

**To:** Cabinet  
**Date:** 9 December 2020

**Report of:** Head of Financial Services

**Title of Report:** Medium Term Financial Strategy 2022-23 to 2024-25 and 2021-22 Budget for Consultation.

## Summary and Recommendations

**Purpose of report:** To propose a Medium Term Financial Strategy and the 2021/22 Budget for consultation

**Key decision:** Yes

**Cabinet member:** Councillor Ed Turner, Finance & Asset Management

**Policy Framework:** Council Strategy 2020-24

**Recommendations:** That Cabinet resolves to:

- 1) **Approve** the 2021-22 General Fund and Housing Revenue Account budgets for consultation and the General Fund and Housing Revenue Account Medium Term Financial Strategy as set out in Appendices 1-9, noting :
  - a) the Council's General Fund Budget Requirement of £23.403 million for 2021/22 and an increase in the Band D Council Tax of 1.99% or £6.25 per annum representing a Band D Council Tax of £320.17 per annum subject to confirmation of the referendum levels contained in paragraph 9 (c) of the report
  - b) the Housing Revenue Account budget for 2021/22 of £46.649 million and an increase of 1.50% (£1.57 per week) in social dwelling rents from 1 April 2021 giving a revised weekly average social rent of £107.03 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 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 32-33 of the report;
- 4) **Approve** the payment into the County Council Pension Fund of £5 million in 2023-24 as referred to in paragraph 40 of the report; and
- 5) **Unpause** capital schemes and items of revenue spend previously paused as referred to in paragraphs 55 and 94 of the report

### **Appendices to the report**

- Appendix 1 Summary of General Fund Budget by Service 2021-22 to 2024-25
- Appendix 2 General Fund Revenue Budget by Service 2021-22 to 2024-25
- Appendix 3 Detailed General Fund and HRA Service Budgets 2021-22 to 2024-25
- Appendix 4 Housing Revenue Account Budget 2021-22 to 2024-25
- Appendix 5 Council House Rents By Estate
- Appendix 6 General Fund and HRA Capital Programme 2021-22 to 2024-25
- Appendix 7 Fees and charges
- Appendix 8 Risk Register
- Appendix 9 Draft Equalities Impact Assessment

### **Comment from the Portfolio holder**

When we set a balanced four year budget, with significant investment in the Council's priorities, at our meeting – in our Council chamber – in February 2020, we had no idea of the appalling year which lay ahead. The COVID 19 pandemic has had a profound impact on our city, our country and our world. First and foremost, the health impacts have been terrible, and we mourn those who have lost their lives or otherwise suffered. The economic impacts of the pandemic have already been severe: firms have seen trade grind to a halt or even collapse, and many people have lost their jobs. The impacts on the City Council have also been very severe, with a combination of addition expenditure needed to support those in need, but also sharp reductions in income. Indeed, Oxford City Council has been particularly exposed because it has, in recent years, sought to increase external income from a variety of sources, including its wholly owned companies, in order to avoid making cuts to frontline services – our "Oxford model". Precisely those external income flows have been badly affected by COVID-19. At the same time, we should put on record our tremendous gratitude to all who have worked to help our communities get through and recover from the pandemic: these include those working in the NHS, frontline workers, for instance in retail, logistics and transport, those working on the development of vaccines, the thousands in our City who have volunteered to assist those in need, and our entire City Council workforce, who have gone the extra mile to support people, often changing their way of working almost overnight and balancing work alongside other challenges.

What we have sought to do in this budget is mitigate the impact of COVID-19 on services, especially for the most vulnerable. Because the combined negative impact is

expected to be around £29 million this year and over the following four years, that has not been an easy task. Government support of around £8 million to date has been welcome, but it does not go anywhere near balancing out all losses due to COVID-19, and we will continue to lobby for more. We have looked to learn some of the lessons from the pandemic in order to operate more efficiently, and with that in mind propose major savings from going “cashless” and reducing our office space. We are also seeking to reorganise services to make them work more efficiently and deliver a saving. No more refreshments will be served at council meetings, and councillors can, if they wish, bring their own. We are meeting many of the one-off costs of COVID-19 by spending approximately £11 million of our £40 million in reserves and balances. It should be noted, however, this is not “free money”: these funds were either earmarked for particular purposes that will now have to be funded differently, or were invested to generate a revenue return.

