

To: City Executive Board

Date: 17 December 2016

Report of: Head of Financial Services

Title of Report: Medium Term Financial Strategy 2018-19 to 2020-21 and 2017-18 Budget for Consultation.

Summary and Recommendations

Purpose of report: To propose a Medium Term Financial Strategy and the 2017/18 Budget for consultation

Key decision: Yes

Executive lead member: Cllr Ed Turner, Finance, Asset Management and Public Health

Policy Framework: The Council's Corporate Plan

Recommendations: That the City Executive Board resolves to:

- 1) **Approve** the 2017-18 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 1-9, noting :
 - a) the Council's General Fund Budget Requirement of £21.256 million for 2017/18 and an increase in the Band D Council Tax of 1.99% or £5.67 per annum representing a Band D Council Tax of £290.19 per annum
 - b) the Housing Revenue Account budget for 2017/18 of £44.285 million and a reduction of 1% (£1.06/wk) in social dwelling rents from April 2017 giving a revised weekly average social rent of £105.65 as set out in Appendix 4
 - c) the General Fund and Housing Revenue Account Capital Programme as shown in Appendix 6.
- 2) **Agree** not to implement the voluntary 'Pay to Stay' policy for Council house tenants (para 9)
- 3) **Agree** the fees and charges shown in Appendix 7

- 4) **Delegate authority** 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 20-21 below.
- 5) **Recommend to Council** an additional loan of up to £50,000 for working capital to Oxwed as highlighted in paragraph 50
- 6) **Recommend to Council** provision of a loan facility to Oxford City Housing Ltd of up to £60.850 million (para 48) subject to the provision of; and agreement to a business case by the Company. This replaces all previous recommendations agreed by City Executive Board.

Appendices to the report:

- Appendix 1 Summary of General Fund Budget by Service 2017-18 to 2020-21
- Appendix 2 General Fund Revenue Budget by Service 2017-18 to 2020-21
- Appendix 3 Detailed General Fund and HRA Service Budgets 2017-18 to 2020-21
- Appendix 4 Housing Revenue Account Budget 2017-18 to 2020-21
- Appendix 5 Council House Rents By Estate
- Appendix 6 General Fund and HRA Capital Programme 2017-18 to 2020-21
- Appendix 7 Fees and charges
- Appendix 8 Risk Register
- Appendix 9 Draft Equalities Impact Assessment

Comment from the Portfolio holder

Once again, this budget has been extremely difficult to put together. As the table below shows, whereas even in 2013/14 the Council received over £9 million in government grant, that is now forecast to go to just £1.5 million next year, and to zero by 2019/20. We have had to reduce our expected level of retained business rate income by £250,000 in the latter two years of the plan as a result of the government's implementation of the so-called "fair funding" proposals. New Homes Bonus income is also to be reduced, and the government's apprenticeship levy also represents a significant financial pressure on the Council. At the same time, there are some significant challenges ahead. For example:

- As this report details, the reduction in the "household benefit cap" to £20,000 per annum will affect many Oxford families, and can be expected to put significant pressure on council services as well as the incomes of those affected.
- Following the "Brexit" decision, inflation has increased, which has the potential to put significant pressure on costs faced by the authority.
- Interest rates continue to be very low, adversely affecting the Council's investment income.

A further source of pressure this year are decisions taken by Oxfordshire County Council. It has decided to reduce by £500,000 per year its funding for homeless hostels in the county, leading to the eventual deletion of the budget. This may put additional pressure on the City Council. Nonetheless, we are proposing to continue to exceed our statutory obligations to support those who are homeless, by maintaining in full our own funding for homelessness prevention work, and also investing £10 million to purchase new temporary accommodation, as we do not believe in targeting cuts in this area. The County Council has also deleted funding for the City Centre Manager and another post in economic development. We are proposing to retain, and fund, these essential posts, but are registering our strong objection to the County Council's withdrawal from any engagement in supporting Oxford's economy in these crucial areas.

Nonetheless, and in spite of this bleak context, our budget **balances over the next four years**, and there are **no significant reductions in services proposed**. We are increasingly reliant upon trading income, and that clearly presents a risk to the Council going forward. We are proposing additional investment in some areas, where there is a financial return (for instance, with the expansion of Seacourt Park and Ride), a strong moral as well as financial case (as with support for our local housing company, and purchasing property for homeless people), or where it will benefit communities (such as over £4 million funding for community centres).

The government has recently announced two important changes in housing policy. It has made optional its "Pay to Stay" policy, of drastically increasing council house rents to those with household incomes over £31,000 (so over £15,500 per person in a two-person household). This would have had a dramatic impact upon council tenants in work, as well as forcing some tenants to exercise their "right to buy" in order to avoid the higher rents, and causing enormous administrative burdens for the Council. We do not propose to implement "Pay to Stay" in Oxford. It has also held off its proposal to require us to sell off some "high value" council properties when they become vacant, and hand the proceeds to the government, for one year. We will lobby for this change to become permanent – Oxford needs all the social housing stock it can possibly have, and forcing it to sell these properties is completely inappropriate.

