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To: City Executive Board

Date: 17 December 2015

Report of: Head of Financial Services

Title of Report: Medium Term Financial Strategy 2016-20 and 2016-17 Budget for Consultation.

Summary and Recommendations

Purpose of report: To propose a Medium Term Financial Strategy and the 2016/17 Budget for consultation

Key decision Yes

Executive lead member: Councillor Ed Turner

Policy Framework: The Council's Corporate Plan

Recommendation(s): That the City Executive Board resolves to:

1) Approve the 2016-17 General Fund and Housing Revenue Account budgets for consultation and the General Fund and Housing Revenue Account Medium Term Financial Plan as set out in Appendices 1-10 noting :

   a) the Council's General Fund Budget Requirement of £19.823 million for 2016/17 and an increase in the Band D Council Tax of 1.99% or £5.55 per annum representing a Band D Council Tax of £284.52 per annum

   b) the continuance of the Council's Council Tax Support scheme (formerly Council Tax Benefit) as referred to in para 34

   c) the Housing Revenue Account budget for 2016/17 of £43.460 million and a reduction of 1% (£1.06/wk) in social dwelling rents from April 2016 giving a revised weekly average social rent of £104.79 as set out in Appendix 4

   d) the General Fund and Housing Revenue Account Capital Programme as shown in Appendix 6.

2) Agree the fees and charges shown in Appendix 8 and the change to concessions as referred to in para 37 i(viii)

3) To note the prioritised list of Capital Schemes that are held in reserve, pending the receipt of further resources, as shown in Appendix 7

4) Delegate to the Section 151 Officer in consultation with the Board Member for Finance and Assets the decision to determine whether it is financially

advantageous for the Council to enter into a Business Rates Distribution Agreement as referred to in paragraphs 25-26 below.

5) To note the intention of officers to seek an exemption from the requirement to decrease dwelling rents by 1% as referred to in paragraph 44 and the potential changes to the HRA budget

Appendices:

Appendix 1	Summary of General Fund Budget by Service 2016-17 to 2019-20
Appendix 2	General Fund Revenue Budget by Service 2016-17 to 2019-20
Appendix 3	Detailed General Fund Service Budgets Bids and Savings Proposals 2016-17 to 2019-20
Appendix 4	Housing Revenue Account Budget 2016-17 to 2019-20
Appendix 5	Housing Revenue Account Rent increases by property type
Appendix 6	General Fund and HRA Capital Programme 2016-17 to 2019-20
Appendix 7	General Fund Capital Reserve List of Schemes
Appendix 8	Fees and charges
Appendix 9	Risk Register
Appendix 10	Equalities Impact Assessment

Comment from the Portfolio holder

This is an extremely challenging budget to set, at a time when local government, yet again, faces exceptional pressures due to declining government funding, increasing pressures on services, and continued low interest rates. The most significant changes in this budget, however, come in the area of our Housing Revenue Account (HRA). Previous plans for the HRA, which included an ambitious programme of new build housing, have had to be substantially scaled back due to the negative effect of several government policies, costing us tens of millions of pounds in the coming years, and greatly increasing risk to the authority.

The Chancellor's Autumn Statement announced a **further 24% reduction** in the central funding of local government until 2020. This comes on top of substantial reductions in recent years. We fully expect restrictions on the raising of income locally, though council tax, to continue. At the same time, the Council faces financial pressures through low interest rates, hitting our investment income, just like any other saves, and we also face increasing pressure on our services. The greatest such pressure is the rise in homelessness: it is now almost impossible to find a property in the privately rented sector affordable at housing benefit levels, putting local families unable to access scare social housing in a difficult position. We need to invest some £5 million, on top of recent property purchases, in an innovative scheme to purchase properties for use as temporary accommodation, but have also had to increase our homelessness budget by £200,000 per annum.

These central government cutbacks are not leading us to make big cutbacks at the frontline. Unfortunately, some charges need to increase, though we have tried to keep such increases to a minimum. We have had to put some elements of our capital programme onto a reserve list, as funding cannot be guaranteed at this stage, although we are quite confident that they will be able to go ahead if anticipated capital receipts are realised.

Various important initiatives are intended to continue, with the aim of making Oxford a fairer, more equal place to live. For instance, we remain fully committed to our spending to support the local community and voluntary sectors, and our support to prevent homelessness has been preserved for the entirety of our Medium Term Financial Strategy. We will continue to fund, in full, reductions in council tax for those on low incomes, rather than pursuing those on the lowest incomes for council tax bills that they cannot afford. We have an agreement with trade unions to avoid compulsory redundancies, we will continue to pay the Oxford Living Wage, and we will ask the same of our contractors and suppliers. Our capital programme still contains significant investment in our assets and, importantly, we are not increasing the cost of access to leisure services for those on low incomes.

Unfortunately, our Housing Revenue Account is being hit by a “triple whammy”: rather than rents increasing, the government is requiring us to reduce rent each year; we will be required to make a payment to government, of an as-yet unknown amount (a “levy”, funded, the government expects, by the forced sale of “high value council housing”; in addition, the government expects us to charge up to market rents to tenants on household incomes of over £30,000 a year, handing the extra money straight back to government. In our rent income, these changes add up to over £33.6 million over the next few years – but this deficit is likely increase substantially with the proposed “levy”. Therefore, we have had to review our HRA capital programme and in particular are now proposing that the new affordable homes at Barton are delivered either by a council-owned housing company, the feasibility of which we are urgently investigating, or by a housing association. Similarly, we do not propose to undertake council new build at this time, and will instead look to other routes to see new affordable housing developed.

To us, these changes are highly unwelcome, and we will lobby government to change its mind: Oxford has a desperate need for more council housing, not less, and it is likely the extra money handed to government will leave the city for good, rather than seeing new affordable housing delivered here. The changes run counter to the needs of local employers, who tell us every day of their difficulty recruiting and retaining staff due to the housing shortage, but also of course to local people in need of somewhere to live at a price they can afford. We will continue to look hard at ways to increase the availability of housing, especially affordable housing, but these government changes make it much more difficult to do so.

This is a consultation budget, and changes will be necessary when we know our final grant determinations and also the limit on council tax. We will also welcome feedback from Oxford citizens and others interested in services in the city as part of our consultation.

Introduction

1 This report sets out the Council’s Medium Term Financial Strategy (MTFS) and associated spending plans for the four years 2016/17 to 2019/20 and gives interested parties the opportunity to comment and be consulted on the Council’s budget proposals for the next financial year (2016/17). The report covers all

aspects of the Council's spend: General Fund revenue expenditure funded by the council tax payer, government grant and other sources of income, Housing Revenue Account (HRA) expenditure, funded by council tenants' rents, and the Council's Capital Programmes (General Fund and HRA) funded by Capital Receipts, revenue and borrowing.