It has not been possible to avoid unwelcome proposals entirely. For instance, we are suggesting introducing a new charge for the collection of bulky items of waste for the first time – most local authorities have done this for many years, but the free service in Oxford has been appreciated and we regret needing to propose this change. Similarly, we will now need to ask all recipients of the garden waste service to pay towards its provision. But we have tried very hard to retain our emphasis on preserving frontline services, especially for the most vulnerable. For instance, we continue to maintain full council tax support for those on the lowest incomes – one of very few councils still to do so. Our acclaimed youth ambition programme will continue, we retain full funding for the redevelopment of the East Oxford and Bullingdon Community Centres, and are “unpausing” these so that the projects can go ahead. We are also reinstating funding for our vital work on climate change, to make us a net-zero Council. We are setting aside significant additional funding for our leisure services, recognising this may be needed because of the impacts of the pandemic. We will retain our investment in Oxford’s city centre, for instance budgeting for £2.2 million investment in our Covered Market.

Our two wholly-owned companies are a big part of our “Oxford model”. Oxford Direct Services has been severely affected by COVID 1-19, but still aims to deliver £12 million in dividends over the next four years. In the next four years Oxford City Housing Limited is being funded to deliver 955 homes including 606 council homes, and make payments of interest and dividends to the City Council totalling £25 million over the next four years. Moreover, we have set aside £10.3 million in our Housing Revenue Account over the next four years (the money we receive from our council tenants’ rents) to invest in improving the energy efficiency of our housing stock, and the wider regeneration of our housing estates.

This has been a dreadful year for many people. Our aim is to play a full part in supporting Oxford’s recovery. We would welcome feedback in our budget consultation on our attempts, set out in this budget and Medium Term Financial Strategy, to get that to happen.

## INTRODUCTION

1. This report sets out the Council's Medium Term Financial Strategy (MTFS) and associated spending plans for the four years 2021/22 to 2024/25 and gives interested parties the opportunity to comment and be consulted on the Council's budget proposals for the financial year (2021/22). The report covers all aspects of the Council's spend: General Fund revenue expenditure funded by the council tax payer, government grant and other sources of income, Housing Revenue Account (HRA) expenditure, funded by council tenants' rents, and the Council's Capital Programmes (General Fund and HRA) funded by capital receipts, revenue and borrowing.
2. The proposed Medium Term Financial Strategy:
  - a) Is financially balanced over the four year period with the use of £11.6 million of earmarked reserves and balances which are reimbursed to some extent by a dividend payment from Oxford City Housing Ltd (OCHL) of around £5 million in 2024-25.
  - b) Assumes New Homes Bonus is used to finance the Capital Programme until the receipt of New Homes Bonus ends in 2022-23
  - c) Assumes a council tax increase of 1.99% for 2021-22 and annual Council Tax increases of 1.99% thereafter, the maximum rate at which there is no requirement for a referendum
  - d) Assumes an increase in council house rents of 1.50% in 2021-22 to an average of £107.03 per week
  - e) Includes £9.57 million of efficiencies and increased income over the four year period with an ongoing increase of £2.77 million split between efficiencies and income onwards from 2024-25 onwards ;
  - f) Includes additional spend on reducing carbon emissions over the next four years of over £700k together with £50 million to be spent in the next 10 years to be spent on efficiency measures to our council housing stock towards the Council's target of 95% of the stock being EPC 'C' or above by 2030.
  - g) Includes additional ongoing investment into tackling homelessness of £1.5 million including the opening of a new assessment centre and shelter for people sleeping rough at 1, Floyds Row
  - h) Facilitates capital investment of £609 million over the four year period including:
    - Regeneration in the city and commercial property purchases of around £53 million
    - Investment in infrastructure of around £14 million to drive additional income streams from Oxford Direct Services Ltd (ODSL)
    - Continued provision of loans to (OCHL) totalling £75 million for the acquisition of houses at Barton, minor extensions, acquisitions from the HRA and new house build
    - £178 million of affordable housing purchases by the HRA in the next four years and £393 million gross spend on the purchase of 1,119 social housing units in the HRA over the next 10 years
    - Provision for an additional £50 million on climate change works and regeneration of Council housing over the next 10 years

- Community Centre new build and refurbishment at East Oxford and Bullingdon
- Improvements and refurbishments to council dwellings and regeneration of council estates

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

**Section A Economic context, our priorities and budget setting strategy**

**Section B General Fund Revenue Budget**

**Section C Housing Revenue Account (HRA) Budget**

**Section D Capital Programme**

**Section A Background and Context**

**Background**

4. This report sets out the Council's financial plans for the period 2021/22 to 2024/25. The plans make assumptions about income from Government grants, Council Tax and rents. The plans underpin service provision and the Council's vision of "Building a World Class City for Everyone".

**Effect of COVID 19**

5. On the 23<sup>rd</sup> March 2020 the Prime Minister announced a lock down in the UK to combat the threat of infection from COVID 19. The following period had seen great disruption to the country's health, economy and social interaction, and has also seen a major impact on the finances of Oxford City Council. The overall adverse impact on the City Council's general fund, in this year alone, is estimated at around £11 million.