This is a consultation budget – it represents our best attempt, in difficult financial circumstances, to maintain frontline services, especially for the most vulnerable, invest in our assets, and avoid compulsory redundancies amongst our excellent workforce. We are grateful to all those who work hard to provide council services, and indeed to many employees for coming forward with innovative ideas to realise savings, which in turn can help protect services at the frontline. We will welcome feedback on the proposals in this budget, as we welcome the input of anyone who wants to make Oxford a fairer, better place to live.

INTRODUCTION

- 1 This report sets out the Council's Medium Term Financial Strategy (MTFS) and associated spending plans for the four years 2017/18 to 2020/21 and gives interested parties the opportunity to comment and be consulted on the Council's budget proposals for the financial year (2017/18). 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 grant from government reduces to zero by 1/4/2019;
 - c) Assumes New Homes Bonus is used to finance the Capital Programme
 - d) Assumes contingencies of 30% are held against the achievement of high risk efficiencies and fees and charges increases
 - e) Assumes annual Council Tax increases of 1.99%
 - f) Includes £12.3 million of efficiencies, increased income and services changes across the 4 years;
 - g) Facilitates capital investment of £123.2 million over the four year period including:
 - i. Regeneration in the city
 - ii. Flood alleviation at Northway & Marston and contributing £1.5 million to the Oxford and Abingdon flood alleviation scheme
 - 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
 - h) Provides resources of £60 million for use by the Housing Company over the next four years and the acquisition and building of around 500 new homes
- 3 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

- 4 This report sets out the Council's financial plans for the period 2017/18 to 2020/21. 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

- 5 When the previous Chancellor delivered his Summer Budget in March 2016 there was talk of the budget deficit having been cut by almost two thirds from its peak and the plan was that over the next 4 years, the deficit would be eliminated and the government would be running a surplus by 2019. The "Brexit" vote in June 2016 took many by surprise and the new Chancellor, Phillip Hammond in October 2016 was quick to announce that he would abandon this plan to bring the deficit under control within this time period as he admitted that the Brexit vote would create a 'rollercoaster' of a ride for the British economy.

- 6 Many of the plans announced by the previous Chancellor remain in force including:

- A public sector pay cap of 1% a year for 4 years from 2016-17
- The reduction of the household benefit cap to £20,000 outside London. The reduction will affect 300-350 households in Oxford with over £1m annually being cut from the Housing Benefit of those affected
- Rents in social housing reduced by 1% a year for four years with effect from 1/4/2016.
- An apprenticeship levy set at 0.5% of employer wage bill with £15,000 allowance for eligible businesses from April 2017. This will cost the Council £175k per annum

- 7 The Autumn Statement delivered on 23rd November 2016 included a substantial re-forecasting of Government finances since the Budget in 2016. The Chancellor announced that the Government will no longer seek to deliver a budget surplus of £10.4 billion by the end of the Parliament, but is now planning for a £21.9 billion deficit, an increase in public sector net borrowing for 2019-20 of £32.3 billion. The Chancellor did also state that public finances would return to a surplus as 'early as possible.' Additionally there was :

- A three year Revenue Support Grant funding deal in exchange for the submission of an efficiency statement, though with RSG ending as planned
- An additional £1.1 bn for local transport networks
- £23bn on innovation and infrastructure over the next 5 years
- No re-opening of the individual Departmental Expenditure Limits agreed at the last Spending Review
- An increase in the "National Living Wage" from £7.20 per hour to £7.50 per hour

No additional support was given for social care.

- 8 The Council will have to wait until December to understand the impact on Retained Business Rates with any variation to that currently included in the MTFP to be updated in February.
- 9 In other announcements ministers have recently advised that they intend scrapping the compulsory 'Pay to Stay' policy for Councils in England which was due for implementation from 1/4/2017. Housing Associations and local authorities would still have local discretion to implement. In other announcements the Government advised that the pilot of Right to Buy for Housing Association tenants would be extended on a regional basis, using government funding. As a result the requirement for councils to pay a "levy" to government based upon sale receipts from the disposal of "high value" council houses which become empty will not be implemented in 2017-18.

Interest Rates and Inflation

- 10 Growth slowed in the first two quarters of 2016 and forecasts for the remainder of 2016 have been reduced down following the Brexit vote. To address these concerns the Bank of England's Monetary Policy Committee (MPC) cut Bank Rate from 0.50% to 0.25%.
- 11 The Consumer Price Index (CPI) has started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation in addition, the post referendum 10% fall in the value of sterling is likely to result in a 3% increase in CPI over a period of 3-4 years arising from increases in the cost of imports.