2 The proposed Medium Term Financial Strategy:

a) Is financially balanced over the 4 year period;
b) Assumes Government grant reduces to zero in 2018/19;
c) Assumes a Council Tax rise of 1.99% in 2016/17 followed by subsequent annual increases of 1.5% thereafter;
d) Includes £19.8 million of efficiencies, increased income and services changes across the 4 years;
e) Allows for annual pay inflation of 1.5% a year.
f) Facilitates capital investment of £125.08 million over the four year period including:
   i. Regeneration in the City
   ii. Flood relief
   iii. Community Centre and Sports Pavilion new build and refurbishment
   iv. Car parks refurbishment and improvement
   v. Purchase of homes for local homeless families we have a duty to assist
   vi. Improvements and refurbishments to council dwellings
   vii. Regeneration of Council estates

g) Assumes a 1% per annum reduction in council house rents for the next four years in accordance with Government policy
h) Mitigates the loss arising from the proposals in the Housing and Planning Bill, taking out £54million of the Council's HRA Business Plan. This includes creating a contingency of £20 million, against the likely additional levy required to fund the extension of Right to Buy to housing association tenants.

3 The Council's MTFS is realistic about future funding levels, provides for savings to achieve a balanced budget, includes low and affordable Council Tax and rent increases, generating around £125.08 million over the next four years in capital investment in Housing and Community projects, and the continued delivery of efficiency savings.

4 During of the four year plan period investment and facilitation of developments will include :

- deliver the Oxford and Oxfordshire City and Growth Deals to invest over £160 million to improve infrastructure, create 18,000 high tech jobs, 30,000 jobs in construction and accelerate the delivery of 7,500 new homes across the County by 2018
- work with developers, local residents and other stakeholders on development and regeneration of mixed use and employment-led sites, where possible within the city, such as the Oxford station, Northern Gateway, Barton, Headington, Westgate, Oxpens, and Osney Mead.

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

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

Section A Background and Context

Background

6 This report sets out the Council's financial plans for the period 2016/17 to 2019/20. The plans make assumptions about income from Government Grants, Council Tax and rents. The plans underpin service provision and the Council's vision of "Building a World Class City for Everyone".

National Economic Position

7 The Chancellor delivered his Summer Budget in July 2015. Key announcements included the following:

- Public sector pay will increase by 1% a year for 4 years from 2016-17
- The "household benefit cap" will reduce to £20,000 outside London
- Rents in social housing are to be reduced by 1% a year for the next four years. Local authorities and housing associations will need to find efficiencies to fund the rent reductions
- From 2017 social tenants outside London, jointly earning more than £30k per annum will move towards paying market rents
- Local authority landlords will be forced to sell their higher value dwellings once they became void with receipts generated, after allowing for some deductible expenditure and an estimate for associated debt, to be handed back to the Government to compensate Housing Associations for the discounts associated with extending right to buy to their tenants who hold assured tenancies.

8 On the 25 November the Chancellors Autumn Statement confirmed most of what was expected, although the Office for Budget Responsibility calculated that the public finances are set to be £27 bn better off than previously forecast by 2020 due to increased tax receipts. This will allow spending to rise and Government borrowing to be £8 billion less than forecast as the Government aims for its £10.1 bn surplus by 2020. Other relevant parts of the announcement included :

- Local Government to keep all revenue from Business Rates by end of the Parliament but with additional responsibilities
- There will be a removal of grants by 2020 although it is not clear which grants are affected: it might be just Revenue Support Grant (RSG) or RSG and New Homes Bonus
- A proposal to consult on reforms to New Homes Bonus including reducing the length of payments from 6 to 4 years, thereby saving at least £800 million which can be used for social care

- Those areas that choose directly elected mayors will have the power to increase Business Rates to a specified level, subject to certain restrictions
- Councils to be given extra £10 million to help homeless people
- Councils will be able to reduce Business Rates (provided they fund the shortfall)
- Local Government spending in cash terms to be same in 2020 as 2015
- An apprenticeship levy set at 0.5% of employer wage bill with £15,000 allowance for eligible businesses from April 2017
- A new social care 'precept' of up to 2% for upper tier authorities to raise money for social care
- Planned £4.4 bn reduction to tax credits deferred and aligned with Universal Credit roll out.

9 Although there was some clarification on Government proposals the devil will as always be in the detail. The implications of many of the proposals including those around New Homes Bonus, Revenue Support Grant, Business Rates, and the referendum limit for Council Tax increases and Grants, at individual authority level, will not be known until mid-December and members will be updated at the meeting. There are also a number of other areas specifically affecting the Housing Service where clarity will not be available until much later, in particular:

- The level of rent increase social landlords will be allowed from 2020/2021. Consequently the Council will need to set a 4 year HRA Business Plan
- The financial implications of the forced sale of council housing levy, and the "pay to stay" levy. The Council's response will be to establish a contingency by reducing the HRA Capital Programme.

Cost Reductions at Oxfordshire County Council

10 In November the County Council consulted on budget reductions over the 4 year medium term 2016/17 to 2019/20. In addition to plans already in place to save £292 million over the period 2010/11 to 2017/18 their latest estimates require another £50 million of savings to balance the budget. The proposals involved cost reductions in a number of areas which cause City Council great concern, including children's centres, withdrawal of housing related support (leading to the potential closure of homeless hostels), removal of funding for services to support older people and services provided by the voluntary and community sector. Some of these proposed cuts are likely to lead to increased pressure on City Council services.

Interest Rates

11 Although the Consumer Prices Index fell by 0.1% in the year to September 2015, it is expected to gradually rise towards its 2% target by the end of 2016, but remain below 1% until the spring of 2016. Until inflation begins to rise there is little prospect of a rise in interest rates. Interest rate rises are not expected until 2016 and even then they are only likely to rise gradually.

Local Government Finance Settlement 2016/17

12 The Department for Communities and Local Government has agreed cuts of 30% over the next four years – the greatest level of reduction amongst government departments (other than the Department for Transport). Whilst further details are expected on 25th November 2015 specific details of the impact on the Council are not expected until mid-December.

13 As in previous years a one year Council Tax Freeze Grant is expected to be available to authorities that freeze their Council Tax at the previous year's level, equivalent to the product of a 1% council tax increase. Given the loss of revenue to the Council in the current and following years the recommendation is for the Council to increase Council Tax up to the maximum level at which a referendum is not required. It is expected that this level will be 1.99% although this is subject to confirmation.

14 For budget purposes estimates of Revenue Support Grant (RSG) and Business Rates have been assumed based on previous year's estimates in addition to the grants that have been rolled into the Formula Grant split between Revenue Support Grant and Business Rates Baseline as follows:

- Homelessness Prevention Funding – £942,000 per annum
- 2011-12 Council Tax Freeze Compensation Grant - £307,000 per annum

15 Members will be updated with any changes to these assumptions as more information is released from Government and the draft budget updated accordingly.

