

**To:** City Executive Board  
Council

**Date:** 9 February 2017  
20 February 2017

**Report of:** Head of Financial Services

**Title of Report:** Medium Term Financial Strategy 2017-18 to 2020-21  
and 2017-18 Budget

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To present the outcome of the budget consultation and agree the Council's Medium Term Financial Strategy for 2017-21 and 2017-18 Budget for recommendation to Council
<b>Key decision:</b>	Yes
<b>Executive Board Member:</b>	Cllr Ed Turner, Finance, Asset Management and Public Health
<b>Corporate Priority:</b>	All Corporate Plan priorities
<b>Policy Framework:</b>	Budget
<b>Recommendations:</b> That the City Executive Board resolves to:	
1	<b>Agree</b> the amendments to the Consultation Budget, in light of the outcomes of the public consultation.
2.	<b>Recommend that Council</b> approve the 2017-18 General Fund and Housing Revenue Account budgets and the General Fund and Housing Revenue Account Medium Term Financial Plan as set out in Appendices 1-10, noting: <ul style="list-style-type: none"> <li>a) the Council's General Fund Budget Requirement of £21.055 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</li> <li>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</li> <li>c) the General Fund and Housing Revenue Account Capital Programme as shown in Appendix 6.</li> </ul>

3. **Recommend that Council** agree not to implement the voluntary 'Pay to Stay' policy for Council house tenants (para 28 refers)
4. **Recommend that Council** agree the fees and charges shown in Appendix 7
5. **Recommend that Council** 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 16-17 below.
6. **Recommend that Council** agree an additional loan of up to £75k for working capital to Oxwed as highlighted in paragraph 41
7. **Recommend that Council** agree provision of a loan facility to Oxford City Housing Ltd of up to £61 million (paras 39-40) an extra £48.75 million over the next four years, subject to the provision of; and agreement to a business plan by the Company.

<b>Appendices</b>	
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 Service Budgets Bids and Savings Proposals 2017-18 to 2020-21
Appendix 4	Housing Revenue Account Budget 2017-18 to 2020-21
Appendix 5	Housing Revenue Account Rent by property type
Appendix 6	General Fund and HRA Capital Programme 2017-18 to 2020-21
Appendix 7	Fees and Charges
Appendix 8	Risk Register
Appendix 9	Equalities Impact Assessment
Appendix 10	Budget Consultation

## **Comment from Cllr Ed Turner the portfolio holder for Finance, Asset Management and Public Health,**

Since the publication of our consultation budget, we have received a final settlement from the government, confirming the ending of Revenue Support Grant by 2019/20. We have also become aware of two additional pressures – a reduction in funding from business rates going forward as part of a “fairer funding” process, and some significant reductions to the level of New Homes Bonus we will receive.

Nonetheless, the proposals in this budget retain our ambition **not to cut any frontline services over the next four years**. In doing so, we are proud of our workforce, who have continued to innovate, put forward proposals to make our services more efficient, and at the same time deliver excellent support to local people. We make no apology for noting the comparison with our upper tier authority, which, at the same time as it seeks to expand its remit, presides over atrocious levels of educational attainment in its primary schools, is slashing support for homeless hostels, and is seriously reducing much-valued local services such as children’s centres. We believe part of the reason for this is that we have not entered into large-scale privatisation contracts with outsourcing companies, and instead invested in our own workforce, and encouraging it to see its services more widely in the local area.

A major priority in this budget is *housing*. Oxford’s housing crisis gets ever more acute, with average house prices now topping £350,000, and therefore becoming unaffordable to those on middle as well as lower incomes. It includes £10 million in capital to invest in homes for homeless families, £1.3 million to build new council bungalows, and loans of up to £61 million for our new local housing company, which we expect to be at the forefront of delivering new housing, especially social rented housing, starting with the new development at Barton.

