

To: Cabinet: Date: 12 February 2020

To: Council Date: 13 February 2020

Report of: Head of Financial Services

Title of Report: Medium Term Financial Strategy 2021-22 to 2023-24 and 2020-21 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 2021-22 to 2023-24 and 2020-21 Budget for recommendation to Council

Key decision: Yes

Cabinet member: Councillor Ed Turner, Deputy Leader and Cabinet Member for Finance and Asset Management

Policy Framework: The budget is a Budget and Policy Framework document

Recommendations:

Cabinet is asked to consider the outcome of the public consultation, agree the amendments to the Consultation Budget and recommend that Council resolves to:

1. Approve the 2020-21 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:
 - (a) the Council's General Fund Budget Requirement of £24.183 million for 2020/21 and an increase in the Band D Council Tax of 1.99% or £6.13 per annum representing a Band D Council Tax of £313.92 per annum subject to confirmation of the referendum levels contained in paragraphs 5 and 6 of the report below.
 - (b) the Housing Revenue Account budget for 2020/21 of £44.455 million and an increase of 2.70% (£3.06/wk) in social dwelling rents from 1 April 2020 giving a revised weekly average social rent of £105.32 as set out in Appendix 5.
 - (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 Cabinet 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 13- 15 below.
4. Approve a loan facility of up to £500k for working capital to the Council's Joint Venture, Oxford West End Development (Oxwed) at terms to be agreed by the Council's Section 151 Officer as referred to in paragraph 37.
5. Approve the payment into the County Council Pension Fund of £5 million as referred to in the Consultation Budget and paragraph 21.
6. To note the changes to Business Rates reliefs and discounts for 2020-21 as referred to in paragraph 12.

Appendices to the report:

Appendix 1	Summary of General Fund Budget by Service 2020-21 to 2023-24
Appendix 2	General Fund Revenue Budget by Service 2020-21 to 2023-24
Appendix 3	Detailed General Fund Service Budgets Bids and Savings Proposals 2020-21 to 2023-24
Appendix 4	Housing Revenue Account Budget 2020-21 to 2023-24
Appendix 5	Housing Revenue Account Rent by property type
Appendix 6	General Fund and HRA Capital Programme 2020-21 to 2023-24
Appendix 7	Fees and Charges
Appendix 8	Risk Register
Appendix 9	Equalities Impact Assessment
Appendix 10	Budget Consultation

Comment from the portfolio holder for Finance and Assets, Cllr. Ed Turner

This budget details our spending plans for the next four years. As has been the case for the period since austerity was introduced in 2010, it has had to address multiple challenges. We no longer receive Revenue Support Grant from government (which was previously a key source of income). New Homes Bonus is being cut. We face a "fair funding review" (of local government finance), which despite the name is likely to reduce our level of resourcing, especially when added to the Governments planned re-basing of Business Rates. At the same time, the wider economic context presents its challenges: we are having to work harder to maintain and develop commercial property income, and low interest rates affect Council investments. All this happens in the context of growing pressures upon our services, best illustrated by the appalling growth in rough sleeping, fuelled by the austerity programme, which the budget increases resourcing to tackle. In addition, the City Council has committed to take a leadership role in responding to the climate emergency.

Our underlying philosophy in this budget remains the same as it has been in previous years: we want to make Oxford a fairer, more equal place to live. We want to pay our staff properly, avoid compulsory redundancies, and are committed to the Oxford Living Wage, which we will pay our own staff but also promote through our procurement

processes and through local leadership. We of course set a balanced budget – when we know about challenges, there is no sense in “kicking the can down the road”, and delaying difficult decisions would only make the situation worse. We want to avoid front-line service reductions. But this time, we have also refocused some priorities, to allow significant additional expenditure in two areas: rough sleeping, where we propose an extra £1.2 million per year expenditure, which has enabled the opening of our new facility to help homeless people at Floyds Row; and tackling the climate emergency, where we are taking important steps to put in place measures proposed by our Citizens’ Assembly, the first in the country on this issue. This includes an additional amount of £1.040 million of general fund revenue spend over the next 4 years, and an initial £18 million of capital spend over the same period - some of this was for schemes already in the pipeline. New schemes are expected to be identified following the completion of stock condition survey work across Council buildings and housing. We are also increasing our staffing to work with council tenants to reduce emissions and prevent fuel poverty. That comes on top of around £90 million of ongoing investment in a range of measures to address climate change across Oxford and the wider county that has already been leveraged through the City Council’s partnerships with others.