16 Provisional estimates of the Councils Revenue Support Grant for 2016/17 are shown in Table 1 below. Confirmation of the figures will be given in the Provisional Finance Settlement due to be announced in December 2015. The Council's working assumption is that Revenue Support Grant, including all elements of Homelessness Prevention Funding and Council Tax Compensation Grant will be reduced to zero by 2018/19, with the Council becoming self-funding thereafter.

Table 1 : Revenue Support Grant				
	Revenue Grants	**Revenue Support Grant**	**Total Revenue Support Grant and Revenue Grants**	**Percentage (Reduction)/**
	£million	**£million**	**£million**	**%**
2013/14 *	2.835	6.517	9.352	n/a
2014/15 **	0.735	5.606	6.341	(22.8)
2015/16	0.720	3.713	4.433	(30.0)
2016/17	0.480	2.475	2.955	(33.0)
2017/18	0.240	1.238	1.478	(50.0)
2018/19 ***	0	0	0	(100.0)
2019/20	0	0	0	n/a

* First year of retained business rates system

** First year that Council Tax Support Grant and Homeless Intervention Grant was rolled into Revenue Support Grant (£720k) and Business Rates (£529k)

*** Grant assumed to reduce to zero

17 Should Revenue Support Grant be received in 2018/19 and 2019/20 then it is recommended that the monies are utilised on one-off schemes, especially those which generate an ongoing revenue stream.

Retained Business Rates

18 Business Rates retention introduced on 1st April 2013 continues. The main components of the system together with estimates of individual elements for Oxford City for 2016/17 are as follows:

Table 2 : Retained Business Rates 2016-17	
	£million
Estimated Business Rates Income	86.815
Billing Authority Share (50%)	43.407
Oxford City Share (80%)	34.726
Less Tariff paid to Government	28.030
Amount remaining after tariff	**6.696**
Baseline Business Rates	5.795
Income above baseline (6.696 – 5.729)	0.901
50% of income above baseline	0.450
Total retained business rate income	**6.246**

Key

- **Baseline Business Rates –** The Government's view of a fair starting point of Business Rates income for the Billing Authority based on Formula Grant distribution. Updated by RPI each year from the base of 2013/14
- **Tariff –** The amount paid to the Government each year by the Billing Authority. Updated by RPI each year from the base of 2013/14.

19 For 2016/17 figures for baseline funding and tariffs have been provided in the Department for Communities and Local Government (DCLG) illustrative settlement and the retained business rates income for 2016/17 is anticipated to be £6.25 million. These figures have been assumed in the MTFP.

20 The Medium Term Financial Strategy allows for an estimated increase in Business Rates due to Westgate re-opening in December 2017. Business Rates income retained is shown in the Table 3 below:

Table 3 : Forecast Retained Business Rates 2014/15 to 2019/20				
	Gross Forecast	**Collection Fund Deficit**	**Net Forecast**	**Percentage (Reduction)/increase in Retained Business Rates**
	£million	**£million**	**£million**	**%**
2014/15 *	6.460	-	6.460	14.00
2015/16 **	6.303	-	6.303	(2.40)
2016/17	6.246	(1.802)	4.444	(29.49)
2017/18***	6.659	-	6.659	49.84
2018/19	7.085	-	7.085	17.21
2019/20	7.932	-	7.932	11.95

* Within the retained business rates figures is an assumed level of grant funding for 2011/12 Council Tax Freeze scheme and Homelessness Prevention of £129k and £401k respectively. The balance of these grants due to the Council of £720k is paid within Revenue Support Grant shown in Table 1 above.

** Westgate development commenced

*** Westgate development completed

21 In 2014/15 a significant number of appeals were lodged with the Valuation Office. Consequently the Council made provision in the Collection Fund for future income losses arising from successful appeals. As a result the Collection Fund deficit for the year was around £10.50 million. This deficit is accounted for in 2016/17 and is shared between the main preceptors in proportion to their precepts. The City's share of the deficit was £4.2 million. However the safety net payment from the Government of £2.4 million can be used to offset the resulting financial impact on the revenue account in 2016/17.

Oxfordshire Pool Arrangements

22 As part of the business rates retention system councils can decide to group together and "pool" their business rates receipts to manage risk (subject to approval from the Secretary of State).

23 For 2014/15 and 2015/16 an Oxfordshire Pool consisting of Oxfordshire County Council (OCC), Cherwell District Council (CDC) and West Oxfordshire District Council (WODC) was formed. The City Council was not part of the Pool. Oxford City's position was influenced by the predicted demolition of the Westgate Centre. Since it is only financially advantageous to enter the Pool to avoid the payment of the levy against growth above the baseline it was not considered financially advantageous to do so.

Indeed there is a downside to being in the pool since losses against individual authority business rates baselines would need to be covered by other pool members.

24 Although yet to be confirmed it is likely that an Oxfordshire Pool will once again consist of Oxfordshire County Council (OCC), Cherwell District Council (CDC) and West Oxfordshire District Council (WODC) since this is the most financially advantageous.

Business Rates Distribution Group

25 The chief financial officers of the Oxfordshire councils have agreed that it would be sensible for the Pool's membership to be set to maximise its income for the good of Oxfordshire. They have also agreed that councils who would benefit from being in a pool (because the levy would be less on business rates growth than it would be if it was outside the Pool) should not be excluded from sharing in the additional income generated by the Pool just because in any year their membership of the pool would not generate the optimum retained income for the Pool. It should be noted that whilst authorities would share in the benefits they would also take on some of the risk of Pool losses not covered by safety net.

26 Last year Oxford City Council opted not to enter the Business Rates Distribution Group especially since a high level of backdated appeals resulted the Council being caught by the safety net. However this position is reviewed annually and since the decision needs to be made relatively quickly it is recommended that this decision is delegated to the Head of Financial Services, in consultation with the Board Member for Finance and Assets.

New Homes Bonus

27 This grant is currently given for a six year period based on new dwelling completions in year. In the Autumn Statement the Chancellor announced plans for a consultation on reducing the payment down from 6 years to 4 years to facilitate savings of at least £800 million to be used for social care, and sharpening incentives for communities to support development.

28 The Council uses 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.

Table 4 : Anticipated New Homes Bonus				
	2016/17	**2017/18**	**2018/19**	**2019/20**
	£000's	**£000's**	**£000's**	**£000's**
New Homes Bonus	2,942	2,919	0	0
Percentage increase/(decrease)	20.87	(0.78)	(100.00)	n/a

29 Members should note that in line with the assumptions on Revenue Support Grant no further New Homes Bonus has been assumed in 2018-19 or beyond. This is consistent with previous year's assumption.

30 As with Revenue Support Grant should New Homes Bonus be received in 2018/19 and 2019/20 then it is recommended that Members use the funding on one-off schemes.