We are also investing in our communities – there is over £4 million of funding for community centres in this budget, and we are proposing **retaining in full** our homelessness prevention budget and our funding for the third sector, in areas like advice services and the arts. We propose new, one-off funding to support “stay and play” sessions, in the hope these will become sustainable thereafter. We have reinstated capital support for cycling schemes, aware of the benefits to local people and the wider community of having improved cycling infrastructure, and in the interests of improving air quality have earmarked match funding for a bid to support the introduction of electric taxi infrastructure in Oxford.

Our aim over the next four years is to continue to practice sound financial management, work in partnership with council staff to safeguard and improve frontline services, especially the most vulnerable, and take strong action to tackle Oxford’s housing crisis, avoid compulsory redundancies. We believe this budget will assist us in meeting those objectives.

## **Introduction**

1. This report reflects the outcome of the consultation on the draft budget agreed by the City Executive Board at its meeting on 17th December 2016 as well as changes which have arisen since the consultation budget was published.
2. The consultation on the draft budget began on 18th December 2016 and ended on 31st January 2017. The consultation document was available on the Council's website Paper copies were also available at the Town Hall.
3. For ease of reading; the report is split into three sections:
  - Section A General Fund Revenue Budget
  - Section B Housing Revenue Account (HRA) Budget
  - Section C Capital Programme

## **Section A – General Fund Revenue Budget**

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

### **Provisional Local Government Finance Settlement 2017-18**

5. The Government published its Provisional Finance Settlement for 2017/18 on 17 December 2016, together with indicative figures for 2018-19 and 2019-20. These were subject to consultation which closed on 13 January.
  - The key points include:
    - Upper tier authorities being able to increase the Social Care Precept by up to 3% per annum in 2017/18 and 2018/19. However, authorities that do so will not be able to make a further increase in 2019/20 (i.e. the total allowable increase over the three-year period is 6%).
    - upper tier authorities wishing to raise their council tax by 5% or more (i.e. 2% referendum threshold and 3% social care precept) will need to hold a referendum. For district councils, increases of less than 2% or up to and including £5 (whichever is higher) above the authority's relevant basic amount of council tax for 2016/17 can be made without triggering a referendum.
    - The 2017/18 New Homes Bonus allocations and details of the consultation on the future of the scheme have been announced (previously these figures were only indicative). The number of years that the scheme will be based upon (currently 6 years' in 2016/17) will reduce to 5 years in 2017/18 and 4 years from 2018/19 onwards. The scheme will now also only reward growth in homes above 0.4% per annum.
    - The changes to the New Homes Bonus Scheme have allowed the government to remove £241m of funding from the scheme. This funding has been diverted to the new Adult Social Care Support Grant and will be distributed based on the adult social care relative needs formula and is for 2017/18 only.
    - 97% of authorities accepted the government's four-year fixed settlement offer. In response to a question in Parliament, the Minister said that those authorities not accepting the offer would therefore still be subject to an annual settlement.

- Within the business rates retention system the National Non-Domestic Rates (NNDR) baseline and top up/tariff amounts have been amended to reflect Revaluation 2017. The adjusted amounts are intended to make changes in Rateable Value revenue neutral for individual authorities; with changes to authorities' NNDR Baseline (and therefore tariff/top up) being equal and opposite to the forecast change in the ability to raise business rates locally.

### Settlement Funding Assessment (SFA)

6. The Settlement Funding Assessment comprises authorities Revenue Support Grant (RSG) and their share of locally retained business rates (the baseline funding level). The figures for Oxford City Council are as follows:

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21 *</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Total SFA</b>	<b>7,304</b>	<b>6,664</b>	<b>5,954</b>	<b>6,375</b>
of which				
Revenue Support Grant	1,458	630	-	-
Baseline Funding Level	5,846	6,034	6,249	6,375
Tariff adjustment *	-	-	(295)	-
<b>Reduced/ (Increased) SFA on previous year</b>	<b>14.3</b>	<b>8.8</b>	<b>10.7</b>	<b>(7.07)</b>

\* Where baseline need is less than the Settlement Funding Assessment a reduction is made to funding. For authorities not in receipt of RSG the reduction is made to baseline funding. It is not certain whether this adjustment will continue going forward.