Underpinning these decisions is the Oxford Model, where we look to in-source work and deliver a benefit to the Council, rather than “outsourcing”. Over the four years of this budget and Medium Term Financial Strategy, we expect to receive dividends of £8.7 million from Oxford Direct Services and £11.997 million from Oxford City Housing Limited, our local housing company. These are vital in underpinning our services in other areas, but also provide valuable local services in their own right, while treating their staff with respect. To this we propose adding additional commercial property income, seeking to rebalance our portfolio so that it is less dominated by retail.

So amongst the key features in this budget are:

- Additional spending of around £1.2 million per year to tackle rough sleeping: nobody should be forced to sleep on the streets of Oxford;
- Investment to show real leadership in tackling the climate emergency: in total, over £17 million in new capital and £1 million in new revenue is proposed, covering areas ranging from local leadership, through to work with the County Council to reduce traffic congestion, to increased retrofitting of existing Council Housing stock, to electric vehicle charging, and a low carbon heating network. This is on top of around £90 million of other ongoing partnership funding leveraged.
- Extra work to improve the quality of private rented housing, with licensing introduced for family and single people’s accommodation, in addition to that already existing for Houses in Multiple Occupation;
- Investment in community centres, including new builds at Bullingdon and East Oxford;
- Continuing to provide full Council Tax Reduction (formerly Council Tax Benefit) to those on the lowest incomes, while making the system simpler for customers and those who administer the benefit;
- Preserving the City Council’s grants pot, which is of great benefit in a range of areas, from welfare benefits advice, to support to tackle isolation and loneliness, through to ensuring that culture is available to all;

- £136 million of investment in producing 620 new units of new council housing stock over the next four years
- Continued free swimming sessions available to all local young people, and an improving range of leisure facilities, including the new Horspath Sports Park
- Continued provision of the Youth Ambition Programme to support local young people, while increasing levels of support for such provision on council estates.

We have been grateful for feedback from the budget consultation, and welcome the support we have received, particularly for such things as youth work on council estates, and our ambitious agenda on the climate emergency. We are confident that this budget and Medium Term Financial Strategy will put the Council in a good position to meet its challenges in the forthcoming place, and make Oxford a fairer, more equal place to live, and one which reduces its carbon footprint in the interests of future generations.

Report Introduction

1. This report reflects the outcome of the consultation on the draft budget agreed by the Cabinet at its meeting on 19th December 2019 as well as changes which have arisen since the consultation budget was published.
2. The consultation on the draft budget began on 20th December 2019 and ended on 31 January 2020. The consultation document was available on the Council's website and also use was made of the Citizens' Panel.
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 2020-21

5. The Government published its Provisional Finance Settlement for 2020/21 on 20 December 2019. Following consultation which closed on 17 January 2020 the Government will publish the Final Settlement.
6. The key points included:
 - **Council Tax** – As previously announced at Spending Round 2019, the council tax referendum limit will be 2% for local authorities with social care authorities allowed a 2% social care precept. The provisional settlement confirmed districts will be allowed to apply the higher of the referendum limit or £5.

