

To: City Executive Board
Council

Date: 12 February 2019 (City Executive Board)
13 February 2019 (Council)

Report of: Head of Financial Services

Title of Report: Medium Term Financial Strategy 2020-21 to 2022-23 and 2019-20 Budget

Summary and Recommendations	
Purpose of report: To present the outcome of the budget consultation and agree the Council's Medium Term Financial Strategy for 2020-21 to 2022-23 and 2019-20 Budget for recommendation to Council	
Key decision:	Yes
Executive lead member:	Councillor Ed Turner
Policy Framework:	The Council's Corporate Plan
Recommendations: The City Executive Board is asked to consider the outcome of the public consultation, agree the amendments to the Consultation Budget and recommend that Council resolves to:	
1.	<p>Approve the 2019-20 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:</p> <ul style="list-style-type: none"> a) the Council's General Fund Budget Requirement of £24.167 million for 2019/20 and an increase in the Band D Council Tax of 2.99% or £8.94 per annum representing a Band D Council Tax of £307.80 per annum b) the Housing Revenue Account budget for 2019/20 of £42.466 million and a reduction of 1% (£1.03/wk) in social dwelling rents from April 2019 giving a revised weekly average social rent of £102.26 as set out in Appendix 4 c) the General Fund and Housing Revenue Account Capital Programme as shown in Appendix 6.
2.	Agree the fees and charges shown in Appendix 7

3. **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 12-14 below.
4. **Ratify** their decision to implement the Premium Council Tax of 100% for properties that have been empty for more than 2 years and approve the escalated rate of premium council tax when permitted to do so. (Para 17-19)
5. **Agree** the transfer of property from the General Fund to the HRA as referred to in paragraph 35

Appendices

- Appendix 1** Summary of General Fund Budget by Service 2019-20 to 2022-23
- Appendix 2** General Fund Revenue Budget by Service 2019-20 to 2022-23
- Appendix 3** Detailed General Fund Service Budgets Bids and Savings Proposals 2019-20 to 2022-23
- Appendix 4** Housing Revenue *Account Budget 2019-20 to 2022-23*
- Appendix 5** Housing Revenue Account Rent by property type
- Appendix 6** General Fund and HRA Capital Programme 2019-20 to 2022-23
- Appendix 7** Fees and Charges
- Appendix 8** Risk Register
- Appendix 9** Equalities Impact Assessment
- Appendix 10** Budget Consultation

Comment from Councillor Ed Turner, Board Member for Finance and Asset Management

Once again, this Council budget is being framed in challenging times. Government grant is reducing to zero in 2019, interest rates remain low (and therefore affect the returns on council investments), and we are of course exposed to wider economic risks which might affect the local economy, investment income and commercial property.

However, we are once again proposing a **fully balanced four-year budget**, which **retains front-line services in full, continues to support the most vulnerable, including extra spending towards our aim of ending homelessness and support for the Oxford Living Wage**, and **includes £230 million of capital investment over the four-year period**.

At the heart of this decision is the “Oxford Model”, where, rather than choosing to outsource services, we instead “in-source” work to our excellent, wholly-owned company Oxford Direct Services Limited, from other public and private bodies. ODSL was established in April 2018, in order to allow for more such activity to be undertaken. Already next year, a “dividend” of over £1.5 million for Oxford City Council is projected from the organisation, which will enable front-line services to be supported. ODSL is requesting additional capital investment from the council in a range of modernisation activities, which will enable that projected dividend to increase to over £3 million per annum by 2022/23. Clearly the City Council, as the sole shareholder, will guide the company carefully and keep this projected

dividend under review, but we believe this distinctive approach shows the benefits of “insourcing” rather than “outsourcing” work and placing faith in the talents of council and ODSL staff. As part of this approach, we are also determined to ensure Council spend (and indeed the activity of the companies we own) is of wider benefit: assessment of social value will now be routinely included in procurement decisions, and of course our commitment to the Oxford Living Wage will be clearly communicated to potential partners.