**National Economic Position**

- 6) This Government's response to COVID 19 in terms of financial support to business, individuals and public sector bodies has been unprecedented. By the end of September 2020, half way through the financial year cumulative net borrowing by the Government (PSNB) the difference between expenditure and income had reached £208 billion, following a rise of £36 billion in September. This budgeted deficit is £174.5 billion up on the position in September 2019.
- 7) Government has undertaken around 190 measures in response to the crisis including emergency job support, additional NHS funding and business grants. Specific schemes introduced at the national level include :
- a) a Coronavirus Job Retention Scheme with payments to employers ranging from 60 -80% of earnings subject to a cap, which was due to finish on 1<sup>st</sup> November 2020 but has recently been extended until March 2021. The authority furloughed a number of staff, up to 50 at one point and is expected to receive grant of up to £180k
  - b) Self-employed income support scheme (SEIS)

- c) deferring VAT and Income Tax payments
  - d) a Statutory Sick Pay relief package for small and medium sized businesses (SMEs)
  - e) a 12-month business rates holiday for all retail, hospitality, leisure and nursery businesses in England
  - f) small business grant funding of £10,000 for all business in receipt of small business rate relief or rural rate relief
  - g) grant funding of up to £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000
  - h) the HMRC Time To Pay Scheme
  - i) the Coronavirus Business Interruption Loan Scheme offering Government guaranteed loans of up to £5 million for SMEs through the British Business Bank (“**CBILS**”)
  - j) a new lending facility from the Bank of England under its Covid 19 Corporate Financing Facility to help support liquidity among larger firms (“**CCFF**”)
- 8) More specifically COVID 19 funding allocations to date for local Government has been provided in the form of :

#### **Grants issued to fund city council services**

- a) **Unringfenced emergency funding allocations** totaling £4.5 bn provided in four tranches and allocated on a range of formula taking account of needs and also acknowledging income pressures in local authorities. Income received by the Council to date from this source totals £2.465 million
- b) **Compensation for irrecoverable and unavoidable losses from sales fees and charges** income generated in the delivery of services in the financial year 2020-21. The scheme is based on compensation of 75% of lost income in 2020-21 above a 5% threshold. Subject to a claim form process the compensation for Oxford City based on current forecasts of income losses for 2020-21 is estimated to be around £5 million.
- c) **Hardship Fund** - £500million to enable local authorities to provide further council tax relief to vulnerable families affected by COVID 19 provided as a discount recommended by the Government of up to £150 per family against the council tax liability. The Council has received £1.156 million from this grant
- d) **Test and Trace payments** – Allocations from the Department of Health and Social Care to district Councils consisting of £25 million for payments excluding discretionary payments, £10 million for administration costs and £15 million for discretionary payments with Oxford City’s allocation being £63.5k, £29.5k and £38k respectively.
- e) **Rough Sleeping / Homelessness Funding** totaling £3.2 million of which the Council received £32k. The County Council has also agreed to contribute £300k from their COVID 19 funds recognizing the work undertaken by Oxford City in this area.
- f) **Homelessness ‘Protect programme’** a £13 million allocation of which Oxford City will receive £140k to support the ongoing efforts to provide accommodation for rough sleepers during the pandemic. This scheme – called the ‘Protect Programme’ – will help areas that need additional support most during the restrictions and throughout winter

- g) **Local authority Emergency Assistance Grant for Food and Essential Supplies** is paid to unitary authorities and shire county councils for local authorities in England to use to support people who are struggling to afford food and other essentials due to COVID-19. Oxfordshire County Council received £507k with the share agreed to be allocated to Oxford City Council of £145k calculated on the basis of population and the Index of Multiple Deprivation.
- h) **Compliance and Enforcement Grant - £60 million split equally between Police and local authorities** to be used for the deployment of COVID-19 secure marshals, or their equivalents, to support compliance. The Councils share is £76,173
- i) **Support to Clinically Extremely Vulnerable** – paid to upper tier authorities for the duration of the latest 28 days lock down, based on £14.60 per head for each patient on the Shielded Patient List. It is understood that of 21,000 individuals on this list around 4,000 are in Oxford City and therefore the Council should receive around £60,000 from this support
- j) **Leisure centres** - £100 million funding to help local authorities keep leisure centres open with all local authorities receiving a minimum of £100k. Oxford's allocation is yet to be confirmed.
- k) **Re-Opening Streets safely fund** of £50 million of which Oxford City received £134k.