Welfare Reform

31 In April 2015, Universal Credit for single applicants was rolled out in Oxford. As of 11 November 2015, there had been 297 recipients for the new benefit in Oxford. The timetable for roll out to other client groups remains uncertain, although it is likely to be extended in 2016/17. Universal Credit merges out-of-work benefits and in-work support. Administration of the new benefit will be managed by the Department for Work and Pensions. There are clearly risks for the Council in terms of the roll out of Universal Credit as it is still not clear as to whether Transfer of Undertakings (Protection of Employment) -TUPE Regulations will apply for Council staff currently working in this area and there are other potential staffing issues whilst uncertainty over timing prevails. The Council is attempting to manage the situation by employing staff on a temporary basis when vacancies arise due to staff turnover. A resilience contract in place with an outside supplier for handling overflow work, also allows mitigation of reductions in staffing.

32 The July budget announced a range of other welfare reform measures including a reduction in the Benefit Cap from £26,000 to £20,000 a freezing of most benefits (including Local Housing Allowance rates) and a number of technical amendments to Housing Benefit and Universal Credit to be introduced over the next two years. The Council's Welfare Reform Team is making preparations to support customers affected by these measures.

33 In addition the Autumn Statement announced that:

- the rate of Housing Benefit in the social sector will be capped at the relevant Local Housing Allowance rate. Whilst officers are currently looking at the impact it is likely that it will negatively impact those under 35 in our and RSL properties, around 1,180 of our tenants.

- There would be a change in the formula for Housing Benefit Subsidy for households in temporary accommodation. Whilst the Government will give an additional £10 million towards this, it is unlikely that this will cover the cost.

Council Tax Support

34 At the City Executive Board on 10th September 2015 members resolved to agree the existing Council Tax Reduction Scheme on the same basis as that introduced on 1st April 2013. This, in essence, continues the previous level of entitlement provided by Council Tax Benefit, and has not passed on the reduction in government funding for council tax relief to those on the lowest incomes in the city. It is estimated the scheme will cost the Council £550k in 2016/17 although as Revenue Support Grant is reduced this will increase.

Section B General Fund Revenue Budget

35 In February 2015 Council agreed a balanced budget for the four years of it Medium Term Financial Plan 2015/16 to 2018/19. There have been a number of changes since the presentation of these plans which have impacted on the Councils financial position as follows:

- **Increased Recycling Costs** - the City Council previously used a recycling facility at Enstone operated by an external contractor. Due to variations in prices paid for recyclate which the operation is no longer financially viable. Tenders have recently been accepted for the operation of the transfer station by another contractor resulting in increased costs of £1million per annum. In the mid-term the cost may be mitigated by up to £250k per annum subject to the construction on a new waste transfer station operated by the Council for which budgetary provision is proposed in the Council's Capital Programme of £1.4 million.

- **Housing Benefit Administration Grant.** Housing Benefit Admin Grant for 2015/16 is £784,421, a 10% cut is estimated for 2016/17 followed by 37% in 2017/18, and 15% for the subsequent two years a reduction over the four year period to around £300k. The 2017/18 reduction reflects the introduction of Universal Credit. The Council will seek to partially mitigate these reductions by reductions in employee costs producing savings of £370k per annum from 2019/20 onwards.

- **Homelessness –** The current year's budget is forecast to overspend by £200k, similar to 2014/15. Hence an additional £200k per annum has been added to the existing budget of £1 million. This overspend stems from reductions in levels of Local Housing Allowance, making privately rented property unaffordable to people on lower incomes in Oxford and leading to many private landlords ending tenancies of people who can no longer afford their rent.

  To counter the financial pressures from homelessness, the Council has agreed to allocate £5 million in the General Fund Capital Programme to work with Real Assets Lettings in conjunction with the organisation St Mungos Broadway to purchase dwellings to house families requiring temporary accommodation. Under the initiative the Council's £5million is match-funded by an external organisation. This scheme will provide around 50 properties for homeless families in and around the city.

- **Investment Interest** – Forecasts in investment interest produced last year were based on rates of 2% and above through the period of the Medium Term Financial Strategy. Current predictions are that interest rates will not begin to increase until 2016 with only steady increases thereafter. Consequently interest rates received by the Council, which are bolstered by the Councils property fund investments, have been revised down to 1.5% for the next three years and 2% in year four. As a result income has been reduced by £1.8 million over the four years.

Value for Money & Efficiency

36 The Council continues to make progress in improving value for money and generating efficiency savings. A recent review of administration procedures has produced on-going savings from 2015/16 of approximately £600k per annum,

some £250k above the initial estimate. Over the next four years the Council will generate a further £7million of efficiencies, with on-going efficiencies of £2.1 million being achieved from 2020/21 onwards. The programme of cumulative efficiency savings are set out in Appendix 3. They include:

- Further office rationalisation £200k per annum
- Replacement of ICT Infrastructure contract £150k per annum
- Multi skilling in call centre - £50k
- Reductions in ICT Business Partners - £115k per annum
- Reduction in Planning ICT scanning contract £70k per annum
- Staffing savings in Financial Services - £158k per annum
- Changes to senior management structure - £200k per annum
- Community Services staffing changes -£85k per annum
- Vehicle fuel savings £150k per annum
- Renegotiation of leisure centre contract - £10.1 million since 2009

Other Planning Assumptions Used

37 The following planning assumptions are included within the Medium Term Financial Strategy:

a) **Council Tax Increase** – The current assumption is for a 1.99% council tax rise 2016/17 followed by increases of 1.5% per annum thereafter on the basis that levels higher could be capped by the Government.

b) **Base Budget** - The starting point for planning is the 2015-16 base budget position as agreed by Council in February 2015, adjusted for any one-off savings and growth.

c) **Inflation** – Limited general inflation of between 2.8% and 5% has been applied to non-pay budgets for supplies such as building materials.

d) **Pay Assumptions** – In 2013/14 the Council negotiated a four year pay settlement with the Unions of 1.5% per annum in exchange for leaving the national pay agreement. Whilst a new deal will be negotiated during 2016/17 1.5% is assumed to run through the life of the plan. Following agreement with trade unions pay increments were reinstated with effect from 2013/14 for those staff below the midpoint of the grade and subject to a satisfactory performance appraisal and attendance record, with increments being achievable every two years. For those staff above midpoint no increments are payable although there is eligibility for a Partnership Payment subject to a satisfactory performance and attendance record.

e) **Pensions** - The Medium Term Financial Strategy includes an increase from the current contribution in line with pay inflation increases. In addition a provision has been made of £800k per annum to cover additional costs which may arise from the Funds triennial valuation which will be implemented with effect from 1/4/2017.

f) **Concessions** – The Council gives concessions to customers that are in receipt of Housing Benefit or Council Tax Reduction in the following areas:

- Free Swimming for children under 17 at various sessions during the week
- Free one off winter garden clearance for council tenants in receipt of Council tax Reduction or Housing Benefit and physically unable to carry out work
- A range of pest control visits for mice, rats, wasps, ants, moths, fleas, squirrels and other pests where the customer is in receipt of a qualifying benefit
- Garden waste collection where customer is in receipt of a qualifying benefit
- In addition the Council's Leisure concession recognises a wide range of other indicators of need in relation to the Bonus Concessionary Leisure Card – qualifying benefits such as : Job Seeker's Allowance, Unemployed / interim payment, Youth training courses / new deal, Income support, Housing benefit, Council Tax Reduction, Pension Credit, Asylum Seeker, Invalid Care Allowance, Employment and Support Allowance, Attendance Allowance, Personal Independence Payment (PIP) - Disability Living Allowance, NHS: AG2, AG3, HC2 or HC3 Certificate holders, and Foster Carers

With the introduction of Universal Credit, it will not be possible to identify all such benefits and whilst the numbers on Universal Credit are limited at present they will grow over the next 12-18 months. It is therefore recommended that concessions for the fees and charges identified above are granted where claimants are either in receipt of Housing Benefit, Council Tax Reduction, Universal Credit, or in the case of leisure concessions for the allowances identified above until such time as those benefits are phased out.

g) **Trading Income –** To support the base budget the Council incorporates income earned from external trading activity. The following table shows the estimated value of sales and the contribution towards overheads assumed within the MTFS.

h) **Increase in Fees and Charges** – The Medium Term Financial Strategy allows for fees and charges to increase over the medium term resulting in increased ongoing income of around £2.4 million per annum by 2019-20. In the latter years of the plan there is increased income arising from car parking at Oxpens and Diamond Place and a £1 increase in Park and Ride charges with effect from 2018-19 (based on the assumption that the County Council will make this change), together with additional property investment income. In 2016-17 there are increases in the areas shown below details of which are given in Appendix 8.

- An increase in garden waste bins of £2 per bin per year
- Pre-application advice for planning services - 25% increase (reflecting the outcome of a "benchmarking" exercise with other authorities)
- Leisure activities including swimming, skating, tennis, membership fees, fitness gyms, where the majority of fees and charges show proposed

increases of 10p to £1.20 or 2% to 5%. There has been no increase to the concessionary rate since 2009 and we are proposing to retain the 2009 charges for the majority of concessionary rates.

- There are no changes proposed to rates for those on lower incomes.
- Pest Control increases range from £5 to £20 for treatments to more be more reflective of the actual cost of the service
- Cemeteries increases range from 1.5% to 2.33% for exclusive burial rights, representing a £15 increase for purchasing 50 year adult grave rights for residents and £30 for non-residents.
- Off street Car Parking – increases of between 10p and 20p. It is anticipated that Park and Ride charges will follow those set by Oxfordshire County Council and no increases have been assumed until 2018-19.
- Garages – 5% increase across the board.

Table 5 : External Trading Sales and contribution				
	2016-17	**2017-18**	**2018-19**	**2019/20**
Turnover	**£000's**	**£000's**	**£000's**	**£000's**
Engineering	1,287	1,558	2,314	3,356
Building Works	550	1,112	1,863	1,972
Trade waste	2,843	2,893	2,943	2,943
Total	4,680	5,563	7,120	8,270
Total Contribution	3574	3674	3724	3724
Additional Income in MTFS	659	158	24	0

Whilst contingencies are held against the additional income, if Direct Services are not successful in winning the level of additional work mitigating action will be needed within the business to offset the shortfall. In the latter years of the plan, increased external turnover is required to maintain the contribution rate and cover increased costs.

i) **Capital Financing** - Capital Financing for the draft Capital Programme is detailed in Section D. The four year Medium Term Financial Strategy assumes around £10.1 million of revenue contributions will be made to finance the General Fund Capital Programme.

j) **Contingencies** – The level of contingency held against high and medium risk efficiencies, fees and charges and service reduction proposals is 40% as follows:

Table 6 : Contingencies Held Against Efficiencies, Service Reductions and Increases In Fees and Charges				
	2016/17	**2017/18**	**2018/19**	**2019/20**
	£000's	**£000's**	**£000's**	**£000's**
Total Cumulative Savings in MTFS	(1,778)	(2,871)	(4,197)	(4,686)
Cumulative Contingency in MTFS	355	586	855	973
% of Savings Covered by Contingency	19.97	20.41	20.37	20.76

38 New investment introduced from 2016-17 included in Appendix 3 over the next four years includes the following:

- **Safeguarding Policy Officer** –A proposal to convert a current fixed term appointment to a permanent role in the structure. The role of this officer is to develop the Council's safeguarding policy and procedure and promote, coordinate and implement it - £24k per annum
- **Grenoble Road Planning Application Fee**. A planning application for development at Grenoble Road is likely to cost £1.5m, our share is likely to be £560k. Thames Water and Magdalen College will share the residual cost.
- **Staff survey** - support to run the 2016 'Best Companies' employee engagement survey - £11k every second year
- **Planning enforcement** – this will provide some extension of planning enforcement, primarily in relation to unlawful dwellings - £34k per annum
- **Local Plan** – technical studies and planning fees associated with preparation of the Council's Local Plan £100k per annum
- **Staffing well-being and fitness** - health MOT's, diet, relaxation classes - £20k per annum. This represents the partial continuation of successful schemes to support the Council's workforce.
- **Apprenticeship Development** – one off £15k in 2017/18 to encourage applications in the city from underrepresented groups principally females and applicants from black and minority ethnic backgrounds.

39 The Council's General Fund Budget for Consultation is set out in Appendix 1, 2 and 3 attached and summarised below:

Table 7 : Summary General Fund Medium Term Financial Strategy 2016/17 to 2019/20				
	2016/17	**2017/18**	**2018/19**	**2019/20**
	£000's	**£000's**	**£000's**	**£000's**
EXPENDITURE				
Total Base Budget	19,655	19,655	19,655	19,655
Invest to save	(48)	(276)	(356)	(356)
Efficiencies	(982)	(1,768)	(1,988)	(2,134)
Fees and Charges	(741)	(1,001)	(2,099)	(2,435)
Service reductions	(55)	(102)	(110)	(117)
Changes in investment	(45)	(756)	(810)	(821)
Inflation & other pressures	1,715	1,823	2,038	2,236
New Homes Bonus	(2,942)	(2,919)	-	-
Revenue Contributions	2,503	4,532	1,200	1,862
Corporate costs including interest, MRP, pay	408	1,003	1,659	2,353
Contingencies	355	586	855	973
Net Budget Requirement	**19,823**	**20,777**	**20,044**	**21,216**
FUNDING				
Council Tax	(12,424)	(12,640)	(12,959)	(13,284)
Revenue Support Grant	(2,955)	(1,478)		
Retained Business Rates	(4,444)	(6,659)	(7,085)	(7,932)
Total	**(19,823)**	**(20,777)**	**(20,044)**	**(21,216)**
Surplus/ (Deficit)	**0**	**0**	**0**	**0**

GENERAL FUND WORKING BALANCE	**3,621**	**3,621**	**3,621**	**3,621**

Key

- **MRP** – **Minimum Revenue Provision** – A charge made to revenue in respect the cost of Prudential Borrowing relating to borrowing in previous years to fund the Capital Programme.
- **NHB** – **New Homes Bonus** - This grant is currently given for a six year period based on new dwelling completions in year.

