**INTRODUCTION**

- 1 This report reflects the outcome of the consultation on the draft budget as agreed by City Executive Board at its meeting on 11<sup>th</sup> December 2013 as well as changes which have arisen since the consultation budget was published.
- 2 The consultation on the draft budget began on 20<sup>th</sup> December 2013 and ended on 31<sup>st</sup> January 2014. The consultation document was available on the Council's website and a shortened version of the survey was published in the Oxford Mail on 7<sup>th</sup> January 2014. Paper copies were also available at the Town Hall.
- 3 For ease of reading; the report is split into three sections :
  - Section A General Fund Revenue Budget
  - Section B Housing Revenue Account (HRA) Budget
  - Section C Capital Programme

**Section A – General Fund Revenue Budget**

- 4 Since the publication of the Consultation Budget a number of key issues have arisen which affect the budget and these are summarised below:

**Provisional Local Government Finance Settlement 2014-15**

- 5 The Government published its provisional Finance Settlement for 2014/15 and the illustrative 2015-16 Local Government Finance Settlement on 18<sup>th</sup> December, subject to a consultation period ending on 15<sup>th</sup> January 2014.

The key points include:

- A further reduction in Revenue Support Grant of 1.73% to allow for the further reduction in Departmental Expenditure announced in the Chancellor's 2013 Budget Statement.
- Capping the small business rates multiplier at 2% instead of increasing the rateable value by RPI (3.2%) as in previous years. A similar percentage is applied to the tariffs, top ups and baseline funding leading to a reduction in the Settlement Funding Assessment.
- Holding back £95 million of Revenue Support Grant nationally to fund Retained Business Rate safety net payments to make up a shortfall in funding from levy payments made by authorities.
- Removing the amount of £100 million held back from Revenue Support Grant to fund capitalization issues in order to fund the shortfall in Retained Business Rate safety net payments, additional funding for rural authorities and the Efficiency Support Grant

### **Council Tax Freeze Grant for 2014/15 and 2015/16 and Impact of Referendum Level**

- 6 Within the Provisional Finance Settlement reference was made to 'Keeping the council tax down' and changes in freeze grant allocation methodology. From April 2014 onwards freeze grants given to eligible authorities for 2011/12 and 2013/14 as well as 2014/15 and 2015/16 will be included within the spending review baseline and will therefore be on-going. This will prevent the 'cliff edge' effect from the freeze grant disappearing in future years.
- 7 On 15<sup>th</sup> January 2014 local authorities were advised that those authorities which freeze or reduce their basic amount of council tax in 2014/15 compared to 2013/14 will be eligible to receive a grant equivalent to a 1% council tax increase in 2014/15.
- 8 **"Excessive" Council Tax increases** – Successive governments have reserved the right to limit increases in council tax. In recent years the coalition Government has required any billing or precepting authority which set an 'excessive' Council Tax to hold a referendum. In 2013/14 'excessive' was deemed to be 2% rise. The costs of re-billing within the City are estimated at around £100k. The costs of a city wide referendum are also in the region of £100k.
- 9 The Government has yet to declare what they judge to be an 'excessive' Council Tax increase for 2014/15 and therefore it is impossible to say whether the recommendation to Council to increase Council Tax by 1.99% would trigger a referendum. There is some speculation that the figure will be announced the first week in February and that it could be as low as 1.5% or even 1%.
- 10 Table 1 below illustrates the impact of reducing the Council Tax level from the 1.99% increase included in the Consultation Budget:

<b>Percentage increase in council tax</b>	<b>Change in Council tax income to consultation budget</b>	<b>Freeze Grant</b>	<b>Net (Loss)/Gain per annum</b>
<b>%</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
0	(222)	111	(111)
1	(111)	0	(111)
1.5	(55)	0	(55)
1.99	0	0	0

It is financially prudent to set the council tax below the level of 'excessive council tax', as this avoids the uncertainty and additional costs created by holding a referendum. Should the threshold be set at 1.5% then at this rate it would be prudent to increase council tax by 1.49% and turn down the freeze grant, since the council would enjoy the benefit from additional income of £55k per annum; this would also be in line with consultation feedback suggesting support for a modest increase in council tax in return for safeguarding services. At 1% it would be financially prudent to accept the freeze grant and freeze council tax since the net gain in income to the council is the same. It should be noted that, even though freeze grant may be included in "baseline" funding, overall funding is expected to be eroded in future years, and so this may be less benefit to the Council than additional council tax income.

Notwithstanding the deliberations on the 'excessive Council Tax' the figures presented in this report are based on 1.49% for 2014/15. In the following years the assumptions have been revised down to 1% for the remainder of the plan. A modest increase in council tax, at around the level of inflation, would be preferable, but continued – and possibly tightening – central government restrictions are anticipated and it is therefore prudent to budget for these.

### **Revenue Support Grant**

- 11 Revenue Support Grant figures for 2014/15 and 2015/16 were broadly in line with those announced by the Government in the Local Government Finance Settlement Technical Consultation in July 2013. The changes to the figures subsequently included in the Consultation Budget are included in Table 2 below :

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17 Est</b>	<b>2017/18 Est</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Consultation Budget	5,657	3,811	3,049	2,287

Finance Settlement December 2013	5,590	3,713	2,970	2,228
<b>(Decrease)/ Increase</b>	<b>(67)</b>	<b>(98)</b>	<b>(79)</b>	<b>(59)</b>

It should be noted that, between 2010 and 2015/16, we still anticipate that government grant to Oxford City Council will have fallen by around 47%.