- **Business Rates Retention** – The three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff / Top Up amounts) have all increased by 1.63%, in line with the September 2019 CPI inflation figure.
- **New Homes Bonus** - The 2020/21 allocations have been announced. These will be paid with the legacy payments due from previous years (2017/18 to 2019/20). As previously announced, there will be no legacy payments for the 2020/21 in year allocations. The deadweight of 0.4% was maintained, with an additional £7m added from departmental resources (total funding of £907m).
- **Top Up/Tariff Adjustments (Negative RSG)** – As in previous years, the government has decided to eliminate the negative RSG amounts.
- **Social Care Funding** – Originally announced at Spending Round 2019, with further details provided in the technical consultation, the provisional settlement confirms the previously proposed national amounts and allocation methodologies.
- **Business Rates Pilots** – As expected, no new business rates pilots were announced for 2020/21, with all areas (aside) from the original 2017/18 pilot areas reverting back to the 50% scheme. The 2017/18 pilot areas are to remain at 100%, or 37% for the Greater London Authority.

Local Government Funding Reforms

7. There were no additional papers published or mentioned relating to the local government funding reforms that are planned for introduction from April 2021 (i.e. Fair Funding, 75% Business Rates Retention, the full reset of the business rates baselines or the potential Alternative Business Rates Retention System).

Settlement Funding Assessment (SFA)

8. 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 - 2021

Table 1: Settlement Funding Assessment 2019/20 - 2021		
	2020/21 £000's	2019/20 £000's
Total SFA	6,300	5,864
of which Revenue Support Grant	0	0
Baseline Funding Level	6,300	6,159
Tariff adjustment *	0	(295)
Increased SFA on previous year (%)	7.4	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

Retained Business Rates

9. The Government has issued authorities with their Retained Business Rates Baseline Funding Levels for 2020-21. 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.
10. 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

Table 2: Change In Business Rates since Consultation Budget				
	2020/21	2021/22	2022/23	2023/24
	£000's	Est	Est	Est
		£000's	£000's	£000's
Consultation Budget	8,979	7,274	7,371	7,464
Finance Settlement	9,165	7,335	7,303	7,260
(Decrease)/ Increase	186	61	(68)	(204)
Tariff	30,397	31,288	32,206	33,150
Safety net threshold (92.5% baseline)	5,820	5,950	6,082	6,217

11. From 1 April 2021 there will be a re-basing of all the figures when the Government introduces 75% business rate retention.

Changes to Rate Reliefs and Discounts for 2020-21

12. On Monday 27 January the Financial Secretary to the Treasury made a ministerial statement announcing additional business rate measures that will apply from 1 April 2020. The main highlights are :
- Level of retail discount increased from 33% to 50% for all eligible properties with a rateable value of less than £51k
 - Extension of retail discount to cinemas and music venues with a rateable value of less than £51k

- c) The extension of the £1,500 business rates discount for office space occupied by local newspapers will apply for an additional 5 years until 31 March 2025
- d) The pubs discount will provide a £1,000 discount to eligible pubs with a rateable value of less than £100,000 in 2020/21. This is in addition to the retail discount and will apply after the retail discount

Business Rates Distribution Group

- 13. The Chief Finance Officers have agreed the formation of the West Oxfordshire Business Rates Pool for 2020-21 to be formed by Oxfordshire County Council and West Oxfordshire and Cherwell District Councils as in previous years.
- 14. 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.
- 15. It is recommended that the decision to join the Business Rates Distribution Group is delegated to the Section 151 Officer in consultation with the Cabinet Member for Finance and Asset Management once business rates estimates for 2020-21 are known for all Districts within Oxfordshire.