### Council Tax Freeze Grant for 2017/18 and Impact of Referendum Level

7. As last year there is no Council Tax Freeze Grant on offer for 2017-18.
8. The referendum level for 2017/18 has been confirmed as 2% or above for district authorities. The City Council's recommended Council Tax increase of 1.99% provides the optimum level of financial benefit without the expense of seeking a referendum. Council Tax rises from 2018/19 onwards have been assumed as 1.99% per annum, to reflect the average amount assumed by the Government over the next 4 years in calculating the authorities Revenue Support Grant.

### Revenue Support Grant

9. The methodology for the calculation of Revenue Support Grant incorporates projections of future council tax increases and growth in individual authorities' Council Tax Bases.
10. Government grant for Homeless Prevention (£939k for 2015/16) and the 2011 Council Tax Freeze Grant (£306k for 2015/16) are now subsumed into RSG and Business Rates. The element previously paid through RSG (£542k and £178k respectively), will taper away, disappearing entirely in 2019/20.

11. The changes to the Consultation Budget as a result of the Provisional Settlement are included in Table 2 below:

<b>Table 2 Change In Revenue Support Grant since Consultation Budget</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
		<b>Est</b>	<b>Est</b>	<b>Est</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Consultation Budget	1,515	630	0	0
Provisional Settlement Figures	1,460	630	0	0
<b>(Decrease)/ Increase</b>	<b>(55)</b>	<b>0</b>	<b>0</b>	<b>0</b>

12. Compared to the MTFs there is an adverse variance of £55k over the four year period. Additionally, the Government's methodology for calculating RSG results in a negative settlement of £295k in 2019/20 (so we are, in effect, in a position of "negative grant"). A technical adjustment has been made to the Council's Business Rate Tariff to reduce the Council's Business Rates income by an equivalent amount.

### **Retained Business Rates**

13. The Government has issued authorities with their Retained Business Rates Baseline Funding Levels for 2017-18 to 2019-20. The actual amount of Retained Business Rates depends on a number of factors including the estimated amount of business rates income net of appeals and write offs, the tariff payable to the Government and the levy paid on additional income above the Baseline, currently 50% for Oxford.

14. Almost certainly the Baseline Funding Level will not be the amount the authority eventually receives in Retained Business Rates. A summary of the changes is given below but it should be noted that there can be substantial volatility around these figures:

<b>Table 3 Change In Business Rates since Consultation Budget</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>Est</b>	<b>Est</b>	<b>Est</b>	<b>Est</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Consultation Budget</b>	6,817	8,243	8,136	8,145
Provisional Finance Settlement	6,647	8,085	8,005	8,009
<b>(Decrease)/ Increase</b>	<b>(170)</b>	<b>(158)</b>	<b>(133)</b>	<b>(135)</b>
Tariff	28,600	29,520	30,570	31,181
Tariff adjustment (negative RSG)	0	0	(295)	-

Safety net threshold (92.5% baseline)	5,411	5,578	5,781	5,897
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15. Unlike Revenue Support Grant there is no four year offer from the Government for Tariffs. From 1/4/2020 there will be a re-basing of all the figures when the Government introduces 100% business rate retention. This will be coupled with new burdens on local Government but it is unclear as yet what these will be. It is possible that this re-basing will take place in 2019 and additionally it is important to note that it is likely that any baseline will take account of the increased income from Westgate, all of which make the calculation of future retained business rates uncertain.

### **Business Rates Distribution Group**

16. 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 on business rates growth would be less than if they were 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 the safety net.

17. It is recommended that the decision to join the Business Rates Distribution Group is delegated to the Section 151 Officer in consultation with the Executive Member for Finance, Asset Management and Public Health once business rates estimates for 2017-18 are known for all Districts within Oxfordshire.