There are other important areas to highlight:

- We intend continuing the Council Tax Reduction Scheme, in full, for those on low incomes;
- We propose additional promotion of the Oxford Living Wage towards local businesses and other organisations, as well as paying it to our own workforce;
- We propose an “accessability app” to make the city easier for people with a disability to use fully;
- We are confirming additional funding of £200,000 towards homelessness a year, as proposed in last year’s budget, to be implemented from April 2019, and leisure services will be made available for free to homeless pathway clients;
- We are reviewing how best to use the government’s welcome decision to lift the restriction on borrowing in the Housing Revenue Account, and how both this, and our local housing company Oxford City Housing Ltd., can help address the city’s housing shortage;
- There is no increase in park and ride charges;
- A “crèche” is to be trialled at Ferry Leisure Centre, and three drinking fountains will be installed in parks, to give users a better experience and reduce plastic waste.

It was noteworthy that there was strong support in the budget consultation for action to tackle rough sleeping, homelessness and the shortage of housing. **We propose to amend the budget to draw down some of our homelessness reserve to refurbish our building at Floyds Row and provide support and emergency accommodation for rough sleepers there, and we also propose amending our Housing Revenue Account budget to provide funding for the purchase of nine new properties “off plan”, for use as social housing.** In the coming months, we will undertake a major piece of work to assess how we can best utilise the potential of the newly-raised cap on Housing Revenue Account borrowing, whilst also deliver a return from our Local Housing Company.

Clearly, there are difficult decisions – for instance, we are proposing to phase out our subsidy to “Experience Oxfordshire” over the next three years, and there are modest increases in other charges. However, by being willing to prioritise, we are able to safeguard the front-line and in particular support the most vulnerable in Oxford.

Developing the “Oxford Model”, which places great faith in its staff, has drawn upon the expertise of officers across our organisation and in ODSL, and we remain grateful for their excellent efforts all year round. Together, we share an ambition to make Oxford a fairer, more equal, more sustainable city, and this budget sets out important steps in that direction.

INTRODUCTION

- 1 This report reflects the outcome of the consultation on the draft budget agreed by the City Executive Board at its meeting on 18th December 2018 as well as changes which have arisen since the consultation budget was published.
- 2 The consultation on the draft budget began on 19th December 2018 and ended on 31st January 2019. 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 2019-20

- 5 The Government published its Provisional Finance Settlement for 2019/20 on 13th December 2018. Following consultation which closed on 10th January 2019 the Government published the Final Settlement on 29th January 2019. There were no changes to the provisional settlement.

The key points included:

Additional Social Care Support

- The Autumn Budget committed £650 million more for social care for 2019 to 2020
- This includes £240 million towards easing winter care pressures on adult social care, with local authorities able to use the remaining £410 million on adults or children's social care, and, where necessary, to relieve demand on the NHS. This will principally impact on Oxfordshire County Council rather than our own local authority.

Business Rates Retention

- The government is aiming to increase the level of business rates retention from the current 50% to 75% from 2020 in a way that is fiscally neutral. It is also intending to implement reforms to the business rates retention system to ensure local councils have the levers and incentives they need to grow their local economies.
- Baseline funding levels and tariffs have been given for 2019-20 but no further information has been given for future years.

- A reset of the business rates retention system will take place in 2020/21. This will see NNDR Baselines adjusted to better reflect how much local authorities are actually collecting in business rates (the current ones are based on the amount collected in 2010/11 and 2011/12).
- At the same time the Government launched a consultation on the proposals which closes in early February

Business Rates Pilots

- The Government announced 15 areas which would part of a business rates pilot for 75% Business Rates retention from 2019-20. Oxford City together with other authorities in Oxfordshire had submitted a bid but unfortunately was unsuccessful.

Negative Revenue Support Grant

- The Government confirmed its stated intention not to implement its negative revenue support grant proposals that would have seen reduced Retained Business Rates for a number of local authorities including Oxford City.

Referendum level

- The referendum levels for 2019-20 remain unchanged. For district councils, increases of less than 3% or up to and including £5 (whichever is higher) above the authority's relevant basic amount of council tax for 2018/19 can be made without triggering a referendum.
- No information is given of likely levels beyond 2019-20.