### Unringfenced Grants

12. The Council receives grants in respect of:

- **Homelessness prevention Funding** – This grant is shown in the provisional settlement for 2014/15 and the illustrative settlement for 2015/16 as £942,722 split between RSG and Business Rates £552,939 and £389,783 respectively. A similar figure is shown for 2015/16. This represents a small reduction from the existing figure of £957,040 received in previous years. However, the MTFs provides for the higher figure, given the significant ongoing challenges in this area.
- **Council Tax Freeze Grant 2011/12 and 2013/14**– As outlined above, there has been a change in methodology and the Freeze Grant for 2011/12 and 2013/14 is now included in baseline funding to mitigate against a the previous ‘cliff edge’ effect. Oxford City Council accepted the Freeze Grant in 2011/12 when the grant on offer was 2% provided for four years ending in 2014/15. The Council did not accept the Freeze Grant last year which was awarded for one year only based on 1%. This change in methodology has resulted in an increase in Council resources of around £300k per annum.
- **Council Tax Support Grant** – This grant (to fund expenditure previously known as ‘council tax benefit’ has been subsumed into the overall formula settlement figures and is no longer separately identifiable.

<b>Table 3 Change In Unringfenced Grants since Consultation Budget</b>				
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17 Est</b>	<b>2017/18 Est</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Consultation Budget</b>	1,265	956	956	956
Finance Settlement December 2013	1,265	1,250	1,235	1,235
<b>(Decrease)/ Increase</b>	<b>0</b>	<b>294</b>	<b>279</b>	<b>279</b>

## Retained Business Rates

- 13 The Government issued authorities with their Retained Business Rates baseline funding level which for 2014/15 and 2015/2016 is £5,059,432 and £5,199,076 for the City, an increase on the figure for 2013/14 which was £4,335,393. The actual amount of Retained Business Rates depends on a number of factors including the estimated amount of business rates income including appeals and write offs, the tariff payable to the Government ( which has increased from £25.450 million in 2013/14 to £26.965 million in 2014/15) the levy paid on additional income above baseline and the safety net. Almost certainly the baseline funding level will not be the amount the authority eventually receives from Retained Business Rates. A summary of the changes is given below but it should be noted that there is substantial uncertainty around these figures :

<b>Table 4 Change In Business Rates since Consultation Budget</b>				
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17 Est</b>	<b>2017/18 Est</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Consultation Budget</b>	5,117	4,923	5,030	5,138
Finance Settlement December 2013	5,598	4,769	4,882	4,990
<b>(Decrease)/ Increase</b>	<b>481</b>	<b>(154)</b>	<b>(148)</b>	<b>(148)</b>

- 14 In the Autumn Statement of 5 December 2013, the Government announced a new business rate relief, known as 'Retail Relief', which will provide relief of up to £1,000 to all occupied retail properties with a rateable value of £50,000 or less in each of the financial years 2014-15 and 2015-16.
15. The Government is inviting each authority to use its discretionary relief powers under section 47 of the Local Government Finance Act 1988 ( as amended by the Localism Act 2011) to grant this relief through the adoption of a local scheme. Central Government will fully reimburse authorities for relief granted in accordance with the Government's own criteria, and thereby seeks to incentivise local authorities to grant ' retail relief' in accordance with a local scheme.
16. The Government will reimburse the Council for any discretionary relief granted for properties that are occupied hereditaments with a rateable value of £50,000 or less that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. The Government guidance is attached at Appendix 1 which explains how to calculate the correct discount and provides examples of businesses potentially eligible ( subject to the adoption of a local scheme).
17. The Annual Government Business Rates return (NNDR1) has made assumptions that approximately 1,150 properties could benefit from this discount and in respect of which the Council would be fully reimbursed. The estimated cost of this scheme is £1.1 million for which the Council will be reimbursed by Section 31 grant throughout the year, with any upward or downward adjustment being made at year end.

18. The administration of the Retail Rate Relief would be dealt with in the same way as other Discretionary Rate Reliefs. It is expected that eligible ratepayers will have details of any relief provided on their bills at the start of the 2014-15 financial year. It is proposed to advertise this relief on our website and on literature that accompanies Business Rate bills. The Retail Relief Scheme, if approved, will form part of the Council's Discretionary Rate Relief Scheme.
19. City Executive Board is asked to adopt the following qualifying criteria for entitlement to Retail Rate Relief:
- Oxford City Council will only exercise its discretion to grant 'Retail Relief' under Section 47 of the Local Government Finance Act 1988 where the Council can recover the entire cost of the relief through grant reimbursement from Central Government.
  - 'Retail Relief' will only be awarded up to a maximum of £1,000. The maximum award of 'Retail Relief' will be no more than the value of any net rate liability after all other reliefs are taken into account.
  - 'Retail Relief' will not be provided if the award of or any part of it will exceed the relevant State Aid de minimis Regulations. Oxford City Council will either limit the amount of Retail Relief, or refuse Retail Relief to any ratepayer who will exceed the threshold in force at the relevant time
20. The summary effect of changes in the Finance Settlement in comparison to the amount included in the Consultation Budget is shown below

<b>Table 5 Change In Government Grant since Consultation Budget</b>				
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17 Est</b>	<b>2017/18 Est</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Consultation Budget</b>	<b>12,039</b>	<b>9,690</b>	<b>9,035</b>	<b>8,381</b>
Variation in Revenue Support Grant	(67)	(98)	(79)	(59)
Variation in Business Rates	481	(154)	(148)	(148)
Variation in grants	0	294	279	279
<b>Net Variation</b>	<b>414</b>	<b>42</b>	<b>52</b>	<b>72</b>
<b>Revised Total</b>	<b>12,453</b>	<b>9,732</b>	<b>9,087</b>	<b>8,453</b>