Local Government Finance Settlement 2017/18

- 12 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 2% although this is subject to confirmation.
- 13 Last year the Council were invited to opt into a four year Finance settlement commencing 1/4/2016 in exchange for submitting an Efficiency Statement to DCLG. The figures below reflect this settlement indicating that all Revenue Support Grant will be removed with effect from 1/4/2019. Whilst opting in wasn't compulsory there was a strong indication that the Settlement would not be any better but could be worse. DCLG have confirmed the Council's submission as acceptable.

Table 1 : Revenue Support Grant				
	Grants	Revenue Support Grant	Total	Percentage (Reduction)/ Increase in RSG
	£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	1.275	1.515	(48.7)
2018/19 ***	0	0.630	0.630	(50.6)
2019/20	0	0	0	(100)

* First year of retained business rates system

** First year that Council Tax Support Grant was rolled into Revenue Support Grant

*** Grant to reduce to zero

Retained Business Rates

- 14 Business rates income collected by the Oxford City Council as billing authority is split 50/50 with central government with the balance split 80/20 between Oxford City Council and Oxfordshire County Council respectively. From our 80% share the Council pays a tariff to central government and retains a baseline amount (set by the Government) together with 50% of the retained income above this baseline. The main components of the system with estimates of individual elements for Oxford City for 2017/18 are as follows:

Table 2 : Retained Business Rates 2017-18	
	£million
Estimated Business Rates Income	92.159
Billing Authority Share (50%)	46.080
Oxford City Share (80%)	36.864
Less Tariff paid to Government	28.254
Amount remaining after tariff	8.609
Baseline Business Rates	5.842
Income above baseline (8.609-5.842)	2.768
50% of income above baseline	1.384
S31 Grant adjustment	(0.408)
Total retained business rate income	6.817

Note

- **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.
 - **Tariff** – The amount paid to the government each year by the Council as billing authority. Updated by RPI each year.
- 15 In 2016/17 indicative figures for baseline funding and tariffs were provided for 2017/18 these have been used in the preparation of the MTFP.
- 16 The Medium Term Financial Strategy allows for an estimated increase in Business Rates due to Westgate re-opening in December 2017. Projected retained Business Rates income is shown in the Table 3 below:

	Total	Collection Fund Deficit	Total	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***	6.817	-	6.817	53.40
2018/19	8.243	-	8.243	20.92
2019/20	8.136	-	8.136	(1.30)
2020/21	8.145	-	8.145	0.11

* Within the Retained Business rates figures is an assumed level of grant funding for 2011/12 Council Tax Freeze grant and Homelessness Prevention of £129k and £401k respectively.

** Westgate development commenced

*** Westgate development completed

Oxfordshire Pool Arrangements

- 17 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).
- 18 In previous years an Oxfordshire pool consisting of Oxfordshire County Council (OCC), Cherwell District Council (CDC) and West Oxfordshire District Council (WODC) has existed.

- 19 Although yet to be confirmed it is likely that a similar Pool will be formed for 2017-18 since this is the most financially advantageous for the County as a whole.

Business Rates Distribution Group

- 20 The chief finance officers of the Oxfordshire councils have agreed that the Pool's membership should be set to maximise income for the good of Oxfordshire as a whole. 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 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.
- 21 Last year Oxford City Council opted to enter the Business Rates Distribution Group. The current forecast is an additional £350k of business rates income as a result of this decision. This position is reviewed annually and since the decision needs to be made relatively quickly once relevant information is available, as in previous years 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 (NHB)

- 22 This grant is currently given for a six year period based on new dwelling completions in year. Last year the Government consulted on plans to reduce the payment down from 6 years to 4 years as well as options for savings of at least £800 million which can be used for social care, and sharpening incentives for communities to support development. Table 4 gives an estimate of the amount of NHB due to the Council based on the Government's proposal although to date the outcome of the consultation is unknown.
- 23 The Council uses New Homes Bonus to fund its 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 Capital Programme.

	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's
New Homes Bonus	1,338	1,670	1,783	1,834
Percentage increase/(decrease)	(55)	25	7	3

Changes to Welfare Benefits

- 24 As of 7th November 2016 the Benefit Cap reduced from £26,000 to £20,000 in Oxford. It is estimated 300-350 households in Oxford will be affected and over £1m per annum will be cut from the Housing Benefit of those affected. Council officers began engaging with people likely to be affected prior to its implementation and will be making use of the Council's Discretionary Housing Payment (DHP) grant to provide financial support whilst they are helped to find long term solutions. The Council's DHP grant is likely to increase in 2017/18 as the national budget will increase from £150m to £185m, so there will be scope to provide temporary financial support to most of those who need it.