New Homes Bonus

- The methodology for the calculation of New Homes Bonus for 2019-20 has remained the same and the threshold below which no grant is payable of 0.4% growth has been maintained. Provisional figures for 2019-20 have been given for Oxford City Council as £955,134, which is in line with the Consultation Budget.
- The current methodology allows for funding to continue for a period of 4 years. From 2020-21 the methodology for incentivising new house building will change with focus on the Housing Delivery Test. It is unclear whether legacy payments of New Homes Bonus will continue during this period and even less certain whether any incentive will be achieved by the Council.

Fairer Funding Review

- The government has published their consultation paper “Fair funding review: a review of relative needs and resources”. This paper is the next step in developing a new distribution methodology for the distribution of Local Authority funding. The paper builds on responses to its consultation paper in December 2017 on relative needs and introduces potential approaches to the measurement of relative resources.
- One area of concern relates to the Government’s proposals to include a notional figure for the loss of council tax income arising from the Councils Tax Reduction Scheme within its relative resources. In addition the consultation paper asks for views as to whether other revenues from fees and charges should also be taken into account when determining an authorities relative resources, although the Government indicates that it does not currently believe they should be, as such income streams are volatile.
- The consultation closes on 21st February 2019 and the City Council will be responding accordingly. **We will vigorously oppose measures which would penalise councils, like ourselves, who provide appropriate support to people on low incomes towards their council tax.**

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:

Table 1 : Settlement Funding Assessment 2019-20	
	2019/20
	£000's
Total SFA	5,864
of which	
Revenue Support Grant	-
Baseline Funding Level	6,159
Tariff adjustment *	(295)
Reduced/ (Increased) SFA on previous year	11.9

* 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. The Government have confirmed that this ‘negative RSG’ will be fully funded and will therefore not apply for 2019-20

Revenue Support Grant

- 7 There Provisional Finance Settlement confirms that the authority will receive no Revenue Support Grant from 2019-20.

Retained Business Rates

- 8 The Government has issued authorities with their Retained Business Rates Baseline Funding Levels for 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. There are no changes in tariffs to those previously advised and included within the Consultation Budget.
- 9 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 shown below but it should be noted that there can be substantial volatility around these figures:

Table 2 Change In Business Rates since Consultation Budget				
	2019/20	2020/21	2021/22	2022/23
		Est	Est	Est
	£000's	£000's	£000's	£000's
Consultation Budget	9,263	8,711	8,769	8,828
Finance Settlement	9,263	8,711	8,769	8,828
(Decrease)/ Increase	0	0	0	0
Tariff	29,900	30,800	31,700	32,600
Safety net threshold (92.5% baseline)	5,700	n/a	n/a	n/a

- 10 From 1/4/2020 there will be a re-basing of all the figures when the Government introduces 75% business rate retention.

Business Rates Distribution Group

- 11 It was announced in December that Oxfordshire's bid to be a business rates retention pilot was unsuccessful. As a result the Chief Finance Officers have agreed the formation of the West Oxfordshire Business Rates Pool for 2019-20 to be formed by Oxfordshire County Council and West Oxfordshire and Cherwell District Councils as in previous years.
- 12 The Pool's membership has been set to maximise its income for the good of Oxfordshire. It has 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. These authorities should form a Business Rates Distribution Group and benefit from a share of some of the growth on the Business Pool in exchange for taking on some of the risk of Pool losses not covered by the safety net.

- 13 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 and Asset Management once business rates estimates for 2019-20 are known for all Districts within Oxfordshire.

Council Tax Increase

- 14 The 2018-19 Finance Settlement allowed Councils to raise their Council Tax by an additional 1% in 2018/19 and 2019/20. For district councils, increases of less than 3% or up to and including £5 (whichever is higher) above the authority's relevant basic amount of Council Tax for 2018/19 can be made without triggering a referendum.
- 15 Within the Council's Consultation budget allowance was made for Council Tax increases of 2.99%.