## New Homes Bonus

- 21 In July 2013 the Government issued a consultation paper on the mechanism for pooling £400 million of New Homes Bonus through Local Enterprise Partnerships to support strategic housing and other local economic growth priorities. The Consultation sought views on the pooling of New Homes Bonus resulting in the potential loss of all New Homes Bonus to County Councils and the loss of Grant at District level of between 20% and 30% with effect from 1<sup>st</sup> April 2015.
- 22 Following consultation the government chose to reverse of the original decision to top-slice NHB (except in London) and consequently this increases resources available to the Council compared to the Consultation Budget as shown below:

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Consultation Budget	2,000	1,827	2,255	2,515
Provisional Figures	2,020	2,300	2,836	3,160
<b>(Decrease)/ Increase</b>	<b>20</b>	<b>473</b>	<b>581</b>	<b>645</b>

- 23 The grant is for a six year period based on new dwelling completions in the year. The Council allocates New Homes Bonus to fund the Capital Programme in order to de-risk the Medium Term Financial Strategy. In the event that the grant is lower than estimated or ceases altogether then a mitigating action could be to reduce the Council's Capital Programme or fund this using prudential borrowing (albeit that this would create a revenue pressure).

## Council Tax Base Changes

- 24 The Tax Base is the estimated number of chargeable Band D equivalent property that the authority will have for a given year. In the Consultation Budget this figure was estimated at **41,792.5**. The Council is required to set its Tax Base and issue it to the major precepting authorities by the 31<sup>st</sup> January preceding the financial year to which it relates. The revised Tax Base as agreed under delegated authority by the Executive Director of Organisational Development and Corporate Services is **41,752.5** and this results in a small decrease in the estimated amount of Council Tax income to that included in the consultation budget of around £11k.

## Collection Fund Surplus

- 25 The Council is required to declare the estimated surplus or deficit on its Collection Fund for the current financial year before 31<sup>st</sup> January to the major precepting organisations. For 2013/14 the Council has declared an overall surplus of £1.219 million of which the City Council's share is £205,464. This



surplus is paid in the following financial year i.e 2014/15. This surplus has largely arisen from :

- Lower figures for Council Tax support leading to an increase in the number of band D properties
- Higher income from changes to discounts and exemptions to empty properties introduced from 2013/14.

## **Other Issues Arising**

### **Pension Fund Tri-ennial Review**

26 At the time of setting the consultation budget the outcome of the tri-ennial review of the Pension Fund was not known and provision had been made for an increase in employer's superannuation costs of up to £400k per annum. Fortunately, the actuarial review has shown the Pension Fund to be better funded than anticipated and hence the increase in contribution rate does not need to be as great. A revised contribution rate of 20.6%, an increase of 0.4% has consequently been agreed. This effectively releases £200k per annum of the original provision.

### **27 Efficiency Savings**

At the time of setting the consultation budget efficiencies relating to contractual negotiations were subject to finalisation. Whilst the details of the contracts are commercially sensitive there have nevertheless been some changes which should be reflected in the final budget. The effect is to reduce the level of saving in the early years of the Medium Term Financial Strategy in favour of increased savings in the latter years. The variation in the consultation budget is shown in Table 7 below.

### **28 Purchase of Homeless Properties**

In October 2013 Council agreed a budget for the purchase of £10 million of properties in order to house homeless families. The scheme has been slipped 12 months to enable a number of different options for delivery to be examined. This has resulted in the reduction in the forecast net income that was originally envisaged on the scheme of £400k over the life of the plan.

### **29 Proposed change: Town Hall Charges**

Within the Consultation Budget provision was made for increases in fees and charges for hire of the Town Hall. In order to mitigate the impact on community groups of increases in fees and charge, the administration proposes to amend the charging schedule, generating a pressure of £35k from 2015/16 onwards.

### **Proposed change: Staff Training**

30 From 2010 the training budget was significantly scaled back to assist the council in meeting its financial pressure. An amount of £100k for two years has been included in the budget to add to the current budget of £423k per annum. This is specifically to :

- Assist the Councils drive towards Investors In People Gold Award
- Increase the management potential of middle managers
- Increase the commercial awareness of managers

**Proposed change: Investment in staff wellbeing**

31 An amount of £75k for two years has been included in the budget to provide funds for the further development of the Council's well being pilot first carried out in Customer Services. This will help further reduce levels of sickness absence, and increase staff performance, and also reflects the Council's commitment to supporting its workforce. Detail of proposed expenditure will be reviewed by the Leader of the Council.

**Proposed change: Transformation Funding**

32 The Transformation budget is currently £375k a year. The budget for the current year has been fully committed and 2014/15 has already been allocated to support a number of the major savings projects in the MTFs. Increasing the budget by £150k a year for the next two years will provide the Council with the resilience to be able to fund additional savings projects to support future budget planning. Proposed expenditure will be reviewed by the Board member for Finance.

**Proposed change: Flood Equipment**

33 The recent flooding in the city required the Council to hire 2 high volume pumps to assist with the pumping of water. It would be financially and operationally advantageous if the Council purchased two units and the cost is allowed for in the budget.

**Proposed change: Local Authority Role in Universal Credit Pilot contingency**

34 The Council has been part of a government pilot of the local authority role in universal credit, supporting people into work. The pilot has now ended and alternative funding is being sought for this work. A contingency is proposed to continue some of this work until the end of the financial year, should alternative funding not be found.

**Proposed change :Partnership with County Council on Youth Delivery**

35 £50k in 14/15, £25k in 15/16, then removed. This would represent This would represent a contribution to a joint project to investigate service re-design of services for young people provided by the City and County Councils.

**Proposed change :Community Grants**

36 The budget proposes £60k per annum ongoing expenditure. This will provide additional grant funding to support the council's social inclusion aims. Details of the process for applying for the funds will be made available early in the new Council year.