Council Tax

- 16. The estimate of the tax base for 2020-21 presented to Audit and Governance on 9 January 2020 resulted in an increase of 34.44 band D equivalent properties to that used in the consultation budget resulting in a minimal increase in estimated council tax income as shown below.
- 17. Within the Council's Consultation budget allowance was made for Council Tax increases of 1.99%, which is below the amount of 2% at which a referendum would be required, as confirmed in the Provisional Finance Settlement:

Table 3 Change in Council Tax since Consultation Budget

Table 3 Change In Council Tax since Consultation Budget				
	2020/21	2021/22	2022/23	2023/24
	£000's	Est	Est	Est
		£000's	£000's	£000's
Consultation Budget	14,444	14,831	15,276	15,738
Finance Settlement	14,455	14,842	15,287	15,749
(Decrease)/ Increase	11	11	11	11

New Homes Bonus

18. The current methodology for the allocation of New Homes Bonus allows for the award to be given for 4 years. In addition from 2017 a national baseline for housing growth was set at 0.4%, below which no New Homes Bonus is payable. Within the 2020/21 Provisional Finance Settlement allocations have been announced that with some minor change confirms previous announcements. These will be paid with the legacy payments due from previous years (2017/18 to 2019/20). It is the Government's intention to withdraw the bonus from 1 April 2020 in favour of incentivisation based on the Housing Delivery Test (the percentage measurement of the number of net homes delivered against the number of homes required, as set out in the relevant strategic policies).
19. The amounts for Oxford City compared to the assumptions in the MTFs are shown in Table 4 below:

Table 4: New Homes Bonus Estimates

Table 4: New Homes Bonus Estimates				
New Homes Bonus	2020/21 £000's	2021/22 £000's	2021/22 £000's	2023/24 £000's
Consultation Budget	606	119	106	0
Provisional Finance Settlement	610	119	106	0
(Increase)/ Decrease	(4)	0	0	0

Homelessness

20. On 23 December 2019 the Government announced the level of Flexible Homelessness Support Grant and Homelessness Reduction Grant for 2020-21. For Oxford City the levels of these grants were £755k and £171k respectively. Within the Consultation Budget an assumption of £500k per annum over the life of the Medium Term Financial Strategy (MTFS) was made in respect of Flexible Homelessness Support Grant with no provision for Homelessness Reduction Grant, given that the expectation was that 2019-20 would have been the last year of payment. Announcements of these grants is only made one year in advance and even though these amounts are a welcome one-off additional amount over that budget of £426k there continues to be uncertainty in the level of these grants going forward which makes medium term planning difficult. It is worth also noting that the Council's bid for winter provision grant of £410k has still not been confirmed. Given the uncertainty around the levels of these grants it is proposed that this additional amount is transferred to the Homelessness Prevention earmarked reserve to protect the service from any future reduction in Government grant. It should be noted that the consultation budget proposes additional expenditure of around £1.2 million per year to tackle rough sleeping taking total gross spend on homelessness, including rough sleeping, commissioning, Floyds Row, temporary accommodation to around £7.4 million per annum representing 7.5% of the Council's Gross Service Expenditure.

Other Changes since the Consultation Budget

21. Since the consultation budget members have agreed to delete a £50k savings proposal in Housing Needs which would have reduced the Council's ability to bring empty homes back into use. Returning empty homes to occupation is seen as a key part of the Council's strategy to increase the availability of housing. The increase in expenditure as a result of the deletion in the saving will be found from the release of council resources to fund homelessness arising from the increased Government Flexible Homelessness Reduction Grant referred to in paragraph 20 above. There are no other changes to the Council's General Fund Budget compared to the Consultation Budget agreed in December 2019. Key assumptions include:

- **Zero Carbon Measures** - Included an additional £1.040 million of revenue spend over the next four years in addition to £18 million of capital expenditure over the same period.
- **Homelessness** - Additional revenue spend on homelessness of approximately £1.2 million per annum from 2022-23 taking gross homelessness spend to around £7.4 million per annum
- **Increased income** - £9.2 million over the 4 year period
- **Increased efficiencies** - £6 million are estimated for the 4 year period
- **New Expenditure** - £1.9 million over the next 4 years
- **Pay awards** – Inflationary increases over the 3 year period commencing 1 April 2021
- **Borrowing** – Allows for an additional £10million to finance borrowing to fund capital expenditure
- **Pension** – A £5million pre-payment into the Pension Fund to reduce the employers contribution rate over the next 5 years.
- **Working Balances** – Working balance returned to April 2020 level of £3.5 million by end of 4 year period.
- **Company Returns** – Dividends from Oxford Direct Services Ltd rise from £1.5 million to £2.8 million over the 4 year period. Interest from Oxford City Housing Ltd and other joint ventures increases from £1.4 million to £4.3 million per annum.