Universal Credit

- 25 The Department for Work & Pensions issued a timetable for the full roll out of Universal Credit on the 16th November. The end date has been given as September 2018 with Oxford going live in October 2017. There will be further announcements in early December on funding arrangements for Universal Credit delivery and Housing Benefit support. Currently the MTFP makes provision for changes arising from Universal Credit as shown below. Should the December announcements confirm a different position the assumptions will be updated in the February Budget report.

	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's
Financial Services staffing	-	(65)	(130)	(130)
Customer Services staffing	-	(55)	(110)	(110)
Changes in admin grant (current £743k)	58	281	370	411
Total	58	(161)	130	171

Council Tax Support

- 26 At the City Executive Board on 13th October 2016 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 £970k in 2016/17 rising to £1.6 million when Revenue Support Grant is reduced to zero with effect from 1/4/2019.

Section B General Fund Revenue Budget

- 27 In February 2016 Council agreed a balanced budget for the four years of the Medium Term Financial Plan 2016/17 to 2019/20. The Plan including all income and expenditure and planning assumptions have been reviewed

Value for Money & Efficiency

- 28 Over the next four years the Council will generate a further £3.5 million of efficiencies, with on-going efficiencies of £1.2 million being achieved from 2020/21 onwards. The programme of cumulative efficiency savings are set out in Appendix 3. They include:

- Multi skilling in call centre - £110k
- Reductions in ICT Business Partners - £115k per annum
- Merger of customer service centres at St. Aldate's from 2018 - £141k per annum
- Savings in Planning IT scanning contract £70k per annum
- Staffing savings in Financial Services - £168k per annum
- Renegotiation of leisure centre contract - £216k per annum

Fundamental Service Reviews

- 29 As part of the Council's budget setting preparations officers have initiated a number of fundamental service reviews. The reviews have challenged current working practices, looking at benchmarking data for performance and costs, alternative delivery models and best practice both within and outside the sector. All Council services will be reviewed over a period of 4 years and of the 6 services subject to review in the first year two have completed and produced savings as shown below:

- **General Fund Housing Services** -
 - **Housing Benefit Subsidy** - £100k saving for 2 years in restructuring contracts with service providers in order to mitigate loss of housing benefit subsidy
 - **Homelessness** – Ongoing savings of £200k from purchasing 39 units for around £10million to house homeless families saving both temporary accommodation costs and making a small return for the council. Project approval for this appears elsewhere on the agenda.
- **Waste services** – examined different methods and times of waste collection. Noted as high performing against most comparator authorities with limited ability to make more efficiencies with the exception of driving additional commercial waste business. Additional £16k per annum income included in MTFP together with limited number of changes to charging arrangements such as increasing charges for green waste to cost recovery. Confirmed the business case to provide a local recycling transfer station.

- 30 Work on the 4 other review areas: Procurement & Payments, Law & Governance, Leisure Services, Human Resources and Organisational Development is ongoing and will be built into the budget process once completed

Planning Assumptions

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

- a) **Base Budget** - The starting point for planning is the 2016-17 base budget position as agreed by Council in February 2016, adjusted for any one-off savings and growth.
- b) **Inflation** –Most budgets are cash limited. Over the period CPI is expected to increase to 3% which could squeeze budgets harder.
- c) **Council Tax Increase** – The current assumption is for a 1.99% rise per annum for the four years of the plan on the basis that increases will be capped at 2%.
- d) **Investment Interest** – The Bank of England base rate is 0.25% and projected to fall again to 0.1% in the first quarter of 2017 and remain at this level until they slowly begin to rise from September 2018. Forecasts of interest rates in the MTFP range from 0.2% to 0.5% for the next four years with income reducing by approximately £200k per annum to that previously forecast
- e) **Homelessness Spend** – In spite of losing Homeless Prevention Grant funding of £942k per annum from 2016/2017 the Council have maintained in full this level of spend in this area.
- f) **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. A new deal will be negotiated during 2017/18 prior to the current arrangement ending on 1/4/18.
- g) **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 £200k per annum to cover additional costs which may arise from the Funds triennial valuation which will be implemented with effect from 1/4/2017.
- h) **Increases in Fees and Charges** –Fees and charges are projected to increase by £2.3 million over the 4 years to 2020-21. In 2017-18 there are increases in the areas shown below details of which are given in Appendix 8.
 - i. Garden waste bins - £2 per bin per year
 - ii. Pre-application advice for planning services - 3% - 8%
 - iii. Leisure activities
 - Swimming – 5p (1.1%)
 - Adult gym – 15p (1.9%)
 - Skating - 15p (1.88%)
 - Tennis – reduction £1 (14%)
 - iv. Pest Control increases range from £5 to £20 more accurately reflecting the cost of the service
 - v. Cemeteries increases range from (1.0% to 2.0%) - £10 to £20
 - vi. Off street Car Parking – Most car parks no increase
 - vii. Garages - £1 per week (7%).
 - viii. Park and Ride - Our projection is that this will increase from £2 to £3 per day in 2018-19, but we anticipate any increases to be the

subject of discussion and agreement with Oxfordshire County Council, which also operates Park and Ride car parks in Oxford.

viii **Concessions**

The Council gives concessions in the following areas:

- Bonus Concessionary Leisure Card – qualifying benefits include: 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. The nature and extent of these concessions are being reviewed, particularly in the light of Universal Credit as part of the leisure Fundamental Service Review
 - 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 Housing Benefit
 - Garden waste collection where customer is in receipt of benefit
- i) **Traded 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 income assumed within the MTFP.