Premium Council Tax Rate

- 16 Last year the government advised that the long term empty premium, payable on properties that have been empty for over two years could be increased from an additional 50% Council Tax to 100%. At Council in February 2017, as part of the budget setting process for 2017-18 members agreed to implement the premium council tax rate as soon as the legislation came into force.
- 17 The legislation was to form part of the Finance bill that fell due to the general election, but has been resurrected as part of the Autumn Statement 2018, and the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 has now passed Royal Assent.
- 18 Legislation to enable the Council to double the rate of tax on properties that have been empty for 2 years or more has now received Royal Assent and will be implemented on 1ST April 2019. CEB previously agreed to introduce such changes when it was legal to do so. The government has also introduced an amendment that allows councils to charge 200% of the council tax for properties empty from 5-10 years, and 300% if empty over 10 years with effect from April 2021.

New Homes Bonus

- 19 From 2018-19 New Homes Bonus (NHB) is paid each year for 4 years 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. Only growth above 0.4% in comparison to the previous year is paid.

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

Table 3 : New Homes Bonus Estimates				
New Homes Bonus	2019/20	2020/21	2021/22	2021/22
	£000's	£000's	£000's	£000's
Consultation Budget	954	760	427	413
Provisional Finance Settlement	962	760	427	413
(Increase)/ Decrease	(8)	-	-	-

- 21 The Government have confirmed that 2019-20 is the last year of the current methodology for allocation of New Homes Bonus and although there is talk about linking future incentives to the Housing Delivery Test this has yet to be confirmed. Provisional figures for 2019-20 have been given in the 2019-20 Provisional Finance Settlement and indicate a small increase on those provided in the consultation budget. Legacy payments for the 4 year period have been budgeted for although it is by no means certain that these will continue. 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.
- 22 **Homelessness**
 Within the Consultation Budget provision was made for spend of £1.34 million in 2019-20 on the provision of services for homeless and rough sleepers. This will be funded from sources including government grant notionally for this purpose, and the City Council's ongoing base budget provision of £200k for support for rough sleepers. Going forward the government grant is less certain and the Council will need to draw on its homelessness reserve which currently stands at £2.9 million if all existing services are to be maintained or developed. Whilst there will still be a balance in the reserve of around £1million assuming notional government grant continues at the end of Medium Term Financial Plan period, relying on the reserve to fund ongoing services would obviously be unsustainable and a decision will need to be made in the coming years as to what level of service can be maintained in the context of the Councils other priorities.
- 23 As part of the Council's commitment to no-one having to sleep outside on any night when the temperature falls below zero the Council is planning to increase its continuous winter provision for next year and proposes making available an additional £153k for 2019/2020 together with additional £59k of capital over the £125k provision already made. It will also continue to pursue grant funding for the service to make this a sustainable service for future years, as drawing on the reserve is not a sustainable long-term option..

Other Changes since the Consultation Budget

- 24 The changes on homelessness referred to above do not affect the Council's Net Budget Requirement since they are funded from reserves and there are no other changes to the Councils General Fund Budget compared to the Consultation Budget agreed in December 2018.

Summary of Changes to Medium Term Financial Strategy

- 25 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 2018, taking account of the changes highlighted above is shown below:

	2019/20	2020/21	2021/22	2022/23
	£000's	£000's	£000's	£000's
Net Expenditure per Consultation Budget	24,159	23,832	23,989	24,480
Additional transfer to/(from) working balances	8			
Net Budget Requirement	24,167	23,847	24,004	24,495
FUNDING				
Council Tax	(13,942)	(14,361)	(14,793)	(15,239)
Retained Business Rates (table 2)	(9,263)	(8,711)	(8,769)	(8,828)
New Homes Budget (includes table 3)	(962)	(760)	(427)	(413)
Total	(24,167)	(23,832)	(23,989)	(24,480)
Surplus/ (Deficit)	0	0	0	0

GENERAL FUND WORKING BALANCE				
Opening	3,904	4,139	3,847	3,508
Transferred to/(from)	235	(292)	(339)	-
Closing	4,139	3,847	3,508	3,508