Summary of Changes to Medium Term Financial Strategy (MTFS)

22. The Council's General Fund MTFS 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 2019, taking account of the changes highlighted above is shown below:

Table 5: Summary General Fund Medium Term Financial Strategy 2020/21 to 2023/24

Table 5: Summary General Fund Medium Term Financial Strategy 2020/21 to 2023/24				
	2020/21	2021/22	2022/23	2023/24
	£000's	£000's	£000's	£000's
Net Expenditure per Consultation Budget	24,029	22,223	22,753	23,200
Additional homelessness reserves	(426)	-	-	-
Deletion of Housing Needs saving to preserve empty property reduction work	-	50	50	50
Additional transfer to/(from) working balances	154	23	(107)	(241)
Additional transfer to earmarked reserves	426	-	-	-
Net Budget Requirement	24,183	22,296	22,696	23,009
FUNDING				
Council Tax (Table 3)	14,407	14,842	15,287	15,749
Retained Business Rates (table 2)	9,165	7,335	7,303	7,260
New Homes Budget (includes table 4)	611	119	106	-
Total	24,183	22,296	22,686	23,009
Surplus/ (Deficit)	-	-	-	-

GENERAL FUND WORKING BALANCE				
Opening	3,855	4,246	4,343	4,907
Transferred to/(from)	391	97	564	(1,575)
Closing	4,246	4,343	4,907	3,332

Budget Consultation Results

23. The consultation concentrated on a number of key areas which are shown below. There were 160 responses were received. The results are shown in Appendix 10 with a summary shown below for each of the main areas:

- **Our Strategic Aims**

Respondents were asked whether they agreed with actions the Council is planning to undertake to meet our Strategic Aims.

- **Foster an inclusive economy**

- There was strongest support for supporting more local business including social enterprise and co-operatives (65%) creating more employment opportunities which help address inequality (58%) employers paying the Oxford Living Wage (59%)
- There was strong support for 'local organisations to adopt practices which support an inclusive economy and recognise social value implications of their business decisions
- There was least support for reducing congestion in the city centre (39%) and accessibility in the city centre and managing the effects of tourism (37%)

- **Deliver more, affordable housing**

- There was strongest support for working with housing associations for move- on accommodation from homeless hostels (54%)
- There was strong support for working with landlords to improve the energy efficiency of private rented properties (52%)
- There was least support for providing new housing on green belt (29%) and creating positive planning environment so developers view Oxford as a good place to build (29%)

- **Support flourishing communities**

- Most actions received strong support with the strongest support expressed for maintaining public open spaces (67%) closely followed by increasing the numbers of people who walk and cycle around the city (66%) and increasing the confidence of young people through the educational and recreational activities we offer (65%)
- There was least support for homelessness prevention although in reality only 27% strongly disagreed or disagreed.

- **Pursue a zero carbon Oxford**

- There was strongest support for businesses and other organisations in the city recycling more and producing less waste (69%) followed by increasing biodiversity and taking action to reducing carbon emissions (65%) and the Council taking steps to reduce its own carbon footprint (62%).