Table 6 : External Trading Sales and contribution				
	2017-18	2018-19	2019-20	2020/21
Turnover	£000’s	£000’s	£000’s	£000’s
Engineering	1,714	3,531	3,796	3,796
Building Works	1,504	2,373	1,964	1,964
Trade waste	3,433	3,523	3,543	3,543
Total	6,651	9,427	9,303	9,303
Total Gross Contribution	3,210	3,360	3,400	3,400
Net Contribution included in MTFP	1,199	1,317	1,325	1,318

- j) **Capital Financing** - Capital financing for the draft Capital Programme is detailed in Section D. The four year Medium Term Financial Strategy assumes £17.4 million of revenue contributions will be made to finance vehicle replacements and ICT software and hardware over the period.

- k) **Planned Repairs and Maintenance** – £1.2 million per annum for planned maintenance to Corporate Buildings. At the end of the 4 year period backlog repairs and maintenance is estimated at around £2.6 million
- l) **Contingencies** – In a change to previous years policy contingencies of 30% are held against high risk efficiencies, fees and charges and service reduction proposals as set out below. This seems financially prudent given that the Council has had good track record of delivering within budget.

	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's
Total cumulative Savings in plan	(1,353)	(3,027)	(3,248)	(3,549)
Cumulative contingency in MTFP	145	271	300	341
% of total savings covered by contingency	10.7	9.0	9.2	9.6

32 Set against a background of uncertainty new items of ongoing revenue expenditure are limited and total around £1 million are shown in Appendix 3. The most significant being :

- **Economic Development - £125k** - inclusion of posts in economic regeneration and city centre management largely arising from the withdrawal of County Council funding
- **Planning Services - £71k** – additional posts to ensure the robustness of the service going forward
- **Conservation Appraisal – one off £50k** - this is a contribution towards the funding of an appraisal of our central conservation area – this is a study that will support delivery of growth, support better decisions (by having up to date information that will help us with planning applications and at appeal if those circumstances apply) and feed into the local plan.
- **Planned Repairs and Maintenance-£400k per annum** – a recent stock condition survey of council buildings has revealed backlog repairs of around £7.5 million. An increase of £400k per annum in addition to £600k existing budget and a one off £500k from capital still leaves a backlog of around £2.7 million at the end of the four year period.
- **Apprenticeship Levy - £175k** – the Government have introduced a 0.5% levy for all businesses with a payroll bill in excess of £3million. Levy funds can be used to offset 80% training costs for apprentices.

- **Digital Inclusion - £15k for 2 years** – consultancy to design digital services that enable our customers to more easily engage with council services on line
- **Individual Electronic Registration - £97k** The additional budget covers the cost of 2 additional staff brought in to undertake the work together with supplies to run the process after the Government grant is removed.
- **Committee administration - £23k-** represents the balance of staffing costs net of income from the Housing Company and Oxwed
- **Go Ultra Low project manager £15k per annum for one year-** relates to part time officer to assist in the running of the GULO project
- **Oxford Living Wage -£35k per annum** – this budget ensures that the Oxford Living wage is maintained for staff working within the Leisure services partnership, above the contractual requirement

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

Table 8 : Summary General Fund Medium Term Financial Plan 2017/18 to 2020/21				
	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's
EXPENDITURE				
Base Budget	21,475	21,475	21,475	21,475
Efficiencies	(596)	(1,198)	(1,475)	(1,456)
Fees and Charges	(942)	(2,140)	(2,161)	(2,372)
Service reductions	(182)	(190)	(197)	(204)
Changes in investment	(723)	(928)	(983)	(983)
Inflation & other pressures	1,631	2,405	2,553	2,685
New Homes Bonus	(1,338)	(1,670)	(1,784)	(1,835)
Revenue Contributions	1,338	1,670	1,784	1,835
Corporate costs including interest, MRP, pay	473	1,755	2,491	3,448
Contingencies	145	271	300	341
Transfers to/ (from) working balances	-	762	(127)	(635)
Net Budget Requirement	21,281	22,212	21,876	22,299
FUNDING				
Council Tax	(12,949)	(13,339)	(13,740)	(14,154)
Revenue Support Grant	(1,515)	(630)	-	-
Retained Business Rates	(6,817)	(8,243)	(8,136)	(8,145)
Total	(21,281)	(22,212)	(21,876)	(22,299)
Surplus/ (Deficit)	0	0	0	0
GENERAL FUND WORKING BALANCE	3,621	4,382	4,255	3,621

Key

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

Use of Working Balances

- 34 The budget assumes transfers to and from the working balance which as at 1/4/2016 were £3.620 million. Over the four year period of the MTFP assuming delivery as planned, the balances are replenished.