**Proposed change: Supplies and services efficiencies**

37 The Head of Housing and Property has been able to achieve additional efficiencies in supplies and service not previously included in the Consultation Budget

**Proposed change: Rental Income**

38 Within the budget an amount was included with effect from 1/4/2015 in respect of the purchase of property to generate additional rental income. The financial resources in order to fund the purchase may be subject to external challenge which may put the purchase in doubt and therefore the rental at risk. At this point it is considered prudent to delete the increased rental income from the budget.

39 A summary of financial implications of other issues outside of the Finance Settlement is shown below and these are reflected in table 8.

<b>Table 7 Summary of other issues</b>				
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Pension Fund Triennial review	(200)	(200)	(200)	0
Reprofiled efficiencies	223	28	(71)	(221)
Homeless properties	100	100	200	0
Town Hall charges	0	35	35	35
Training	100	100	0	0
Wellbeing	75	75	0	0
Transformation funding	150	150	0	0
Flood equipment	75			
Job Clubs	42			
Partnership with County on youth delivery	50	25		
Community Grants	60	60	60	60
Efficiencies in supplies and services	(36)	(36)	(36)	(36)
Reduction in increased rental income	0	300	300	300
<b>Total</b>	<b>639</b>	<b>637</b>	<b>288</b>	<b>138</b>

- Continued Investment**
- 40 As detailed in the consultation results below, there was support for the Council's new and continued investment proposals. As a consequence, these are endorsed by these final budget proposals.

Proposals which have already commenced and will continue:

**Cricket festival:** This provides an annual cricket festival, enjoyed by players from all backgrounds, in Cowley Marsh park. -£2k per annum

**Restoration of free swimming for under 17's:** This delivers a substantial programme to ensure that young people, notably from backgrounds which are less likely to access free swimming, are aware of and take advantage of the opportunity -£28k per annum

**Leisure / school partnership activities:** This budget mitigates the impact from cuts to youth sport by the Government and County Council- £33k per annum

**Oxford Cycle City :** This pot of money allows the targeted creation of more cycle lanes and better signage. £10k per annum revenue plus £122k capital for next year.

**Locking of Florence Park:** This provides continued funding to lock Florence Park in the evenings, to prevent crime and anti-social behaviour. £5k per annum.

**Additional hours for litter picking and maintenance in parks:** Following the successful modernisation of play areas across the City, usage of parks has increased substantially. This fund allows improved maintenance and litter picking in our parks. £15k per annum.

**Top up of grants budget –** Budget used for small grants to community organisations of £25k per annum.

**Legal aid – welfare advice:** Following Government cuts to Legal Aid for many needing advice and support on welfare issues, this supports a post to mitigate the impact on those in need. -£29k per annum

**Youth activities:** (£240k per annum) - This provides support in areas of the City where the County Council's changes to youth provision have had the greatest detrimental impact, as well as expands youth activity to some areas which currently have no provision.

**Conversion of council flat sites to recycling:** This facilitated recycling at council flat sites. £27k per annum

**New low-emission litter picking vehicle in city centre:** This additional vehicle enables side-waste to be removed more effectively from around bins in the City Centre.- £2k per annum

**Stronger private rented sector enforcement:** This fund allows greater proactive enforcement of standards in the private rented sector -£68k per annum

**Groundworks Environmental Improvement Programme:** This delivers a social enterprise programme to clear watercourses, ditches and streams to improve flood protection: £6k per annum.

**Low-carbon Oxford:** This funding assists the City Council to maintain its active leadership of the low-carbon agenda and ensure that Low Carbon Oxford is able to continue its successful work. £25k per annum

**Proactive riverbank enforcement:** This budget provides a targeted programme of enforcement to deal with the growing problem of illegal moorings.- £22k per annum

**Cleaner greener area based door-to-door campaign:** This budget extends successful work to promote the “Cleaner Greener” Oxford agenda, improving recycling and street cleanliness throughout the City. £12k per annum

**Living wage:** This initially funded an increase in the “Living Wage” for all Oxford City Council employees and contractors to £8 per hour. We promote this living wage to all employers in Oxford City. The initial cost was £9k per annum, but it is proposed in this budget to raise the Oxford Living wage to £8.36 per hour at a cost of a further £5k per annum.

**Apprenticeships:** This fund, of £150k per annum, provides apprenticeships at Oxford City Council, helping reduce youth unemployment and supporting local young people to get experience and qualifications.

**Educational Attainment:** £400k per annum - This supports Oxford’s primary schools to deliver a step change in educational attainment, which in Oxford City is amongst the lowest in the country.

**Events** – This fund provides events in the city, funded at £50k per annum

41 A number of new investment proposals have been made for next year including :

**Market Management and Investment** - Funding for a specialist Market Manager (12 months) and implementation of Covered Market strategy report – £150k in 2014/15 then £50k ongoing

**Technical Support For Oxford Growth Strategy** -Technical advice (landscape/ legal /transport /urban design /planning) to support submissions to District Councils' Core Strategy examinations (up to four).- £150k one off.

**Planning Design and Review Panel** -Funding to appoint and commission an independent panel (6 members plus specialists as required) to review major planning applications. £50k in 2014/15 and £25k in 2015/16.

**Customer Service Excellence Manager.** - To manage and coordinate the roll out of Customer Service Excellence best practice across the organisation. Also manage the way the organisation receives and responds to customer feedback, ensuring corrective and preventative actions are taken and service improvements secured. £35k for two years.

**Toilets – Extended opening and additional cleaning** - Extension of the toilet opening hours from 5pm to 8pm in the city centre. £35k in 2014/15 reducing to £25k in 2015/16 following closure of Westgate..