#### **Grants issued to other organisations**

- l) **Adult social care Infection Control Funding – Tranche 1-2** – £1.146 bn to support adult social care providers, including those with whom the local authority does not have a contract, to reduce the rate of COVID-19 transmission within and between care settings, in particular by helping to reduce the need for staff movements between sites. This grant has been paid to unitaries and County Councils with Oxfordshire County Council receiving £7.3 million
- m) **Test and Trace Service Support Grant** – £300 million distributed to local authorities from the Department of Health and Social Care to help plan for local outbreaks of COVID 19 of which £2.858 million has been issued to Oxfordshire.
- n) **Contain Outbreak Management Fund** - Upper tier councils in England will receive a one-off payment of £8 per head, worth £465 million overall (including a £20 million supplementary fund), to support local test, trace and contain activities as well as wider measures to protect public health and local economies
- o) **COVID 19 Winter grants** - £170million issued to upper tier authorities 80% of which will be used to help families pay for food bills and provide for children over the holiday period. £1.3 million issued to Oxfordshire County Council
- p) **Active Travel Fund** - £175 million issued to local authorities to encourage cycling and walking. Two tranches have already been issued and Oxfordshire County Council have received a total of £3.280 million

#### **Grants issued to billing authorities for payment to local businesses**

In response to the coronavirus pandemic, the Government announced that it would increase the Business Rates Retail Discount previously agreed for 2019-20 and 2020-21 to 100% and extend it to include the leisure and hospitality sectors. In later announcements, responding to additional measures to limit the spread of coronavirus, the Government announced that this 'Retail' discount would be

extended so that retail, leisure, and hospitality properties that closed as a result of the restrictions, were now eligible for the relief from 2020-21 onwards, with no restriction on the rateable value limit, eligible for the relief.

These grants included :

- q) **Business support grants for businesses in retail hospitality and leisure** with a rateable value of less than £51k.
- r) **Discretionary grant for businesses excluded from the above –**

Balancing the need to identify fraudulent and in doing so protect the public purse, as opposed to the Governments call to simply make swift payment to any business that applied for the grant, and using Companies House, numerous phone calls and Councillors to identify eligible claimants, the Council made payments of the following :

<b>Table 1: Business Grants Paid 2020-21</b>				
Grant	Allocation £m's	Amount Paid £m's	Nos of Businesses Paid	Rejected applications
Business Support Grants	25.3	25.2	1,568	558
Discretionary Business Support Grant	1.4	1.4	233	302

### **Government Local Restrictions Grant**

More recently the Government has issued grants to provide businesses with financial support during 3 tier system of local restrictions and also the national lock restrictions as follows :

- s) **Local Restrictions Support Grant (closed) or LRSG(C)** -This is a mandatory grant for businesses that have a rateable value for businesses closed due to local or national restrictions. During this period a single grant to cover the four-week period will be paid to each eligible business. The Council have been awarded £3.4million to pay to businesses
- t) **Additional restrictions grant** -The Government will provide one-off funding of £1.1 billion to councils in England, distributed on the basis of £20 per head of population (ONS 2019 Mid-Year Population Estimates), to enable councils to support businesses over the coming months more broadly, who are a key part of the local economy. The total allocation for the Council is £3,049,140 and will initially cover the national lockdown four week period and will be available to Oxford businesses in the retail, hospitality, leisure, accommodation or night-time economy sectors that do not have a rateable value but whose business has been severely impacted by the lockdown.



- u) **Local Restrictions Support Grant (Open) (Grants provision prior to 5<sup>th</sup> November 2020) LRSG (Open)** - Local authorities in Local Covid Alert Level (LCAL) High (Tier 2) in any period from 1st August – 4th November will receive an allocation to pay Local Restrictions Support Grant (Open) grants for the period they spent in this tier. This funding allows each Local Authority to run a discretionary grant scheme to support those businesses (in the hospitality, accommodation and leisure sectors) impacted by the LCAL High restrictions. For the five days that the city was in Tier 2 the allocation has been confirmed as £137,828.
- v) **Local Restriction Support Grant (Sector) LRSG (Sector)** - Businesses that were required to close on 23<sup>rd</sup> March 2020 and which have never been able to re-open (for example nightclubs) will be paid grants of up to £1,500, depending on the rateable value, for every two week period that they have to remain closed. The Council has not yet been notified of the grant entitlement.