Risk Implications

40 The main risks to the balanced position of the General Fund Consultation Budget (Appendix 9) are that:

- Significant variations in actual income and expenditure against budget
- The Financial Settlement is not as favourable as is assumed in the above figures

- Business Rates income is lower than forecast
- Welfare Reform impacts the authority more adversely than assumed
- Interest rates lower than projected
- Slippage non-delivery of savings or additional pressures arise that have an on-going financial impact on the Council

Section C Housing Revenue Account Budget

Background

41 In April 2012 Oxford City Council borrowed £198.5m to buy itself out of the Housing Subsidy system. The HRA Business Plan (HRA BP) assumed the repayment of the debt in tranches over periods of between 14 and 45 years.

42 The council last year agreed a strategy of annual rent increases to 2018/19, which sought to bring all social housing tenants rents into line with Formula Rent. Currently, only 46% of our tenants are at or within a few pence of formula rent. This approach ensured that an ambitious, locally agreed, programme of housing investment and new build could be undertaken over the next 30 years, in addition to servicing the £198.5 million of debt over the long term.

43 The ambitious Capital Programme included the creation or acquisition of over 700 new affordable homes, specialist enhancements to the Council's Tower Blocks, improvements to the Decent Homes Standard with the creation of a local "Oxford" Standard, installation of solar panels and other energy efficiency initiatives to address fuel poverty and estate regeneration programmes.

44 However, the Chancellor's Summer budget, delivered in July 2015, has required a significant review of the rent strategy and investment plans previously agreed as it introduces significant changes to the delivery of the housing service by social landlords in both the Welfare Reform and Work Bill (rents) and the Housing and Planning Bill (the forced sale of high value dwellings and pay to stay). These key changes will have a financial impact on Oxford City Council of around £34 million as outlined below. In addition to this there will be a levy to pay for the High Value Council Housing, necessitating the creation of a £20 million contingency to mitigate this cost. The effect of these changes is shown in Table 8 below together with explanations:

Table 8 : HRA Estimated Annual Loss of Income 2016-17 to 2019/20

	2016/17	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000	£'000
Rent (1% reduction)	3,105	6,235	9,220	12,405	**30,965**
Pay to Stay	-	14	40	66	**120**
HVCH Sales	-	284	843	1,391	**2,518**
Total	**3,105**	**6,533**	**10,103**	**13,862**	**33,603**

- **Rent Reduction**
  The Welfare Reform and Work Bill indicates that from April 2016 social housing rents must be reduced by 1% per year for 4 years from their 8 July 2015 position. This has the effect of reducing the dwelling rent income assumed in the HRA BP by £31m over the next 4 years.

  There is provision in the Welfare Reform and Work Bill for social landlords to seek an exemption from the 1% reduction proposal in cases where they can evidence that serious financial difficulty would be unavoidable if they were to introduce the proposals. Officers will send a formal request to the Secretary of State seeking such an exemption. The Secretary of State can:

  - Exempt the Council from the whole process
  - Agree the authority can hold rents at current levels for next four years
  - Agree to a reduction of less than 1%
  - Can allow the authority to increase rents.

  In the event of the agreement by the Secretary of State to any variation to the 1% reduction further changes to the HRA Business Plan will be tabled at the City Executive Board meeting in February 2016. There is currently no indication of the level of rent increase, if any the Council will be allowed to apply after the initial four years

- **Forced Sale of High Value Council Housing (HVCH)**
  The Chancellor's summer budget suggested local authority landlords will be forced to sell their highest value dwellings once they became void. The receipts generated, after allowing for some deductible expenditure including associated debt would have to be handed back to the Government to compensate Housing Associations for the discounts associated with extending RTB to their tenants who hold assured tenancies.

  The Housing and Planning Bill suggests that HVCH payments to Government will now be based on a formula. This means payments will be required irrespective of whether the Council has generated an actual capital receipt. So all the financial risk of funding this initiative now sits with the Council. How the formula will work and the financial implication on the HRA are as still unknown.

  It is understood that this initiative will be implemented with effect from 01/04/2017.

- **"Pay to Stay"**
  All social housing tenant households who have income above £30k outside London will be required to pay market or near market rent for their property.

  Housing Associations will be allowed to retain this additional income to re-invest in new build but local authority landlords will be required to hand back all additional rent to the Government. There is no indication it will be reinvested into housing, either locally or nationally.

This scheme will similarly become operational in April 2017.

The Council has recently responded to the Government's Consultation paper which sought views on:

- **How income thresholds should operate beyond the minimum threshold -** Given Oxfords similarity with London in respect of housing costs we believe that the £40k income threshold should apply as in London. A taper should apply to income and households should be exempted from Pay To Stay if they are in receipt of universal credit or council tax reduction support.
- **The authorities estimate of the administration that will be involved** – The authority believe that the administrative cost will be prohibitively expensive especially with regard to collecting and verifying income earned by tenants whether any allowance be given for dependants living in the household and what would constitute income

45 In the light of the above significant adjustments are required to the HRA Business Plan and associated Capital Programme in the short term (see Table 10) to:

a) Mitigate the £34 million estimated loss of income over the next four years.
b) To provide sufficient resources in the order of £20 million to cover the potential liability required to be paid to the Government under the High Value Council Housing and Pay to Stay initiatives explained above.

46 In the longer term the sustainability of the HRA BP is in doubt and officers are exploring alternative delivery models in order that the Council's aspirations in terms of meeting housing need can be realised. As a result the Council will only publish a 4 year HRA Business Plan.

Key assumptions made in preparing the HRA budget for 2016/17 – 2019/20

- **Rent setting**
  In line with Government directives rents will be reduced by 1% per annum over the next four years. The annual impact on average rents per category of dwelling for 2016/17 is shown in Appendix 5 with a summary over the next 4 years shown below:

Table 9 : Effect of 1% Rent Reductions on Average Rent 2016/17 to 2019/20		
	Weekly Decrease	Average weekly Rent
	£	£
2016/17	1.06	104.79
2017/18	1.05	103.74
2018/19	1.04	102.70
2019/20	1.03	101.67

- **Debt Management Strategy**
  The first £20m self- financing loan is due for repayment on 31 March 2021. Last year it was agreed that this payment would be deferred which would generate an

initial saving of £20m offset by the additional annual interest cost of approximately £0.658m.