Budget Consultation Results

26 The consultation concentrated on a number of key areas which are shown below. There were 54 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**
Most respondents agreed with the Council's approach to budget setting in terms of :
 - Stopping less important services- (49%)
 - Using our wholly owned company to deliver additional income (80%)
 - Working with other Councils where we can (91%)
- **Approach to Council Tax Setting**
Most respondents agreed on the councils approach to council tax setting
 - Increasing council tax by the maximum permitted (62%)
 - Freeze council tax and make cuts to frontline services (13%)
- **Service priorities**
Most respondents agreed with the Councils service priorities. The schemes with the most support were preventing homelessness followed by providing services for young people and providing more affordable housing, there was least support for enhancing our city centre although most responses to this question were neutral.
- **Capital Investment**
There was most support for purchasing homes for homeless families, followed by provision of grants for disabled adaptations, provision of waste recycling facilities and environmental improvements to council estates. There was least support for the pedestrianisation of Queen Street and the refurbishment of the museum.
- **Housing Revenue Account**
In terms of prioritising the HRA Capital Programme, 70% respondents agreed that building or acquiring affordable homes was the highest priority followed by maintaining the quality of existing homes.

Risk Implications

27 The main risks to the balanced position of the General Fund consultation budget (Appendix 8) are that:

- Adverse reaction of businesses and property to Brexit
- Homelessness reserve is exhausted at a faster rate than anticipated
- Failure of a partner in delivering services
- Variations of actual income and expenditure against budget especially in volatile areas such as income and property investments
- Pay negotiations are more than budgeted from April 2021 onwards
- Trading companies do not perform as well leading to reduced income to Council
- 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
- Company investments cannot be progressed

- Slippage in the capital programme adversely affects revenue savings and additional income in the MTFS

Section B Housing Revenue Account Budget

Issues arising since the publication of the consultation budget

- 28 The Council published its Consultation Budget on 18th December 2018 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.
- 29 Whilst there are no particular changes arising from the Consultation exercise there are some revisions the HRA budget which are detailed below:

	2019/20	2020/21	2021/22	2022/23
	£000's	£000's	£000's	£000's
Net surplus per Consultation Budget	(2,673)	(2,598)	(2,663)	(3,156)
Rent income reduction (1)	696	(696)	-	-
Support services (2)	171	171	171	171
Cyclical repairs (3)	460	460	460	460
Revenue contributions to fund capital (4)	850	2,200	-	-
Investment income (5)	4	11	24	30
Revised deficit /(surplus)	(492)	(452)	(2,008)	(2,495)

Notes

- (1) 2019-20 contains 53 weeks. The Council will charge 53 weeks' rent but will account for the 5 days income in the 53 week relating to income in 2020-21 as a one off adjustment.
- (2) Minor amendments to support service charges to the HRA (1.8% increase)

- (3) Recent best practice is to undertake testing to electrics in dwellings on a rolling 5 year cycle rather than the current 7. This adjustment provides the necessary resources for this to happen.
- (4) An opportunity has arisen to purchase 9 units of accommodation, off-plan. This offers the possibility for the Council to enter into a contract, to purchase the units on a “turn-key” basis at completion, for use as permanent social rented accommodation in the Housing Revenue Account. The units delivered would be included in the Oxfordshire Growth Deal and would therefore attract grant in the order of £500k. The payback on the scheme is long and net present value low although within acceptable parameters for social housing. Should the budget be approved then subject to successful negotiation, project approval will be sought from City Executive Board in March 2019.
- (5) Minor adjustments to investment interest on HRA cash as a result of the above changes

Housing Revenue Account Budget 2019/20 to 2022/23

- 30 Appendix 4 details the HRA Budget for the period 2019/20 to 2022/23 which is summarised below for the next four year period:

Table 6 :Housing Revenue Account 2019-20 to 2022-23

	<u>2019/20</u> £	<u>2020/21</u> £	<u>2021/22</u> £	<u>2022/23</u> £
<u>Income</u>				
Total Income	(42,466,429)	(44,122,502)	(44,505,273)	(45,605,973)
<u>Expenditure</u>				
Total Expenditure	41,174,587	41,508,656	42,561,102	43,201,634
Net Operating Expenditure	(1,291,842)	(2,613,846)	(1,944,171)	(2,404,339)
Revenue Contributions towards Capital	850,300	2,200,000	(0)	(0)
Investment Income	(50,343)	(38,143)	(63,843)	(91,243)
(Surplus)/Deficit for the Year	(491,885)	(451,989)	(2,008,014)	(2,495,582)
Balance/ BF	(4,941,000)	(5,432,885)	(5,884,875)	(7,892,889)
Balance c/f	(5,432,885)	(5,884,875)	(7,892,889)	(10,388,471)

Removal of the Debt Cap

- 31 The removal of the debt cap by the Government on 29th October 2018 has presented the Council with a number of options to facilitate the delivery of more affordable and social housing in the City. The Council is considering the financial

implications of undertaking further development in the HRA or using the Housing Company as the delivery vehicle with the social housing subsequently sold to the HRA. The decision will have a significant effect on the Councils HRA Business Plan, the Housing Company Business Plan and also the Councils MTFP. The conclusions and implications for the Council will be reported back to City Executive Board in April/ May.

Risk Implications

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

- 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

Section C Capital Programme

33 The Council's Draft Capital Programme for consultation amounted to over £230 million over the four year period 2019/20 to 2022/23.

34 Appendix 6 attached details the Council's Capital Programme for 2019/20 to 2022/23. The changes to the Consultation Budget reported in December 2018 are summarised in Table 7 below.

Table 7 Changes to Capital Programme 2019/20 to 2022/23 compared to Consultation Budget				
	2019/20	2020/21	2021/22	2022/23
	£000's	£000's	£000's	£000's
GENERAL FUND				
Consultation Budget Spend	56,514	41,437	42,450	19,871
Additional changes to Schemes				
Council website refresh	(89)			
Refurbishment of Floyds Row (1)	59			
54 Blackbird Leys Road (2)	239			
Additional cost Seacourt park and ride extension (8)	945			
Changes arising from monitoring				
Disabled facilities grants	518			
Clean Bus Technology grant (7)	732			
Westgate Public realm	(567)			

1-5 George Street	(500)			
Homeless properties	(2,500)			
Barton Park Phase 1 (4)	(741)	1,750		
Barton Park Phase 2 (4)		660	(424)	
Loans to Housing Company (4)	23,687	4,461	(23,335)	0
Motor Vehicles replacements	(404)			
Car park resurfacing	116			
Feasibility funds	26			
Total General Fund	78,035	48,308	18,691	27,165
HRA				
Consultation Budget Spend	17,769	16,803	8,263	8,721
Additional Schemes				
Property acquisitions (5)	500	2,700		
Structural improvements to Council dwellings	250	250	250	250
Electrics	100	100	100	100
Changes arising from monitoring				
Extensions and major adaptations	50			
Blackbird Leys Regen (6)	1,600			
Total HRA	20,269	19,853	8,613	9,071
Total Revised Programme	98,304	68,161	27,304	36,236

Notes

- (1) An additional amount above the existing £125k budget for the refurbishment costs of Floyds Row for homelessness winter provision
- (2) An empty property at 54 Blackbird Leys Road was originally purchased in the Councils General Fund for use for homeless families. Officers believe it is more suitable for social housing use within its HRA. This transfer of asset from General Fund to HRA will require Council approval.
- (3) Changes arising from monitoring – because the capital programme is subject to continuous monthly review there will inevitably be changes in the existing programme since the Consultation Budget was agreed in December 2018. The changes represent either slippage in schemes where the 2019-20 budget has been increased or in some circumstances increases in the 2018-19 budget where the 2019-20 budget has been decreased.