## Spending Review 2020

9. On 24<sup>th</sup> November 2020 the Chancellor announced details of the Government Spending Review. This is a one year review for 2021-22 only and contains the following significant points effecting local authorities
  - a) In relation to national pay bargaining public sector pay increases are paused for one year except for NHS staff and public sector employees on low pay. Those employees on less than £24k per annum will receive a pay increase of £250
  - b) Core spending power i.e the Governments assessment of increased income to local authorities is reported to have increased by 4.5% (£2.2 bn) in reality at individual local authority level this percentage increase will be a lot less. This calculation relates to items (c) to (k) below
  - c) The referendum threshold for increases in council tax will be 2% in 2021/22. District Council have in the past few years been able to increase Council tax by up to 2% or £5 whichever is the higher. For district councils the referendum level is exceeded if council tax is to be increased by 2% or more and more than £5.00 on a Band D property – i.e. an increase of more than 2% is permitted as long as it does not exceed £5.00 on a Band D property. Oxford City is proposing an increase of 1.99% since the increase at that level is £6.25 per annum. It is assumed that these principles will be applied for 2021-22
  - d) Social care authorities will be able to charge an adult social care precept of up to 3%
  - e) £300 million of new grant funding for adult and children’s social care, in addition to the £1bn announced at SR19 that is being maintained in 2021/22
  - f) Maintaining the existing New Homes Bonus scheme for a further year with no new legacy payments. The scheme will be changed in 2022-23 subject to a consultation although no further details are given. For Oxford City this has been assumed in the budget at £395k in 2021-22.
  - g) There will be £16m to support modernisation of local authorities’ cyber security systems
  - h) £0.8bn of funding for tax revenue losses; this is intended to cover 75% of irrecoverable loss of council tax and business rates revenues in 2020/21 that

would otherwise need to be funded through local authority budgets in 2021/22 and later years (i.e. collection fund deficits being dispersed).

- i) Extending the existing COVID-19 sales, fees and charges reimbursement scheme for a further three months until the end of June 2021
- j) £254m for rough sleepers and those at risk of homelessness during COVID-19
- k) Business rates multiplier for 2021-22 will not be increased and there is no update on Business Rates Funding Reform, which is still listed as ‘delayed’, with no revised implementation date proposed. There is confirmation that there will not be a reset in 2021/22, as expected, given the lack of data to allow baselines to be set, which are reflective of the impact of the pandemic.

## Interest Rate Forecasts

10. Link Asset Management, the Councils Treasury advisors, have given their view on interest rate forecasts as shown below:

**Table 2: Interest rate forecasts from December 2020 to March 2023**

Link Group Interest Rate View										
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month average earnings	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
6 Month LIBID	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
12 Month LIBID	0.20	0.20	0.20	0.20	0.20	0.20	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

11. The interest rate forecasts above are predicated on an assumption of an agreement being reached on trade negotiations between the UK and the EU by 31<sup>st</sup> December 2020 and the Public Works Loans Board (PWLB) rates are based on PWLB certainty rates for non-HRA borrowing. Uncertainties in the economy arising from the COVID-19 pandemic could also affect these forecasts.
12. The Bank of England base rate reduced from 0.75% to 0.25% on 11<sup>th</sup> March 2020 and then subsequently to 0.10% on 19<sup>th</sup> March 2020. The Bank of England’s Monetary Policy Committee kept the Bank base rate unchanged on 6<sup>th</sup> August and subsequently on 16<sup>th</sup> September 2020. It also kept the level of quantitative easing (QE) unchanged at £745bn and also indicated that there would not be any use of negative interest rates in, at least, the next six months while the Bank carries out research work with high street banks on the potential impact on them of negative rates. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also stated that it has “other instruments available”, including QE and the use of forward guidance.

## Public Works Loans Board (PWLB) Borrowing Rates

13. On 9 October 2019 HM Treasury announced that with immediate effect it was increasing its PWLB borrowing rates. In a statement it reported that “Some local authorities have substantially increased their use of the PWLB in recent months, as the cost of borrowing has fallen to record lows. HM Treasury is therefore restoring interest rates to levels available in 2018, by increasing the margin that applies to new loans from the PWLB by 100bps (one percentage point) on top of usual lending terms.”
14. The Chancellor’s Budget on 11 March 2020 announced a consultation on the use of the PWLB which was released on 12<sup>th</sup> March 2020. The intent of the changes is to counteract the use of PWLB borrowing to fund commercial activities. The announcement included:
  - a) The consultation on revising the terms of PWLB lending (both the process and the interest rate), to ensure local authorities continue to use the PWLB to invest in housing, infrastructure and front-line services and not in commercial activities.
  - b) Cutting the PWLB rate from Gilts +1.80% to Gilts + 0.80% for social housing projects (i.e. the PWLB Certainty Rate pre-October 2019), so HRA loans are available immediately.
  - c) Making an extra £1.15bn of discounted loans available for local infrastructure projects (at gilts + 0.60%); and
  - d) The Government will also re-set its power to increase the PWLB lending limit.
15. The consultation closed (following an extension of the original deadline) on 31<sup>st</sup> July 2020 and on 25<sup>th</sup> November 2020 the Government produced their response. Within their response they have immediately cut the PWLB lending rates by 1%
16. These new terms will apply to all loans arranged from 9am on 26 November 2020. The consultation did raise the concern that if the Council is deemed to be using any amount of PWLB to fund the purchase of assets purely for financial gain then it would be prevented from using this facility to fund any activity within its capital programme for the year in which the activity takes place. Guidance will be provided to support Local Authorities to determine if a proposed project is an appropriate use of PWLB loans. Details will be published on the Debt Management Office website and officers will need to determine the implications on the Councils Investment Strategy and will bring back any proposed revisions to both this strategy and the Capital Strategy when it is reported back to Cabinet and Council in February in 2021.