**Low Carbon Oxford** -Maintain contribution to Low Carbon Hub at £50k for 2014-15.

**Safeguarding Children and Vulnerable Adults** - To ensure that the City Council fulfils its duties to safeguard children and vulnerable adults and to provide a joined-up approach to the delivery of safeguarding services. To provide effective advocacy for vulnerable children and adults. £24k for two years.

**Events web portal** - This provides a one-stop shop for all event bookings (including Events and Town Hall Events); bookings will be streamlined and a simplified and cost effective system – this will simplify the booking procedure for customers and reduce costs and administration workload for the Events Team. £5k in 2014/15 and £2k in 2015/16

**Food waste collection for flats** - The current food recycling service does not include the 15,000 flats in the city. A pilot scheme has been operating successfully this year and this proposal ensures that the service continues and is rolled out to the flats, so that they can all receive a food recycling service. It is linked to a capital bid for bins. £100k ongoing.

#### **Changes to Revenue Contributions**

42 Following a number of changes to the Capital Programme highlighted below the amount of revenue contributions to the fund the Programme have been changed and this are included in Table 5 below.

#### **43 Summary of Changes to Medium Term Financial Strategy**

The Council's General Fund Medium Term Financial Strategy is shown in Appendices 1-3 with a summary of the financial impact of the changes to the Medium Term Financial Strategy from the Consultation Budget agreed in December 2013, taking account of the changes highlighted above shown below :

**Table 8 : Summary General Fund Medium Term Financial Strategy 2014/15 to 2017/18**

	2014/15	2015/16	2016/17	2017/18
	£000's	£000's	£000's	£000's
<b>Net Expenditure per Consultation Budget</b>	<b>23,471</b>	<b>21,408</b>	<b>21,045</b>	<b>20,692</b>
Additional New Homes Bonus	(20)	(473)	(581)	(645)
Summary of other changes per table 8	639	637	288	138
(Reductions)/ additions to revenue contributions	(67)	(304)	45	154
<b>Net Budget Requirement</b>	<b>24,023</b>	<b>21,268</b>	<b>20,797</b>	<b>20,339</b>
<b>FUNDING</b>				
Council Tax	11,365	11,536	11,710	11,886
Revenue Support Grant	6,339	4,433	3,682	2,940
Retained Business Rates	6,114	5,299	5,405	5,513
Collection Fund surplus	205			
<b>Total</b>	<b>24,023</b>	<b>21,268</b>	<b>20,797</b>	<b>20,339</b>
<b>Surplus/ (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

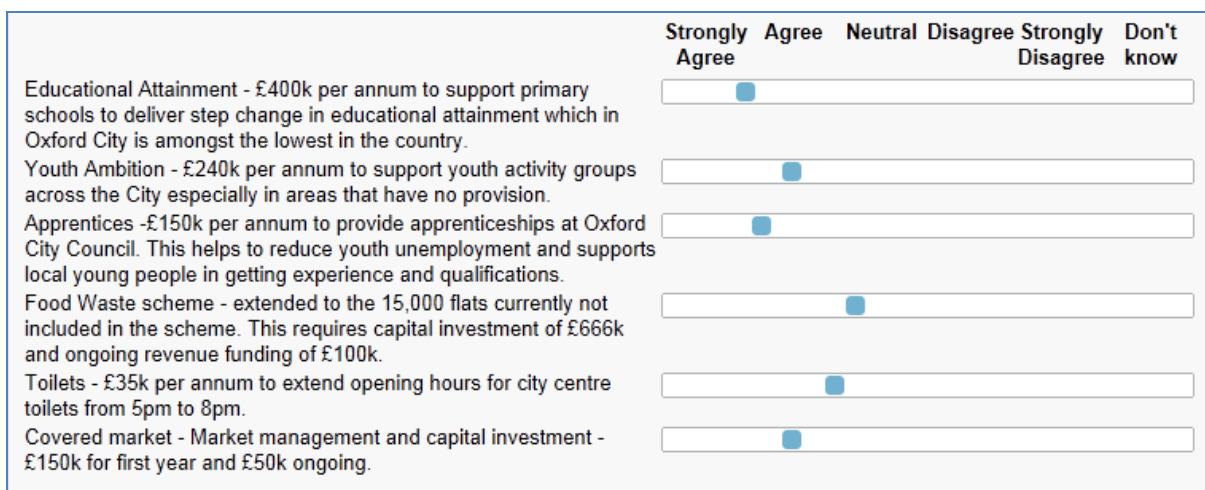
<b>GENERAL FUND WORKING BALANCE</b>				
Opening	3,621	3,621	3,621	3,621
Transferred to/(from)	0	0	0	0
<b>Closing</b>	<b>3,621</b>	<b>3,621</b>	<b>3,621</b>	<b>3,621</b>

#### 44 Budget Consultation Results

The consultation concentrated on a number of key areas which are shown with 59 responses being received. The results for each are detailed below:

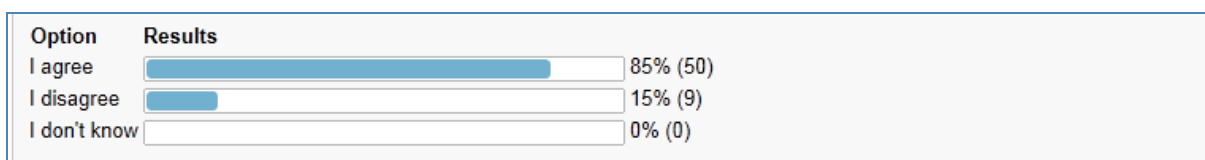
- **New and Continued Investment**

The City Council's Corporate Plan and Budget 2014 -18 set out its support for a number of **investment proposals** made in previous years, along with some new ones. For each investment proposal consultees were asked to indicate to what extent do you agree or disagree with this intention.