Risk Implications

- 35 The main risks to the balanced position of the General Fund consultation budget (Appendix 8) are that:
- Variations of actual income and expenditure against budget especially in volatile areas such as income
 - 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
 - Outcome of New Homes Bonus consultation is not as favourable as assumed
 - Interest rates lower than projected
 - Slippage in the capital programme adversely effects revenue savings and additional income in the MTFP

Section C Housing Revenue Account Budget

Background

- 36 Since last summer legislation has been introduced bringing in significant changes to the delivery of housing services by social landlords in both the Welfare Reform and Work Bill (annual 1% reduction in rents for 4 years starting in 2016/17) and the Housing and Planning Act (the forced sale of high value dwellings and pay to stay). These key changes are estimated to have cost Oxford City Council around £34 million in lost rent compared to the proposals in our previous rental strategy.
- 37 Very recent ministerial announcements have abandoned the Pay to Stay policy and confirmed that the high value housing levy will not be implemented on 1st April 2017 as originally planned. The estimates have been prepared on the basis that the high value levy will proceed at some point as the Housing Minister Gavin Barwell MP recently advised that the high value levy would require 'quite a notice period' and councils as well as the House of Lords and Commons would need to be consulted before the policy could be implemented. Councils would be advised 'in due course' on the implementation date for these policies.
- 38 An amount of £23.1 million has been estimated as the amount of levy payment over the next four years. This is based on the estimated number of high value dwellings that may become void over this period although in the absence of the Government's formula it is difficult to know for certain how accurate this is. Setting

aside an amount in this manner should mitigate the need to dispose of dwellings to fund the levy in the short to medium term.

Key assumptions made in preparing the HRA budget for 2017/18 – 2020/21

- Rent setting** – The Welfare Reform and Work Bill introduced a policy with effect from April 2016 that social housing rents must be reduced by 1% per year for 4 years from their 8 July 2015 position. The Government have given no indication about what rental policy should be adopted thereafter. The assumption is that the Council will adopt a rent strategy that will move rents to target rent over a four year period between 2020/21 and 2023/24. Thereafter rents will be increased by the Governments previous guideline of CPI + 1%. The impact on rents for 2017/18 is shown in Appendix 5 with a summary over the next 4 years shown below:

	Change	Average weekly change	Average weekly Rent
	%	£	£
2017/18	**(0.89)	(0.95)	105.65
2018/19	**(0.87)	(0.92)	104.73
2019/20	**(0.87)	(0.92)	103.82
2020/21	4.04	4.19	108.01

** These changes are slightly less than 1% as new tenants occupying void properties are charged at target rent immediately and some of stock is occupied by homeless families that are charged at Local Housing Allowance (LHA) rents

- 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. The overall strategy is to repay debt when possible allowing for commitments to be financed whilst maintaining a minimum HRA working balance of £3.5 million. Self- financing debt at the end of the 4 year planning period will stand at around £222 million.

- High Value Council Housing Levy**

Although the Government have confirmed this will not be implemented in 2017-18 there is still an assumption that this will be implemented from 2018-19 onwards. In line with previous assumptions the Council has provided for capital spend of around £7million on this issue in lieu of Council house disposals to fund. The amount of £4.7 million budgeted for in 2017-18 has at this stage been transferred to a reserve either for repayment of debt or to fund future payments of the levy when the position becomes clearer.

- **Right To Buy and other disposals**

Disposals of around 40 dwellings per year until 2021/22 are assumed due to the Government's re-invigorating its Right to Buy initiative. Additionally, the plan allows for 5 properties to be transferred to the Housing Company which the Council is able to do without Secretary of States approval under Section 32 of the Housing Act 1985 (as amended) and set out in the DCLG's General Housing Consents.

- **Inflation and pay assumptions**

All the assumptions for 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. A review of the service charge budgeted income suggests that the base budget can be increased by around £300k per annum and this has been reflected in the revised budget.

- **Working Balance**

The working balance levels allow sufficient monies for the funding of future years' Capital Programme, the repayment of the debt, 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 £42 million.