## Inflation and GDP

17. Information on inflation and GDP was published alongside the Spending Review included the following :

	2020/21	2021/22	2022/23	2023/24	2024/25
CPI	0.6	1.4	1.6	1.8	1.9
RPI	1.1	1.4	1.8	2.7	3
GDF Growth forecasts (%)	-12.9	10.4	5	1.9	1.7

## Corporate Priorities

18. As in previous year the Cabinet will set a consultation budget in December with a view to presenting a final budget taking account of the results of this consultation to Cabinet and Council in February 2021 in line with its key corporate priorities approved at Cabinet in February 2020 of:
- a) **Enable an inclusive economy**, key deliverables include:
    - The Council's staff are skilled and confident in delivering services our residents want and the workforce as a whole better reflects Oxford's diverse population
    - The Council's supply chain supports more local businesses, including social enterprises and cooperatives, promoting wider benefits to the local economy
  - b) **Deliver more, affordable housing**, key deliverables include
    - The Council has increased the supply of high quality, energy efficient housing with a balanced mix of homes for sale and to rent at different price points
    - The Council's Blackbird Leys regeneration delivers high quality homes and a better use of space
    - More Council and private sector tenants are supported to stay in their homes where they face the prospect of eviction
  - c) **Support thriving communities**, key deliverables include
    - The Council's services, grants, community and leisure facilities, parks and cultural events have helped reduce inequality, increase cohesion and improve health and wellbeing across Oxford's communities
    - Children and young people's resilience and confidence is increased through the educational and recreational activities the Council offers
    - The Council's public spaces remain clean, safe, well maintained and are more accessible
  - d) **Pursue a zero carbon Oxford** key deliverables include
    - The City Council making significant progress on the journey to reduce its own carbon footprint to zero
    - All new building by the Council progressing towards near or net-zero carbon standards
    - The Council's existing council housing is being made more energy efficient

## **Budget Strategy**

19. The COVID 19 pandemic has introduced a high level of uncertainty into the budget setting process this year and consequently an increased level of level of risk to the councils financial planning. In February 2020 the Council agreed a balanced 4 year Medium Term Financial Strategy. By June 2020 taking into account early forecasts of the financial implications of the pandemic this position was revised to £24 million deficit, with significant income losses forecast in car parking, town hall room hire, commercial rents and dividend returns from the Council's wholly owned companies, Oxford Direct Services and Oxford City Housing Ltd. The Governments financial support to date has focused on mitigating extra spend and income losses this year but gives support for future years.
20. As the country enters its second national lockdown the Council has made every effort to balance its MTFS for the next four years taking account of its key priorities such as homelessness and climate change which has necessitated taking difficult decisions to cut back on services much needed by its electorate and drawing heavily on reserves and balances to fill the financial holes.
21. The budget re-set strategy has been undertaken by :
  - a) Reviewing all four year assumptions around changes to the base budget
  - b) Reviewing all growth in revenue and capital expenditure subject to pause (see below) in June 2020
  - c) Reviewing all key income streams and take a prudent assumption on the future impact of COVID 19
  - d) Introducing officer proposals to reduce spend or in some instances increase income where it's prudent to do so
  - e) Assessing the level of financial impact on the Council's wholly owned companies and adjust the level of dividend and financial return to the Council accordingly.
22. Taking account of this strategy the key assumptions are outlined below.

## **Section B General Fund Revenue Budget**

23. Cabinet received a report on 24<sup>th</sup> June 2020 from the Head of Financial Services outlining the forecast outturn position of the Councils finances for the year 2020-21 and the Medium Term based on information at the end of April 2020.

24. Against a balanced budget position agreed by Council in February 2020 for the four year period 2020-21 to 2023-24 the net deficit for 2020-21 was estimated at around £9.4 million with further deficits estimated at around £14.5 million over the proceeding three year period i.e a total of around £24million for the 4 year period. Following the budget setting process and extending this for an extra year the estimated impact of COVID is around £29 million based on the following:

<b>Table 4 : COVID 19 Related pressures 2020/21 -2024/25</b>						
		<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
		<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Income</b>						
Car Parking income		2,800	1,480	85	0	0
Lettings and events		1,292	760	320	0	0
Street trading		94	80	0	0	0
Planning income		463	0	0	0	0
Building control income		38	0	0	0	0
Oxford Direct Services Dividend		1,060	770	1,041	1,038	558
Leisure services		316	500	500	500	0
Garden waste		103	0	0	0	0
Commercial rent		4,200	3,700	2,000	2,000	2,000
	Sub total	<b>10,366</b>	<b>7,290</b>	<b>3,946</b>	<b>3,538</b>	<b>2,558</b>
<b>Expenditure</b>						
Homelessness		750	0	0	0	0
ICT		450	0	0	0	0
Leisure services		384	0	0	0	0
Locality hubs		50	0	0	0	0
	Sub total	<b>1,634</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>		<b>12,000</b>	<b>7,290</b>	<b>3,946</b>	<b>3,538</b>	<b>2,558</b>