18. The summary effect of the Provisional Finance Settlement compared to the Consultation Budget is shown in Table 4 below:

<b>Table 4 Change In External Funding since Consultation Budget</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Reduction in Revenue Support Grant	55	0	0	0
Reduction in Business Rates	170	158	133	135
<b>Net Variation</b>	<b>225</b>	<b>158</b>	<b>133</b>	<b>135</b>

### **New Homes Bonus**

19. New Homes Bonus (NHB) is currently paid each year for 6 years. It is based on the amount of additional Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes. A consultation on NHB ended in March 2016 and on 17

December 2016 local authorities were issued with their provisional allocations for 2017-18.

20. The amounts for Oxford City compared to the assumptions in the MTFs are shown in Table 5 below:

<b>Table 5 : New Homes Bonus Estimates</b>				
<b>New Homes Bonus</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Consultation Budget	1,338	1,671	1,784	1,835
Provisional Finance Settlement	1,981	1,749	1,624	1,428
<b>(Increase)/ Decrease</b>	<b>(643)</b>	<b>(78)</b>	<b>160</b>	<b>407</b>

21. The outcome of the consultation on NHB is that:

- Funding is reduced by £241m in 2017/18 (funding remains at pre-announced levels for 2018/19 and 2019/20).
- Funding will be reduced from 6 years to 5 years in 2017/18
- Funding will then reduce to 4 years From 2018/19, the government will consider withholding payments from local authorities that are not *“planning effectively, by making positive decisions on planning applications and delivering housing growth”*.
  - A consultation is planned regarding withholding payments for homes that are built following an appeal
  - From 2017/18 only growth above 0.4% will attract payments (and these will be made as before, based on Band D equivalents, the national average council tax and a fixed amount for social housing).

22. The 2018/19 and 2019/20 allocations within DCLG's Core Spending Power are only indicative. These are based upon authorities' share of the 2017/18 overall allocation. There could, therefore, be significant variances between these amounts and the actual allocations. The Council uses NHB to fund Capital; as it is one off expenditure and so de-risks the MTFs. In the event of further reductions in NHB the Council's Capital Programme could be reduced or alternatively schemes funded by prudential borrowing.

### **Other Changes Arising**

23. A summary of other changes to the Consultation Budget outside of the Finance Settlement are shown in Table 6.

<b>Table 6 Summary of Other Issues</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>



HR and Organisational Development FSR(1)	(80)	(80)	(80)	(80)
Procurement FSR (2)	(41)	(42)	(23)	(23)
Minimum Revenue Provision (3)	0	53	138	151
Development of sports facilities(4)	0	20	20	20
Go Ultra Low - taxis	18	-	-	-
Small cycle schemes	25	25	-	-
Design costs Cowley Marsh pavilion	25	-	-	-
Voluntary sector grants	43	-	-	-
Direct Revenue Funding (5)	35	163	(180)	(445)
<b>Total</b>	<b>25</b>	<b>139</b>	<b>(125)</b>	<b>(377)</b>

#### Notes

- (1) **HR and OD** – Following the Fundamental Service Review a restructure of the HR and OD team will result in further efficiency savings
- (2) **Procurement** – Following the Fundamental Service Review and scrutiny of service expenditure further procurement savings have been identified
- (3) **MRP** – Revenue charge arising from additional prudential borrowing for purchase of properties for the homeless
- (4) **New revenue streams** – Ongoing discussions around sports development indicate that income targets are overly ambitious
- (5) **Voluntary sector grants** – £50k one off contribution to ‘stay and play’ sessions at children’s centre net of other minor adjustments
- (6) **Direct Revenue Funding** – DRF provides funding to finance capital expenditure. The amount used equates to the amount of New Homes Bonus received and the changes shown in Table 6 reflect the changes in New Homes Bonus.