- (4) Loans to the Housing Company – There has been slippage in the development programme of the Housing Company which has given rise to the variations to the loans to the company in respect of Barton Park and other developments. The revenue implications of such slippage have been incorporated into the Councils revised Medium Term Financial Plan.
- (5) The increase in budget for property acquisitions is referred to in paragraph 30 of this report
- (6) Blackbird Leys Regeneration – The additional £1.6 million relates to slippage in the budgeted amount of £5.5 million included in the council's capital programme. The Council is currently in discussion with a development partner and the costs of the scheme are likely to change. This will be the subject of a further report.
- (7) In May 2018 CEB received a report on Government Grant that the Council had been awarded for £1.662 million in respect of retrofitting buses with clean bus technology. Approximately half the grant will be paid out in 2018-19 with the balance of £732 to be paid in 2019-20.
- (8) Seacourt Park and Ride- The currently approved budget for this scheme is £4.211 million and additional budget provision is required in the sum of £945k which if approved would take the total scheme envelope to £5.156 million. There are a number of reasons for this increase in cost of which the most significant is the substantial increases in building cost inflation since the setting of this budget several years ago; additional factors include adverse title issues requiring minor changes to the scheme, additional ground investigation works and additional costs arising from the impact of the Oxford Flood Alleviation Scheme (OFAS). The revised business case shows that with no increases in car-parking fees the payback period would be up to 30 years, but with an assumed modest increase in charges every four years, taking account of initial customer resistance to increased charges, then the payback period would be 20 years or less. This therefore still represents a sound investment for the City Council and also aligns with our objective of seeking to promote Park and Ride usage as an alternative to driving into the city centre.

Funding of the Capital Programme

35 The funding of the Capital Programme is shown in Table 8 below

Table 8 Capital Programme 2019/20 to 2022/23				
	2019/20	2020/21	2021/22	2022/23
	£000's	£000's	£000's	£000's
GENERAL FUND				
Capital Receipts	10,773	10,470	7,858	7,779
Revenue and reserves	6,369	5,795	2,675	2,294
Community Infrastructure Levy	6,675	2,060	60	0
Grants	4,239	2,015	1,524	1,604
Borrowing	49,979	27,968	6,574	15,488
TOTAL GENERAL FUND	78,035	48,308	18,691	27,165

HRA				
Major Repairs Reserve	10,325	14,484	6,254	6,658
Capital Receipts	2,249	2,300	2,359	2,413
Grants	0	500	0	0
Revenue Funding	850	2,200	0	0
Reserves	6,845	369	0	0
TOTAL HRA	20,269	19,853	8,613	9,071
TOTAL FUNDING	98,304	68,161	27,304	36,236

36 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

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

38 The Council lends 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.

39 Over the next 4 years loans from the Council are estimated to be in the region of £50million although this is significantly less than the £74 million previously assumed. Once the Council is clear on the way forward on future housing development, changes to the Housing Company Business Plan will be made accordingly.

Oxford West End Development (OXWED)

40 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 £11 million as its 50% share of the cost of purchasing land in 2015 and also more recently the land at Oxpens. The JV will shortly announce its Development Partner for the £200 million scheme which will feature a mixed housing and commercial quarter including office space and around 500 homes.

Oxford Direct Services

41 The Councils Budget makes provision for around £15 million of investment in the Councils wholly owned company Oxford Direct Services, for service transformation, new technology, additional vehicles and depot rationalisation. It is estimated that the company divided will increase over the 4 year period, delivering

an additional return to the Council of £1.2 million by the fourth year of the Medium Term Financial Plan.

Financial Implications

42 These are covered within the main body of the report

Legal Implications

43 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.

44 The Local Government Act 2000 states that it is the responsibility of the full council, on the recommendation of the executive to approve the budget and related council tax demand.

45 The Local Government Act 2003, section 25 requires the council's Section 151 Officer to report to the council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations. This will be done at Council in February 2019 when the Budget is approved.

46 Failure to set a legal budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.

Risk Implications

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

Equalities Impact Assessment

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

Report author	Nigel Kennedy
Job title	Head of Financial Services
Service area or department	Finance
Telephone	01865 252708
e-mail	nkennedy@oxford.gov.uk

Background Papers: None