- There was least support for Oxford taking a lead role in the adoption of electric vehicles (21%) and making our open more spaces more greener with trees and plants (21%)
- **Budget issues**
 - There was strongest support to working with other councils to deliver projects (79%) and paying staff and encouraging other organisations to pay the Oxford Living Wage (78%), this was followed by support for the Councils commitment to £19 million of investment over the next 4 years to tackle climate change (71%)
 - There was least support for increasing council tax by 1.99% although this was only (19%)
- **Capital Investment**
 - There was strongest support for environmental improvements to council estates (76%) and for adapting properties for people with disabilities (76%)
 - There was strong support for improvements to council housing (73%)
 - There was least support for new council housing covered market although this was only 12% with only 7% of respondents strongly disagreeing
- **Council Housing**

Only 3 of the 160 respondents were council tenants so clearly this is not a representative sample of this group. From the 160 respondents:

 - There was strongest support for youth work on council estates (71%) followed by maintaining the quality of existing council homes (39%) and improving energy efficiency of existing homes (39%)
 - There was least support for estate re-generation to replace poor quality council housing (36%)

General Comments

24. A number of general comments were made by respondents with the main themes including :

- Satisfied with the overall aims of the council
- Strong support for measures to tackle climate change, but perhaps could do more
- Proud that Oxford had the first Citizens' Assembly
- Focus on housing and education
- More ambitious plans for zero emission zones and less plans called for in equal measure

Risk Implications

25. 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 major partner (for instance, a Leisure provider)
- 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
- Interest rates are higher than projected
- Company investments do not materialise
- 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

26. The Council published its Consultation Budget on 19th December 2019 including the Housing Revenue Account Budget. The budget for the Housing Revenue Account is as detailed in Appendix 4. Appendix 5 shows the effect of the 2.70% increase on council house rents in the city. Whilst the potential to increase rents to formula rent has been removed by Government through their recent rent setting policy, the Council will implement formula rent for all re-let void properties and any rent which is currently above formula.
27. Whilst there are no particular changes arising from the Consultation exercise there are some revisions the HRA budget which are detailed below:

Table 6: Changes to Housing Revenue Account 2020/21 to 2023/24

Table 6: Changes to Housing Revenue Account 2020/21 to 2023/24				
	2020/21	2021/22	2022/23	2023/24
	£000's	£000's	£000's	£000's
Net deficit/ (surplus) per Consultation Budget	(1,283)	(2,228)	3,021	1,071
Dwelling rent (1)	(8)	209	345	788
Management and services	15	(10)	-	-

Table 6: Changes to Housing Revenue Account 2020/21 to 2023/24				
	2020/21	2021/22	2022/23	2023/24
	£000's	£000's	£000's	£000's
Miscellaneous (2)	-	139	139	21
Repairs (3)	251	256	12	(47)
Interest paid (4)	50	1,254	(4,498)	(1,552)
Depreciation	-	(11)	(30)	(31)
Investment income	(18)	(79)	(146)	(93)
Revised deficit / (surplus)	(993)	(470)	(957)	157

Notes

- (1) Changes in numbers of affordable housing to be purchased from Oxford City Housing Limited, 644 units completed over the next 4 years and 1094 dwellings over the next 10 years.
- (2) Additional growth bid for energy and environmental team of £143k. The team currently has 2 members but was budgeted to reduce down to one. This will change the base budget to 2 permanent members and allow for 2 more on a fixed term for the current MTFP.
- (3) Increased programme of fencing repairs on council estates for 2 years
- (4) Since issue of the consultation budget there has been a re-profiling of the loans for the social housing purchases by the HRA. Instead of £215 million in the first 2 years of the plan, the purchases are now over a 4 year period. This reduces the amount of interest paid by the HRA over the 4 years as shown.

Key Assumptions

28. Key assumptions included in the budget include :

- **HRA working balance** remains at £3.5 million over the 4 year period
- **New dwellings** - 644 additional social dwellings purchased from the Housing Company over the next 4 years and debt increasing by £215 million with 1,094 over the next 10 years
- **Rent increase** for 2020-21 of 2.7% and continuation of formula rent for void re-lets
- **New Expenditure** - £743k over the 4 year period
- **Efficiencies** – Approximately £220k per annum
- **Inflation** - All the assumptions for inflation are the same as for the Council's General Fund.

Risk Implications

29. 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

30. The Council's Draft Capital Programme for consultation amounted to over £428 million over the four year period 2020/21 to 2023/24.