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

24. The Council’s General Fund Medium Term Financial Strategy is shown in Appendices 1-3 together with assumptions around fees and charges in Appendix 7. A summary of the movement in the Medium Term Financial Strategy from the Consultation Budget agreed in December 2016, taking account of the changes highlighted above is shown below:

	2017/18	2018/19	2019/20	2020/21
	£000’s	£000’s	£000’s	£000’s

<b>Net Expenditure per Consultation Budget</b>	<b>21,281</b>	<b>22,212</b>	<b>21,877</b>	<b>22,298</b>
New Homes Bonus per table 5	(643)	(78)	160	407
Summary of other changes per table 6	25	139	(125)	(377)
Additional transfer to/(from) working balances	392	(219)	(167)	(165)
<b>Net Budget Requirement</b>	<b>21,055</b>	<b>22,054</b>	<b>21,745</b>	<b>22,163</b>
<b>FUNDING **</b>				
Council Tax	(12,949)	(13,339)	(13,740)	(14,154)
Revenue Support Grant	(1,460)	(630)	0	0
Retained Business Rates	(6,646)	(8,085)	(8,005)	(8,009)
<b>Total</b>	<b>(21,055)</b>	<b>(22,054)</b>	<b>(21,745)</b>	<b>(22,163)</b>
<b>Surplus/ (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>GENERAL FUND WORKING BALANCE</b>				
Opening	3,621	4,013	4,554	4,260
Transferred to/(from)	392	541	(294)	(800)
<b>Closing</b>	<b>4,013</b>	<b>4,554</b>	<b>4,260</b>	<b>3,460</b>

\*\* Incorporates revised funding shown In Table 4

### Budget Consultation Results

25. The consultation concentrated on a number of key areas which are shown below. Forty seven responses were received. The results are shown in Appendix 10 with a summary shown below for each of the main areas:

- Approach to Budget Setting**  
 85% of respondents strongly agreed or agreed with the Council's approach to budget setting, which focuses Council spending on maintaining high quality frontline services, avoiding compulsory redundancies and increasing efficiency.
- Capital Investment**  
 Most respondents agreed with the major capital investments undertaken by the Council. The schemes with the most support were investing in council housing followed by the new waste recycling facility and the purchase of homes for housing homeless families.
- Revenue Investment**  
 There was strong support to 'continue to pay staff at least the Oxford Living Wage' maintaining support to homeless families and apprentices. There was neutrality around increasing resources in planning services.
- Fees and Charges**

Respondents were in agreement to all increases in fees and charges with most popular being increases in garage rents and garden waste collection.

- **Council Tax**  
There was a 50/50 response between increasing and freezing council tax
- **Council Tax Support Scheme**  
70% of respondents agreed that the Council should maintain the same Council Tax Support Scheme introduced in April 2013.
- **Housing Revenue Account**  
In terms of prioritising the HRA Capital Programme the respondents agreed that building and acquiring new homes was the top priority followed by maintaining the quality of existing homes, although 98% of respondents were not council tenants

The feedback has been considered as part of the budget process and will also be shared with senior managers as appropriate.

### **Risk Implications**

26. The main risks to the balanced position of the General Fund Consultation Budget (Appendix 8) are that:

- Significant variations in actual income and expenditure against budget occur
- Business Rates income is lower than forecast
- New Homes Bonus is lower in future years
- Welfare Reform impacts the authority more adversely than assumed
- Interest rates are lower than projected
- Slippage, non-delivery of savings or additional pressures arise that have an on-going financial impact on the Council
- The knock on implications of funding cuts being experienced by partner organisations

## **Section B Housing Revenue Account Budget**

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

27. The Council published its Consultation Budget on 18<sup>th</sup> December 2016 including the Housing Revenue Account Budget. The budget for the Housing Revenue Account is as detailed in Appendices 4. Appendix 5 shows the effect of the 1% reduction on council house rents in the city.