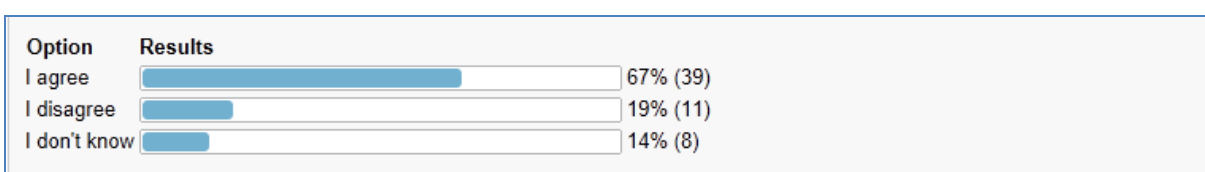
### Council Tax Increase

- Consultees were asked whether they agreed with the strategy of a 1.99% Council Tax increase as opposed to cutting services. The results were as follows:



### Council Tax Support

- Council Tax Benefit was replaced with a new system of Council Tax Support in April 2013. The previous Council Tax Benefit Grant is now subsumed into the Council's Formula Grant and not separately identifiable. The Consultation budget assumes the Council retains the Council Tax Support scheme on the same basis as that introduced on 1<sup>st</sup> April 2013.



### Fees and Charges

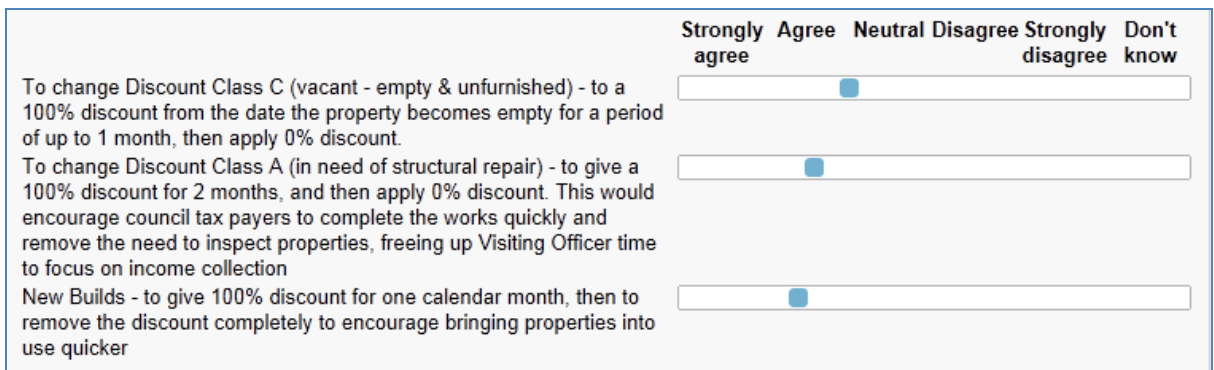
- Consultees were asked whether they agreed with the Council's strategy to undertake work for external organisations as a means to raising income to support the Medium Term Financial Strategy. Sixty nine percent of respondents agreed. In addition consultees were invited to comment on the level of fees and charges for various services provided by the Council. There was a mixed response on car parking, park and ride charges and pest control with an equal number of respondents favouring increases as



those favoured decreases. The Council’s proposals maintain the charges for park and ride and have applied minimal increases in car parking. On pest control whilst an increase of around 5% is proposed the Council continues to provide reduced or zero charges for those on benefit.

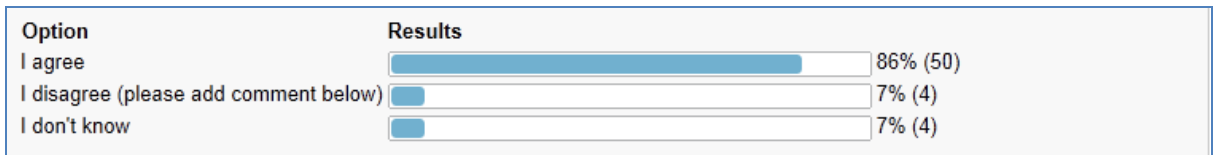
### Council Tax Discounts and Exemptions

- The Consultation Budget proposes changes to the Council’s policy of charging for various categories of empty properties . The results of the consultation were as follows:



### Oxford Living Wage

- Consultees were asked whether they agreed with increasing the Oxford Living Wage to £8.36 per hour with the following results



### Risk Implications

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

- Business Rates income is not as forecast
- Welfare Reform impacts the authority more adversely than assumed
- Variation in the income from New Homes Bonus as a result of new dwellings constructed and occupied during a given 12 months period being lower than anticipated
- Interest rates lower than projected
- Slippage occurs in the delivery of savings and income generation, or additional pressures arise that have an on-going financial impact on the Council

## Section B Housing Revenue Account Budget

### Issues arising since the publication of the consultation budget

46 Following agreement of the Council's HRA Consultation Budget on the 11<sup>th</sup> December 2013 the Government have confirmed that the recommended rent increase for 2014/15 is as per the current rent convergence formula . There are therefore no changes to financial impact on the Council's HRA.

- **Rental assumptions** - as previously stated, 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 2013, which was 3.2%. The rent restructuring formula is projected to remain for 2014/15, at RPI at 3.2% + 0.5% + £2. This will mean that average rents for 2014/15 will rise by £5.25/week or 5.42% meaning that the average rent for next financial year will be £102.08/week.

The policy in which property rents are automatically placed at the formula level following a void period will continue during 2014/15, thus ensuring many properties converge. Once this occurs annual rent increases thereafter would be limited to CPI + 1%.