On-going Pressures, fees and charge variations and new investment Proposals

39 Increased HRA revenue spend is shown in Appendix 3 with the more significant being as follows:

- **Energy Officer** – one off £25k to fund the post until March 2018. This is reversed in 2018/19.
- **Flexible Tenancies** – one off £18k related to the production of additional literature and publications informing tenants of this new government policy, together with undertaking any associated consultations.
- **Decants** - one off £70k then £30k on-going thereafter. This estimate is associated with the Tower Blocks project
- **Electrical upgrades** two years of £300k to introduce an accelerated programme of works to ensure the Council's properties are compliant with enhanced statutory requirements.
- **Decants and home loss** payments, together with disturbance allowance payments re Underhill circus estimated at £45k per annum
- **Regeneration at Blackbird Leys** - £100k per annum. Currently maintaining void properties in property that require security, together with associated demolition costs prior to redevelopment.

- **Cleaning of communal areas** -£77k for two years to provide for a van and 2 FTE employees to undertake cleaning of communal areas across the estates.
- **ICT Northgate replacement** – £180k for two years to provide for backfill arrangements for 3 fte staff and project management transferred to assist the review of the Northgate System.

Efficiencies

40 Efficiencies have been included in the HRA business plan of £57k in 2019-20 followed by a further £60k in 2020/21 and it is intended that this will be achieved by :

- Improved voids turnaround resulting in reduced rent loss. Estimated to be one extra week's rent charged on the total number of voids per annum because of a faster turnaround - £32k increased rent.
- Moving some responsive repairs to a planned programme e.g. fencing. This is estimated to deliver £49k savings.
- The benefits derived from the failure demand project in Customer Services and Direct Services. Whilst the quantum of savings is not certain, the remaining £36k should be achievable via these changes.

Housing Revenue Account Budget 2017/18 to 2020/21

41 Appendix 4 details the HRA Budget for the period 2017/18 to 2020/21 which is summarised below:

TABLE 10 HOUSING REVENUE ACCOUNT	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's
Income	(44,285)	(43,310)	(43,574)	(44,180)
Expenditure	35,380	35,729	35,775	37,117
Net Operating Expenditure	(8,905)	(7,581)	(7,799)	(7,063)
Appropriations	3,062	9,890	9,549	8,825
(Surplus)/Deficit for the Year	(5,843)	2,309	1,750	1,762
(Surplus)/Deficit b/fwd	(5,537)	(11,457)	(9,210)	(7,521)
Investment Income	(77)	(61)	(61)	(63)
(Surplus)/Deficit c/fwd	(11,457)	(9,209)	(7,521)	(5,822)

42 The Housing Revenue Account shows a stable financial position over the next four years. This may change depending on the implementation of the high value voids levy payment contained within the Housing and Planning Bill and future guidance on rent levels.

Risk Implications

43 The main risks to the balanced position of HRA are summarised below and detailed in Appendix 8:

- Liability arising from high value voids levy is more than estimated
- 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 increased capital spend commitments.
- Non-achievement of planned efficiencies.
- Variations in estimates causing cash flow problems
- Regulations on future rent levels

Section D Capital Programme

General Fund Capital Programme

44 The proposed General Fund Programme shown in Appendix 6 amounts to around £122.5 million over the four year period. In addition to in-year variations to account for slippage the changes to the Capital Programme include :

Table 11 : Variations to Capital Budget				
	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's
Deleted Schemes				
Solar bins		(25)		
Skateboard parks			(70)	
Equity loans		(100)		
Cemeteries			(750)	(200)
Biomass store		(53)		
Grants		(25)	(25)	
Total	0	(203)	(845)	(200)
New Bids				
Community Centres	1,450			
Oatlands recreation ground	75			
Seacourt park and ride (1)	1,500	500		
Purchase of properties for homeless (2)	10,000			
Recycling transfer station (3)	968			
Refuse freighter	185			
Local Area network	90			
Web chat	20	5	5	5
Purchase of leasehold	1,000			

property (4)				
Feasibility study and technical investigations (5)	250			
Loans to Housing Company (6)	3,000	30,000	16,000	11,000
Total new bids	18,538	30,505	16,005	11,005
Total	18,538	30,302	15,160	10,805

Notes:

(1)Seacourt Park and Ride – The increased cost of delivering the additional parking spaces at Seacourt Park and Ride have arisen from costs required to secure planning permission reflecting Green Belt, flood plain, highway and drainage issues. The scheme cost has now risen to £4.1 million but additional income will provide payback within a reasonable period

(2)Purchase of properties for homeless families – The purchase of approximately 39 properties financed by prudential borrowing and Retained Right To Buy receipts both within and in close proximity to Oxford will house homeless families, providing additional net income and savings on the temporary accommodation homelessness budget. There is a separate report elsewhere on the agenda seeking project approval for this scheme.

(3)Recycling transfer station (RTS)– Following a review of all available sites and in a change to original plans the new proposal recommends Redbridge as the most economically viable option to locate the RTS. Additional expenditure is required for the construction of an access road, together with drainage, signage, lighting and fencing although a capital receipt may arise from the sale of the previously identified location. There is a separate report to December CEB.