28. In December the Government announced the abandonment of 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.

29. The Government also 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.

30. Due to the deferment of the High Value Council Housing Levy, the contingency previously set aside from HRA surpluses is not required in the short term and was transferred to an earmarked reserve in the Consultation Budget. It is proposed to use this reserve to fund the items detailed below leaving a balance of £2.775 million in the reserve: £300k per year for 2 years to enhance the planned maintenance of our own stock to deal with a backlog of communal area planned maintenance work which is outside the scope of our current more mainstream programmes of doors, windows, roofs etc.

31. HCA have announced we have been successful in our bid for £350k to help fund the development of 8 bungalows at Bracegirdle and Salford Rd. These sites were earmarked for development by our housing company. However, we cannot use this grant within the Housing Company so it is proposed to develop these sites out within the HRA at social rent and make budget provision of £1.325m to do so.

### Housing Revenue Account Budget 2017/18 to 2020/21

32. Appendix 4 details the HRA Budget for the period 2017/18 to 2020/21 which is summarised below for the next four year period:

**Table 8 Housing Revenue Account 2017-18 to 2020-21**

-	<u>2017/18</u> £m	<u>2018/19</u> £m	<u>2019/20</u> £m	<u>2020/21</u> £m
<b><u>Income</u></b>				
<b>Total Income</b>	<b>(44,285)</b>	<b>(43,310)</b>	<b>(43,575)</b>	<b>(44,180)</b>
<b><u>Expenditure</u></b>				
<b>Total Expenditure</b>	<b>35,967</b>	<b>36,112</b>	<b>35,854</b>	<b>37,195</b>
<b>Net Operating Expenditure</b>	<b>(8,318)</b>	<b>(7,198)</b>	<b>(7,721)</b>	<b>(6,985)</b>
Transfer (to)/from Major Repairs/Other Reserves	2,775			
Revenue Contributions towards Capital	0	9,363	9,549	8,825
<b>(Surplus)/Deficit for the Year</b>	<b>(5,543)</b>	<b>2,165</b>	<b>1,828</b>	<b>1,840</b>
<b>(Surplus)/Deficit b/fwd</b>	<b>(5,537)</b>	<b>(11,156)</b>	<b>(9,050)</b>	<b>(7,281)</b>
Investment Income	(76)	(59)	(59)	(61)
<b>(Surplus)/Deficit c/fwd</b>	<b>(11,156)</b>	<b>(9,050)</b>	<b>(7,281)</b>	<b>(5,502)</b>

### Risk Implications

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

- Liability arising from forced sale of High Value Council Housing (HVCH) is more than estimated for future years
- 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 C Capital Programme

34. The Council's Draft Capital Programme for consultation amounted to over £132 million over the four year period 2017/18 to 2020/21.

35. Appendix 6 attached details the Council's Capital Programme for 2017/18 to 2020/21. The changes to the Consultation Budget reported in December 2016 are summarised in Table 9 below.

<b>Table 9 Changes to Capital Programme 2017/18 to 2020/21 compared to Consultation Budget</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>GENERAL FUND</b>				
<b>Consultation Budget Spend</b>	<b>40,859</b>	<b>42,980</b>	<b>22,153</b>	<b>16,530</b>
<b>Additional changes to Schemes</b>				
Donnington Recreation Ground	45			
Barton Phase 1 (1)		8,440	2,455	-
Barton Phase 2 (2)				10,329
Changes in loans to Housing Company (3)	-	(1,000)	1,000	1,000
Go Ultra Low – Taxis (4)	35	35	35	0
Teachers Loans (5)	-	100	-	-
Solar bins	-	-	(5)	-
Car park resurfacing (6)	-	(50)	(50)	(38)
<b>Total General Fund</b>	<b>40,939</b>	<b>50,505</b>	<b>25,588</b>	<b>27,821</b>
<b>HRA</b>				
<b>Consultation Budget Spend</b>	<b>19,900</b>	<b>17,858</b>	<b>17,946</b>	<b>17,058</b>
<b>Additional Schemes</b>				
Development at Bracegirdle and Salford Road	1,325			