- **Responsive Repairs and Maintenance**
  Within the four- year Medium Term Financial Strategy and the HRA Business Plan efficiency savings are assumed in the Council's Responsive Repairs budget. Allowing for uplifts a 5% reduction was implemented in 2013/14 with further annual reductions of 1.5% being applied up to a ceiling of 15%.

- **Right To Buy**
  Disposals of around 40 dwellings per year until 2021/22 are assumed due to the Government's re-invigorating Right to Buy initiative. An additional 5 properties per year from 2017/18 have been added reflecting the increased likelihood of council tenants who have to pay a market rent for their properties (under "pay to stay") instead choosing to exercise the right to buy.

- **Inflation and pay assumptions**
  All the assumptions for pay inflation are the same as for the Council's General Fund.

- **Service Charges**
  Service charges such as caretaking, cleaning, CCTV, communal areas etc. have been increased in line with the convergence formula in previous years. The Council agreed to remove any associated service charge limiter (credits) over a 4 year period limited to a maximum of £1/wk. It is estimated that this will deliver £50k of additional income by 2017/18 at which time the limiter will have been removed from all associated accounts.

- **Forced sale of High Value Council Housing (HVCH)**
  Given the uncertainties around the Government's forced sale initiative it is prudent to create a contingency for the Council to meet the potential cost, especially if it chooses to dispose of properties in such a way as to retain nomination rights. This contingency, created from cutting the HRA Capital Programme, is £20 million as shown in Table 12 below.

- **Working Balance**
  The working balance levels allow sufficient monies for the funding of future years' Capital Programme, the repayment of the debt described above, as well as an amount of £3.5 million as being the minimum required to cover unexpected events such as falling investment income or increased costs. This is in addition to surplus HRA borrowing headroom of around £22 million.

On-going Pressures, Fees and Charge Variations and New Investment Proposals

47 Increased HRA revenue spend is shown in Appendix 4 with the more significant being as follows:

- Loan And Mortgage Administration Centre LAMAC – this is the annual software licence costs of maintaining a repayment system for subsequent loans for leaseholders etc. The systems produces annual statements, monitors payments and produces arrears statements -£10k

- RTB Valuations – Increased number of valuations as interest in this option increases -£20k

- Rent Advisor – it is anticipated that in order for the implementation and continued monitoring of the pay to stay initiative that this will result in additional costs. However, it is hoped these will be off-set by claiming the costs back from the Government in 2017/18 onwards as the authority doesn't get to keep any of the additional rent collected -£31k

- Leaseholder Recovery Officer – an initiative to explore the opportunities to increase income from service charges to assist the HRA. It is envisaged this post will be self-financing from 2017/18 onwards - £31k

- Farmer Place Loan – This represents the repayment at £10k per year for finance received from the County Council to extend one of our properties. This finishes in 2021/22.

- Cumberledge Sheltered Housing Unit Demolition – following the vacation of this site the costs of demolition namely, decanting, making safe public utilities etc. need to be budgeted at £80k for two years.

Housing Revenue Account Budget 2016/17 to 2019/20

48 Appendix 4 details the HRA Budget for the period 2016/17 to 2019/20 which is summarised below for the next four year period:

TABLE 10 HOUSING REVENUE ACCOUNT	**2016/17 £000's**	**2017/18 £000's**	**2018/19 £000's**	**2019/20 £000's**
Income	(43,460)	(41,039)	(39,974)	(39,657)
Expenditure	34,704	34,959	35,439	35,837
Net Operating Expenditure	**(8,756)**	**(6,080)**	**(4,535)**	**(3,820)**
Appropriations	8,910	3,806	1,885	1,928
(Surplus)/Deficit for the Year	154	(2,275)	(2,650)	(1,892)
(Surplus)/Deficit b/fwd	(3,501)	(3,510)	(5,908)	(8,703)
Investment Income	(163)	(123)	(145)	(193)
(Surplus)/Deficit c/fwd	(3,510)	(5,908)	(8,703)	(10,788)

49 The Housing Revenue Account shows a stable financial position over the next four years. This may change depending on the implementation of the changes around Pay to Stay and High Value Council Dwellings contained within the Housing and Planning Bill.

Risk Implications

50 The main risks to the balanced position of HRA is summarised below and detailed in Appendix 9:

- Liability arising from forced sale of High Value Council Housing (HVCH) is more than estimated
- Rent increase in year four is insufficient to sustain the HRA BP over the 30 year trajectory.
- Increased arrears due to benefit changes arising from the roll out of universal credit
- Non-achievement of assumed Right To Buy sales now required to fund the increased capital spend commitments.
- Non-achievement of planned efficiencies.
- Variations in estimates causing cash flow problems

Section D Capital Programme

General Fund Capital Programme

51 The Council has to date funded a significant amount of its General Fund Capital Program by revenue. Reducing the capital program therefore will have a material effect on the Councils General Fund Revenue Account. For this year the Council's budget setting strategy has focused on reducing the programme to fund the pressures identified in paragraphs 32 and 35 identified above.

52 At City Executive Board on 10 September it was resolved to apply a temporary moratorium on a number of General Fund and HRA Capital schemes to enable maximum flexibility in setting the budget.

53 The proposed General Fund Programme amounts to around £42.94 million over the four year period.

54 The programme of investment includes £3.7 million on flood relief schemes, pavilion and community centre improvements £2.2 million, Disabled Facility Grants £2.0 million, parks, open spaces and athletics facilities £5 million, car parks resurfacing and improvements £2.7 million, purchase of homeless dwellings £5 million, ongoing renewal of council vehicles £6.3 million, and investment in ICT £2.2 million.

55 The Council has also made provision of £10.3 million to invest in its existing property portfolio to protect existing income streams and generate additional revenue to support its General Fund Revenue Budget. A number of properties have been identified which will fit these criteria have been identified and these are set out below:

- **28 - 40 George Street (Odeon Cinema**) the 1930s building is currently let to Odeon Cinemas, with a tenant's break clause in September 2019. Current rental £150k per annum
- **1 - 5 George Street** - speculative refurbishment for retail on the Ground and Basement floors, with residential above, subject to LPA approval. The aggregate floor area should increase to c. 19,500 ft^2 and 50% of the residential is expected to be for affordable housing current rental £294k per annum
- **20 Cave Street -** redevelopment of Building H as either a stand-alone office building, or as an Annex to Standingford House. Current rent £21k per annum
- **Old School Gloucester Green** the acquisition of the long leasehold interest to create an unencumbered freehold interest across the whole property. Current rental £35k per annum. Subject to report to City Executive Board on 17th December 2015.