Going forward from 1/4/15 rents are assumed to rise in line with CPI + 1% i.e. an average overall rise of 3.1%.

- **Right To Buy Discounts** - Recent Government announcements have indicated a willingness to increase the percentages associated with the right to buy discounts based on length of eligible tenancy that tenants are entitled to when submitting their application. Implications of this are currently unknown but the momentum is to "increase" the current level of disposals. The HRA Business Plan currently assumes 28 sales for 2014/15. This position will need to be monitored because whilst these sales provide additional capital financing resources they also reduce the net income available to the HRA, which is needed to fund ongoing services.
- **Service Charges**  
Service charges such as caretaking, cleaning, CCTV, communal areas etc have been increased in line with the convergence formula i.e. RPI at 3.2% + 0.5% i.e. 3.7% in 2014/15 and CPI + 1% thereafter in line with that proposed in the consultation budget A £1 reduction in the weekly limiter value as agreed in the 2013/14 budget is assumed for 2014/15 to 2016/17. It is estimated that this initiative potentially impacted on approximately 2,800 tenants last financial year. The figure reduces significantly each year as the limiters are removed.

### Housing Revenue Account Budget 2014/15 to 2017/18

47 Appendix 4 details analysis of the HRA Budget for the period 2014/15 to 2017/18 is summarised below:

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Total Income	(42,741)	(44,224)	(46,299)	(47,774)
Total Revenue Expenditure	20,518	20,814	20,977	21,286
Other Costs	<u>13,323</u>	<u>13,617</u>	<u>13,772</u>	<u>13,977</u>
Net Operating Income	(8,900)	(9,793)	(11,550)	(12,511)
Total Appropriations	16,666	9,762	11,546	12,493
Net (surplus)/deficit	7,766	(31)	(5)	(17)
Opening Balance	(11,271)	(3,504)	(3,535)	(3,540)
Closing Balance	(3,504)	(3,535)	(3,540)	(3,557)

48 There have been a number of changes since the Consultation Budget which have impacted on the figures and these are detailed below :

- Revised Revenue Contributions towards Capital Expenditure**  
The revisions to the spending profile, together with the slippages experienced in 2013/14 and the increased capital receipts predicted from additional right to buy disposals have resulted in changes to the required capital contributions from revenue within the HRA and these are reflected in the above table.
- HRA contribution towards Transformation Budget**  
This reflects the fact the HRA benefits from many of the transformation projects introduced and this addition reflects a contribution towards the programme of work.
- New Build Net Income**  
With the completion of new build properties the Council's HRA will generate a net contribution to the HRA balances as these properties come on stream. The net increases reflect the rental income offset by some additional management and maintenance costs.
- Uplifts**  
The HRA Business Plan does allow for some uplifts in expenditure, namely salary costs in line with the agreed pay settlement reached locally for staff, together with other uplifts mainly associated with maintenance contracts and other building material costs.

**Table 10: Summary of changes to the HRA 2014/15 to 2017/18 since the**

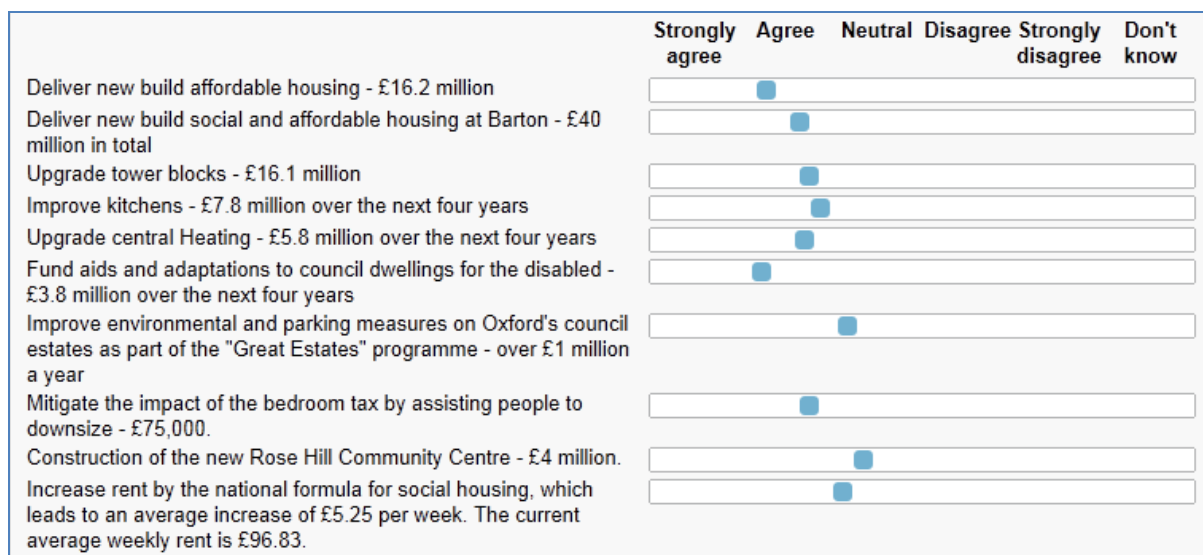
<b>consultation budget</b>				
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Net (surplus)/deficit per Consultation Budget</b>	<b>2,619</b>	<b>(27)</b>	<b>(11)</b>	<b>(12)</b>
Revised contribution towards capital programme due to slippage/re-profiling.	5,097	(159)	506	699
HRA Contribution towards Transformation budget	50	50	50	50
New build Properties net contribution towards HRA		167	(540)	(754)
<b>Revised (Surplus)/ Deficit</b>	<b>7,766</b>	<b>31</b>	<b>5</b>	<b>17</b>

<b>HRA WORKING BALANCE</b>				
Opening	(11,271)	(3,504)	(3,535)	(3,540)
Transferred (to)/from	7,766	31	5	17
<b>Closing</b>	<b>(3,504)</b>	<b>(3,535)</b>	<b>(3,540)</b>	<b>(3,557)</b>

### **Consultation**

49 Consultation was undertaken with the general population (including both council tenants and non-tenants) on the main investment proposals being undertaken by the Council on its housing stock together with the rent increase. The majority of respondents agreed with the Council's proposals on Housing investment with the general population (including both council tenants and the rest of the population) having a neutral view on the level of rent increase. The results of are shown below:

:



50 Consultation was also undertaken with tenants with a special resident focus group(s) and the tenant newsletter 'Tenants in Touch', the results of which will be verbally reported at the CEB meeting.