(4)Purchase of leasehold property – The budget provides for the purchase of the leasehold on land currently owned by the Council in order to undertake housing development either by the Housing Company or the Council.

(5)Feasibility study and technical investigations – The budget allows for the costs of feasibility studies to be undertaken on the potential for further rationalization of Council property.

(6) Loans to Housing Company – see paragraph 47 below

- 45 Incorporating the items shown in Table 11 above the full Programme of investment is shown in Appendix 6 and includes other significant items such as £2.4 million on flood relief schemes, community centre improvements £3.6 million, Disabled Facility Grants £4.0 million, parks, open spaces and athletics facilities £5 million, car parks resurfacing and improvements £1.2 million, ongoing renewal of council vehicles £8.9 million, £2.2 million museum improvements, £4 million loans to companies, investment in ICT £2.4 million and improvements to investment properties £10million.
- 46 Funding of the Programme is by revenue (16%), Capital Receipts (9%) Community Infrastructure Levy (4%), borrowing (65%) and Government Grants and third party contributions (6%). General Fund borrowing at the end of the four year period will be around £80 million. All revenue costs have been included in the General Fund revenue budget.

Housing Company

- 47 In March 2016 the Council approved the establishment of a Local Authority housing company and the company was incorporated in June 2016. The Company Business Plan approved at a Board meeting in December 2016 set out plans to undertake, the purchase and management of affordable rented homes at Barton, the development of new affordable and market housing, the purchase of 5 void properties per annum from the HRA and estate re-generation in The Leys and Barton.
- 48 The Council will lend money to the Housing Company at state aid compliant rates of interest using its prudential borrowing powers with the company repaying the council either based on an annuity or overdraft method. The Council gave approval at its meeting in March 2016 for loans to be made to the Housing Company for the acquisition of houses at Barton Park in 2017-18 (£12.250 million) together with working capital (£250k). The Companies Business Plan will be presented to the City Executive Board in January 2017 for formal approval of the loans which are anticipated to be required as follows :

	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's
Loan	3,000	30,000	16,000	11,000
Capital Receipts	(900)	(2,813)	(1,000)	(1,000)
Net	2,100	27,187	15,000	9,000

- 49 Over the next 4 years loans from the Council are in the region of £60million facilitating the construction and acquisition of approximately 500 new dwellings. In addition to capital receipts, loan repayments will be made by the company back to the Council..

Oxford West End Development (OXWED)

- 50 The Council has a 50/50 partnership with Nuffield College to undertake the development of the land at Oxpens. The Council has already approved loans totaling £4.1 million as its 50% share of the cost of purchasing additional land in December 2017. In addition, loans have also been approved to fund working capital of £100k but the Company cash flow statement indicates a further advance of up to £50k will be required to provide it with sufficient funds up to March 2018. Nuffield College will be matching this amount.

Housing Revenue Account Capital Programme

- 51 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. All Capital projects in the existing Programme have been considered and adjustments made accordingly.

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

Table 13 : Summary of HRA Capital Programme over next 4 years				
Budget	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's
Tower Blocks	6,959	134	-	-
Planned Major Repairs	602	617	633	648
Improvements	903	773	784	795
Regulatory	5,061	5,203	5,344	5,479
Regeneration	5,700	2,736	2,773	1,706
Other	675	692	709	727
Contingency for HVCH	-	7,703	7,703	7,703
	19,900	17,858	17,946	17,058

- 53 The revised programme of £73 million over the next 4 years includes:
- Tower block refurbishment £7 million
 - Great Estates enhancement of car parking and other infrastructure £4.2 million
 - Barton Regeneration £3.3 million
 - Improvements to doors, windows, controlled entry including the Oxford Standard - £6 million
 - Replacements of kitchens, bathrooms, roofs, heating and electrics -£18 million
 - Blackbird Leys Regeneration - £5.4 million – to undertake regeneration at the heart of the estate
 - A contingency of £23.1 million to mitigate the potential financial effect of the Government's initiatives around High Value Council Housing in lieu of selling high value council housing (See also para 38)
- 54 The financing of the HRA Capital Programme is from Revenue £63.8 million and Capital Receipts £8.8 million.

Risk Implications impacting the Capital Programme

- 55 The main risks to the Capital Programme are set out in Appendix 8 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

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

Table 14 Budget Consultation Timetable	
Consultation Budget Report to CEB	15 th December
Budget Consultation Period	16 th December to January 2017
Final Budget Report to CEB including outcome of Consultation	9th February 2017
Budget approval and Council Tax Setting	20th February 2017

- 57 The budget consultation exercise will commence in December 2016 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 2017, together with the outcome of the final settlement determination
- 58 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

- 59 These are covered within the main body of the report

Legal Implications

- 60 The Council is required to set a balanced budget taking 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

- 61 These are shown in Appendix 8 of the report

Equalities Impact Assessment

- 62 These are shown in Appendix 9 of the report

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