56 Funding for these schemes is assumed to be by Prudential Borrowing.

57 Appendix 6 attached details the Council's Draft Capital Programme for 2016/17 to 2019/20. It is summarised below

Table 11 General Fund Capital Programme 2016/17 to 2019/20				
	2016/17	**2017/18**	**2018/19**	**2019/20**
	£000's	**£000's**	**£000's**	**£000's**
Planning and Regulatory	2,219	1,268	701	701
Housing and Property	16,607	150	150	-
Community Services	5,670	800	-	-
Direct Services	3,235	3,770	1,101	3,966
Business Improvement and Technology	790	750	450	250
Corporate	258	100	-	-
Total Programme	**28,779**	**6,838**	**2,402**	**4,917**

58 The draft General Fund Capital Programme is funded over the next four years by revenue (37%), Capital receipts (5%) Community Infrastructure Levy (20%), borrowing (15%) and Government Grants and third party contributions (23%). All revenue costs have been included in the General Fund revenue budget.

59 There are a number of schemes totaling £4.199 million over the next 4 years which it has not been possible to fund; these are detailed in Appendix 7. The will be reviewed and a recommendations made back to Council as resources from the disposal of operational property become available.

Housing Revenue Account Capital Programme

60 The draft HRA Capital Programme is intrinsically linked to the HRA Business Plan since the resources to fund the programme are largely generated through housing rents. The budget setting strategy for HRA for this year is similar to that of the General Fund. All Capital projects in the existing programme have been considered and adjustments made accordingly to balance the financial impact of the Chancellors Summer and Autumn statements as highlighted in paragraph 44.

For planning purposes a 4 year period is considered in detail and this is shown in Appendix 6. In summary spend over this 4 year period is as follows:

Table 12 : Summary of HRA capital variations over next 4 years from existing HRA Business Plan			
Budget	**Original Estimate**	**Revised Estimate**	**Variance**
	£000's	£000's	£000's
Tower Blocks	12,140	18,969	6,829
New Build	16,488	-	(16,488)
Homes at Barton	28,080	-	(28,080)
Energy Efficiency	8,592	1,200	(7,392)
BBL Regeneration	8,645	5,200	(3,445)
Other	41,797	36,661	(5,136)
Contingency for HVCH	0	20,109	20,109
	115,742	**82,139**	**(33,603)**

61 The revised programme of £82.139 million over the next 4 years includes:

- Tower block refurbishment £18.97 million
- Great Estates enhancement of car parking and other infrastructure £4.8 million
- Barton Regeneration £3.7 million
- Improvements to doors, windows, controlled entry including the Oxford Standard - £6 million
- Improvements to kitchens, bathrooms, roofs, heating and electrics -£18 million
- Blackbird Leys Regeneration - £2.2 million – to undertake regeneration at the heart of the estate
- A contingency of £20.109 million will be created to mitigate the potential financial effect of the Government's initiatives around High Value Council Housing. This could either be in lieu of selling high value council housing, or to 'top-up' any sales to Registered Providers at lower values in exchange for nomination rights. (See also para 44)
- Energy efficiency – City Executive Board has agreed that the renewable element of energy efficiency would be delivered through a partnership with Low Carbon Hub using community funding

62 The financing of the HRA capital programme is from Revenue £62 million and Borrowing £20 million.

63 In financing the future HRA capital programme we will always ensure £10 million of the £42 million borrowing headroom is available for future uncertainties. This is considered to be necessary accommodate potential changes in capital costs and interest charges. For the next 4 years the Council will use approximately £20 million of the £42 million to Finance the Capital Programme.

New Build at Barton

64 The previous HRA Business Plan assumed £52.269 million for the purchase of 354 social housing dwellings at Barton up to 2023/24. The purchases would be part

funded (30%) by retained RTB capital receipts (RRTB) of approximately £15.6m with the remaining finance provided by other HRA revenue resources.

65 If the Council proceeded with this scheme these properties would be available to tenants to purchase under the right to buy. In addition it is not clear whether new build properties would be exempt from the government's "forced sale" provisions for HVCH – if they were not (or if they were only exempt for a limited period), it is likely that many would be included, since new properties tend to carry higher values. This would represent a significant risk to the Council if it continued with plans to purchase the properties.

66 Transferring the Barton properties into a Local Housing Company or an Housing Association could be considered. The removal of these properties from the HRA has a number of implications:

- It removes £52.269m of capital expenditure from the HRA over the next 9 years, £28 million over the next four year period
- It removes £1.647 million of net income over the next 4 years
- It removes the ability of the Council to use Retained Right To Buy (RRTB) capital receipts for the scheme. In this scenario the Council will need to either find alternative "qualifying" schemes on which to use the receipts, bearing in mind that they should only account for 30% of total spend or return the RRTB back to the Government.
- It would give the Council some additional resources to fund other schemes or to meet its requirement under the forced sale of HVCH.

67 Therefore, this budget proposes that the Council does not proceed with the purchase of these homes, as it would be rendered highly disadvantageous, and indeed possibly unviable, by the proposals in the Housing and Planning Bill. Officers are currently looking into the implications of establishing a Local Housing Company as part of the Council's response to the future housing agenda. Such a company could purchase the properties at Barton subject to approval or potentially properties from the HRA to meet the HVCH costs.

New Build

68 Within the Original HRA BP an amount an amount of £45 million was included to provide for the construction of 241 new homes. The revised HRA BP, has deleted all spend of £17 million over the next four years in order to give flexibility over the payment to the Government of Pay to Stay and HVCH initiatives, and also ensure that such properties are not captured by provision in relation to the forced sale of HVCH. However, the Council retains an ambition to see affordable housing developed at these sites, by working with a partner such as a housing company or a housing association.

Risk Implications impacting on the Capital Programme

69 The main risks to the HRA Capital Programme are set out in Appendix 9 and summarised below:

- Disposals as detailed before are not secured causing a shortfall in funding of schemes

- Estimate for payment to Government in respect of HVCH is insufficient
- Slippage in Capital Programme and impact on delivery of priorities
- Robustness of estimates

Budget next steps

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

Table 13 Budget Consultation Timetable	
Consultation Budget Report to CEB	17 December
Budget Consultation Period	18 December to January 2016
Scrutiny of Directors	5-7 January
Final Scrutiny report	28 January
Final Budget Report to CEB including outcome of Consultation	11 February 2016
Budget approval and Council Tax Setting	17 February 2016

71 The budget consultation exercise will commence in December 2015 and involve an online survey and the *Oxford Mail,* which will carry a simplified version of the survey. The outcome of the consultation process will be reported to CEB in February 2016, together with the outcome of the final settlement determination

72 Tenants will be consulted on the HRA budget including rent and service charge changes with a special resident focus group(s) and the tenant newsletter 'Tenants in Touch'.

Financial Implications

73 These are covered within the main body of the report.

Legal Implications

74 The Council is required to set a balanced budget taken account of working balances and any other available reserves before the commencement of the financial year to which it relates. Consultation will be undertaken with the General Public for a period of 6 weeks in accordance with CIPFA Guidance.

Risk Implications

75 These are shown in Appendix 9 of the report.

Equalities Impact Assessment

76 These are shown in Appendix 10 of the report

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