25. As a result of the forecasts members agreed to undertake the following mitigating action in advance of re-setting its budget in December, including :
- Use of reserves and balances to fund 2020-21 estimated losses including some which generated income or were for a specific purpose
  - Pause all new expenditure approved in the 2020-21 budget setting process estimated at around £1million
  - Review and stop all non-essential spend
  - Review staffing vacancies, appointing on fixed term contracts where practical

## Key General Fund Assumptions

### Government Funding

26. The Government has provided a number of funding streams to local authorities to assist with financial pressures arising from the COVID 19 pandemic. Whilst the majority of funding is unringfenced some is targeted. In total to date the authority is estimated to receive £8.4 million. A claim has been submitted for compensation in respect of 75% of lost income relating to sales, fees and charges estimated for 2020-21. Whilst the claim is subject to reconciliation and possible external audit at year end, it is estimated that this claim could result in around £5million.

	<b>£000's</b>
Emergency funding received to date	2,465
Compensation for losses from sales fees and charges estimated	5,000
Rough sleeping/ homelessness	32
Enforcement funding	76
Emergency Assistance Grant for Food and Essential Supplies	145
Leisure centres- minimum amount expected	100
Re-opening streets safely fund	134
Furlough grant	182
Support to Clinically Extremely Vulnerable - estimated	60
Compliance and enforcement grant	76
Homelessness protect programme - estimated	140
<b>Total</b>	<b>8,410</b>

27. Further funding for 3 months losses of Sales Fees and Charges in 2021-22 has been announced in the recent Spending Review although the criteria for claiming such compensation is yet to be confirmed.

### Retained Business Rates

28. Business rates income collected by Oxford City Council as billing authority is split 50/50 with central government with the billing authority's 50% share split 80/20 between Oxford City Council and Oxfordshire County Council respectively. From its 80% share the Council pays a tariff to central government and retains a baseline amount (set by the Government) together with 50% of the retained income above this baseline. The main components of the system with estimates of individual elements for Oxford City for 2021/2022

are shown below. The overall amount of retained business rates by the authority for 2021-22 represents around 8.4% of total business rates income.

<b>Table 6 : Retained Business Rates 2021-22</b>	
	<b>£million</b>
Estimated Business Rates Income	109.809
Billing Authority Share (50%)	54.905
Oxford City Share (80%)	43.923
Less Tariff paid to Government	30.893
<b>Amount remaining after tariff (A)</b>	<b>13.030</b>
Baseline Business Rates	6.362
Income above baseline (13.030-6.362)	6.668
Levy -50% of income above baseline <b>(B)</b>	(3.334)
S31 Grant adjustment <b>(C)</b>	(1.468)
<b>Total retained business rate income (A+B+C)</b>	<b>8.228</b>

## Notes

**Baseline Business Rates** – The Government’s view of a fair starting point of business rates income for the billing authority based on formula grant distribution. Updated by RPI each year.

**Tariff** – The amount paid to the Government each year by the Council as billing authority. Updated by the retail prices index (RPI) each year.

**Section 31 grant**– The Government’s discretionary grant paying power under the Local Government Act 2003

29. The Medium Term Financial Strategy makes some allowance for the changes to be introduced by the Government from 2021-22 in respect of the business rates reset and fairer funding offset by any transitional grant. In reality how these changes will be introduced and the implications for the Council are unknown and the estimates therefore are a best guess. Projected retained Business Rates income is shown in the Table 7 below:



<b>Table 7 : Retained Business Rates</b>		
	<b>Total</b>	<b>Variation</b>
	<b>£million</b>	<b>%</b>
2018/19	8.169	19.83
2019/20	9.163	12.17
2020/21	8.099	(11.6)
2021/22	8.228	1.59
2022/23*	5.859	(28.8)
2023/24	6.196	5.75
2024/25	6.538	5.52

\* Fairer funding and business rates re-set introduced

### **Fairer Funding Review and 75% Retained Business Rates**

30. The Government is still committed to its so called Fairer Funding review alongside the 75% Business Rates retention system. This will be introduced with effect from 1<sup>st</sup> April 2022. Under the retained business rates system the Council will be able to retain 75% of all business rates above the baseline, instead of the current 50%. It is thought there will new burdens passed to local authorities in exchange for this change.
31. Although there is little information available it is understood that the 'fairer funding' review will seek to:
  - a) Set new baseline funding allocations for local authorities. The City Council is currently around £6.7 million above baseline and is likely to see a significant reduction in business rates income for which a provision of around £2.5 million has been put in the MTFs.
  - b) Deliver an up-to-date assessment of the relative needs of local authorities,
  - c) Examine the relative resources of local authorities,