### Risk Implications

- 51 The main risks to the balanced position of the consultation budget (Appendix 9) are:
- Increased arrears due to benefit changes on-going from welfare reforms and direct payments..
  - Non-achievement of planned efficiencies.
  - The impact on overall rent arrears of the direct payments project can be seen by comparing the arrears at the end of the last two years. For 2011/12 rent arrears were 1.7% of the rent roll. This increased to 2.6% for 2012/13. For those cases which had received a direct payment, arrears stood at 3.1% at the end of 2012/13. This year there has been a continuing reduction in arrears until the start of the extension period of the project.

### Section C Capital Programme

- 52 The Council's Capital Programme amounts to around £142 million over the four year period including £15.5 million of new schemes. Officers have undertaken work to examine the robustness of the estimates in terms of the profiling of the schemes and have made adjustments to the figures included in the Consultation Budget which are reflected in Table 8 below.
- 53 Appendix 6 attached details the Council's Capital Programme for 2014/15 to 2017/18. The changes to the Consultation Budget reported in December 2013 are summarised below

- **Slippage in existing schemes**

These changes have arisen from the ongoing monitoring of the Capital Programme since the consultation budget together with a re-profiling of new bids following detailed analysis by officers on the robustness of new bids.

- **Garage Refurbishment**

This includes budget bids in respect of garages recently transferred from the Housing Revenue Account to the General Fund, omitted from the Consultation budget.

- **Refuse collection vehicle**

Following agreement to fund a new vehicle for the collection of food waste an additional refuse collection vehicle for the collection of garden waste is no longer required as this can now be undertaken using existing capacity

- **HCA New Build Programme**

The HCA new build programme has been re-profiled and the estimates updated following the receipt of tenders.

- **Rose Hill Community Centre**

The project has been timetabled to be delivered by the end of 2014/15 and this scheme has therefore been pulled forward

- **Investment in Property**

The Council is currently in negotiation for the purchase of a lease agreement on a property which it currently occupies. This deal has been slipped from 2013/14

- **Energy Initiatives**

In December 2013 CEB agreed the inclusion of a virement of £250k from the 2013/14 budget together with an additional budget bid in the 2014/15 as the Councils contribution together with ECO funding to fund a project to deal with 'hard to heat' council dwellings.

- **Digital Exclusion Project**

Since the consultation budget officers have submitted a bid for a European Grant to assist with the provision of a computer and Internet connection to workless households in Oxford City who are council tenants and who do not currently have home access. This sum represents the Councils contribution towards that project.

<b>Table 11 Capital Programme 2014/15 to 2017/18</b>					
		<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
		<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>GENERAL FUND</b>					
<b>Consultation Budget Spend</b>		<b>31,189</b>	<b>14,036</b>	<b>8,163</b>	<b>2,302</b>
Slippage in existing schemes since December 2013		3,592	(956)	800	4,200
<b>Additions/Deletions</b>					
Garages		117	117		
Removal of New Refuse vehicle following agreement of food bid		(175)			
<b>Total General Fund</b>		<b>32,597</b>	<b>13,197</b>	<b>8,963</b>	<b>6,502</b>
<b>HRA</b>					
<b>Consultation Budget Spend</b>		<b>21,387</b>	<b>18,070</b>	<b>19,140</b>	<b>20,113</b>
HCA New Build		2,398	(1,142)	(386)	(405)
Rosehill Community Centre		1,796	(1,796)		
Investment property		1,538			
Energy initiatives		263			
Digital Exclusion Project		164			
<b>Total HRA</b>		<b>27,536</b>	<b>15,142</b>	<b>18,754</b>	<b>19,708</b>
<b>Total Programme</b>		<b>60,133</b>	<b>28,339</b>	<b>27,717</b>	<b>26,210</b>

### Financing of the Capital Programme

54 The Capital Programme is financed in accordance with the Consultation Budget against the following principles

- There is no prudential borrowing other than for vehicles and the revenue effects are built into the budget
- General Fund receipts are exhausted over the life of the MTFP
- General fund revenue contributions account for approximate £12 million over the life of the MTFP
- General Fund revenue reserves account for approximately £6.5 million
- Of the £81 million HRA Capital Programme £71.8 million is financed from the revenue account with the balance financed from Right To Buy capital receipts and grants

### **Risk Implications impacting on the Capital Programme**

55 The main risks to the balanced position of the Budget (Appendix 9) are:

- Disposals not secured causing a shortfall in funding of schemes
- Slippage in capital programme and impact on delivery of priorities
- Robustness of estimates

### **Financial Implications**

56 These are covered within the main body of the report

### **Legal Implications**

57 The Council is required to set a balanced budget and agree the Council Tax and rent before the beginning of the financial year.

### **Risk Implications**

58 These are shown in Appendix 9 of the report and highlighted within the body of the report

### **Equalities Impact Assessment**

59 A copy of the EIA is given in Appendix 10 attached to this report

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#### **List of background papers:**

**Version number: 11**