31. Appendix 6 attached details the Council's Capital Programme for 2020/21 to 2023/24. The changes to the Consultation Budget reported in December 2019 are summarised in Table 7 below.

Table 7 Changes to Capital Programme 2020/21 to 2023/24 compared to Consultation Budget

Table 7 Changes to Capital Programme 2020/21 to 2023/24 compared to Consultation Budget				
	2020/21	2021/22	2022/23	2023/24
	£000's	£000's	£000's	£000's
GENERAL FUND				
Consultation Budget Spend	97,721	68,656	27,392	34,591
Changes arising from monitoring				
Car Park Resurfacing	112			
R & D Feasibility Fund	(269)			
East Oxford Community Centre		84		
Total General Fund	97,564	68,740	27,392	34,591
HRA				
Consultation Budget Spend	47,163	41,128	53,647	56,732
Changes arising from monitoring				
Adjustment of budget to enable purchase of dwellings off plan in 2019-20 (1)	(3,000)			

Great Estates	350			
Barton Regeneration	400			
Total HRA	44,913	41,428	53,647	56,732
Total Revised Programme	142,477	110,168	81,039	91,323

Notes

- (1) Cabinet on 22-1-2020 made a recommendation to Council to adjust the budget by £3 million to enable the purchase of off plan dwellings in 2019-20 in order to ensure the use of retained right to buy receipts.

Funding of the Capital Programme

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

Table 8 Capital Programme Financing 2020/21 to 2023/24

Table 8 Capital Programme Financing 2020/21 to 2023/24				
	2020/21	2021/22	2022/23	2023/24
	£000's	£000's	£000's	£000's
GENERAL FUND				
Capital Receipts	12,973	6,999	7,173	7,314
Revenue and reserves	5,998	3,843	2,869	3,804
Community Infrastructure Levy	3,806	520	60	60
Grants	3,302	6,726	1,804	1,200
Borrowing	71,485	50,652	15,486	22,213
TOTAL GENERAL FUND	97,564	68,740	27,392	34,591
HRA				
Major Repairs Reserve	3,674	20,915	4,079	1,760
Capital Receipts	22,428	7,491	4,328	4,872
Grants	2,685	5,100	5,240	4,900
Revenue Funding	750			
Borrowing	15,376	7,922	40,000	45,200
TOTAL HRA	44,913	41,428	53,647	56,732
TOTAL FUNDING	142,477	110,168	81,039	91,323

- 33 The main risks to the Capital Programme are set out in Appendix 8 and summarised below:
- Right to buy disposals as detailed in the assumptions are not as forecast causing a shortfall in funding of schemes
 - Slippage in Capital Programme and impact on delivery of priorities
 - Robustness of estimates
 - Increased interest which make borrowing to fund programme unaffordable

Housing Company

33. In March 2016 the Council approved the establishment of a Local Authority housing company and the company was incorporated in June 2016.
34. 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 over predetermined loan periods.
35. At the end of the 4 year period loans outstanding to the Council will be approximately £126 million with returns to the Council estimated at around £4.3 million per annum.

Oxford West End Development (OXWED)

36. 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 totalling £11 million as its 50% share of the cost of purchasing land in 2015 and also more recently the land at Oxpens. The JV is currently seeking a Development Partner for the £200 million scheme which will feature a mixed housing and commercial quarter including office space and around 500 homes.
37. In addition to development loans the Council has also invested £100k in working capital loans into the Joint Venture. Latest cash flow projections indicate another £500k will be required to take the project to the next stage. A recommendation is contained within this report to give approval for a facility of up to this amount on terms agreed by the Councils Section 151 Officer.

Oxford Direct Services

38. The Council's Budget makes provision for around £18 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 dividend 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.

Implications

Financial Implications

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

Legal Implications

- 40. 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.
- 41. 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.
- 42. 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.
- 43. 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

- 44. 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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Background Papers:	
1	None