<b>Total HRA</b>	<b>21,225</b>	<b>17,858</b>	<b>17,946</b>	<b>17,058</b>
<b>Total Revised Programme</b>	<b>62,164</b>	<b>68,363</b>	<b>43,534</b>	<b>44,879</b>

**Notes to Table 9 :**

- (1) **Barton Phase 1**- This represents the first 95 properties which the Council has committed to purchase from the developers, Hills. To secure the most tax advantageous position the HRA will purchase the properties and then sell them on to the Housing Company who will let them at social rent.
- (2) **Barton Phase 2** – This represents the remaining 259 properties which the Council has committed to purchase. In a similar transaction these will be sold to the Housing Company and subsequently let at social rent
- (3) **Changes in loans to Housing Company** – Changes in expenditure within the Housing Company Business Plan
- (4) **Go Low Ultra Low** – The Council will bid for around £543k of Government funding from OLEV in return for making a capital contribution of £105k over 3 years together with £18k revenue and securing around £76k from external partners to fund charging infrastructure for low emission targets
- (5) **Teachers Loans** – Scheme is running in conjunction with Catalyst housing. Five loans have been paid out and committed. An additional £100k would be sufficient for 2 further loans.
- (6) **Car Park Resurfacing** – Minor changes to the car park resurfacing budget

**Funding of the Capital Programme**

36. The funding of the Capital Programme is shown in Table 10 below

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>GENERAL FUND</b>				
Capital Receipts	9,089	11,357	5,780	11,145
Revenue Funding	9,446	2,028	350	2,771
Section 106	326	200	0	0
Community Infrastructure Levy	2,247	380	750	200
Grants	2,011	2,501	1,000	1,000
Borrowing	17,420	34,039	17,708	12,705
Museum Trust Funding	400	0	0	0
<b>TOTAL GENERAL FUND</b>	<b>40,939</b>	<b>50,505</b>	<b>25,588</b>	<b>27,821</b>
<b>HRA</b>				
Major Repairs Reserve	19,491	6,161	6,243	6,327
Capital Receipts	1,734	2,049	2,397	2,684
Revenue Funding	-	9,648	9,306	8,047
<b>TOTAL HRA</b>	<b>21,225</b>	<b>17,858</b>	<b>17,946</b>	<b>17,058</b>

<b>TOTAL FUNDING</b>	<b>62,164</b>	<b>68,363</b>	<b>43,534</b>	<b>44,879</b>
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37. 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 high value Council homes is insufficient
- Slippage in Capital Programme and impact on delivery of priorities
- Robustness of estimates

### **Housing Company**

38. In March 2016 the Council approved the establishment of a Local Authority housing company and the company was incorporated in June 2016.

39. 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 April 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 a shareholders meeting in due course for consideration prior to formal approval of the further loans which are anticipated to be required

40. Over the next 4 years loans from the Council are in the region of £61million (£12.250 million having already been agreed), facilitating the construction and acquisition of approximately 536 new dwellings. In addition to capital receipts, loan repayments will be made by the company back to the Council.

### **Oxford West End Development (OXWED)**

41. 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. However, the Company's projected cash flow requires a further advance of up to £75k to take it up to March 2018. Nuffield College will be matching this amount.

### **Oxford Direct Services**

42. At the City Executive Board in March 2017 members will be asked to consider a business case for the establishment of wholly owned company for the operation of services currently undertaken within Direct Services. Detailed work is currently underway to determine the financial implications for both the City Council and the Company and will be reported to members in due course.

### **Financial Implications**

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

**Legal Implications**

44. The Council is required to set a balanced budget and agree the Council Tax and housing rents before the beginning of the financial year.

**Risk Implications**

45. These are shown in Appendix 8 of the report and highlighted within the body of the report

**Equalities Impact Assessment**

46. A copy of the Equalities Impact Assessment is given in Appendix 9 attached to this report.

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**List of background papers: None**