### **Oxfordshire Business Rates Pool Arrangements**

32. For 2021-22 as in previous years the West Oxfordshire Business Rates Pool consisting of Oxfordshire County Council (OCC), Cherwell District Council (CDC) and West Oxfordshire District Council (WODC) will be formed.
33. Oxford City Council is not part of the current Business Rates Pool as the Council's inclusion does not optimise the financial return to Pool members given the interaction of levy payments to Government. In order that the Council itself is not financially disadvantaged it is part of a Business Rates Distribution Group (the Group) with South Oxfordshire District Council which receives a distribution of growth achieved from the Pool in exchange for taking some of the risk for business rates losses. This risk is deemed acceptable by the Council's Chief Financial Officer given the potential one off return to the Council. A recommendation to join the Group for 2021/22 is part of this report.

## New Homes Bonus (NHB)

34. In last financial year 2020-21 the Government rolled-forward New Homes Bonus payments. In addition to funding legacy payments associated with previous allocations, the Government made a new round of allocations for 2020-21 although there was no repeat of the four year legacy payments that existed under the previous system and the NHB payment was limited to one year. For 2021-22 the Government has confirmed in their Spending Review announcement that there will be one more year of New Homes Bonus before they consult on changes to the scheme in 2022-23.
35. The Council uses New Homes Bonus to fund its Capital Programme in order to de-risk the Medium Term Financial Strategy. In the event that the grant is lower than estimated or ceases altogether then a mitigating action could be to reduce the Capital Programme.

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
New Homes Bonus	515	106	-	-
Percentage increase/(decrease)	(15)	(79)	-	-

## Corporate Planning Assumptions

36. **Council Tax Increase** – Assuming local authorities are able to increase council tax in line with previous years referendum principles outlined in paragraph 11 (d) above then the current assumption is for a 1.99% rise in council tax for 2021-22 and beyond. These principles have since been confirmed in the Spending Review announcement by the chancellor on 25<sup>th</sup> November 2020. At this level under current proposals no referendum will be required.
37. **Investment Interest** – The Bank of England base rate is 0.10% with no change in this predicted in the foreseeable future. Returns from banks and building societies are likely to be depressed for some time to come mainly as a result of this reduced rate but also as the Council spends reserves to cover the deficits arising from COVID 19. The Council still has investments in joint ventures and companies more details of which are outlined below and officers are seeking to find alternative financial vehicles where the rates of return are higher when balanced against the Council's need for liquidity. Other investments include:
- a) **Externally Managed Property Investments** – The Council has £10 million invested in two funds. The Council makes a return of around 3.5% plus any increase in the capital value. Whilst the value of these funds did decrease in the early weeks of the pandemic these seem now to be picking up. Since March 2020 the revenue return has held up mainly due to occupancy rates from the non-retail property held in the funds remaining high

- b) **OxWed Development** – The Council has made loans of approximately £10.6 million into its 50/50 Joint venture with Nuffield College which attracts a return of 6.5% per annum. Since the Joint Venture has yet to make a surplus this interest is accrued rather than paid. At this point the total of accrued interest is £2.2 million with a further £2.1 million of interest expected over the life of the MTFs.
- c) **Housing Company** – The Council provides state aid compliant loans to its wholly owned company Oxford City Housing Ltd and makes a return above that which it borrows from PWLB. The marginal return is currently 2.20% although there is a case to increase this margin to reflect the increased risk to the council in the current pandemic. The Council is also agreeable for its HRA to make stage payments to finance the ongoing housing developments and increase the financial resilience of the company. More details on the impact of these changes is given below in paragraphs 67-72
38. **Inflation** –Most budgets are cash limited. Over the period of the MTFs, CPI is expected to increase to between 2-3% over the period of the MTFs which could squeeze budgets harder. To allow for inflation the base budget has been increased by an amount of £90k by 2024-25, mostly in ICT relating to software licence increases
39. **Pay Assumptions** – The financial year 2020/21 is the final year of a three year local pay agreement. The existing agreement allowed for increases based on the higher of 1.25% or £500 in April of each year and included an incremental increase in October 2019. Given the material impact of COVID 19 on the Council finances the City Council remains in negotiations with its staff trade unions to find a further agreement which recognises the efforts of staff during the pandemic but also the financial pressures which are placed upon the Council, and the shared desire to minimise any redundancies.
40. **Pensions** - The Medium Term Financial Strategy includes an increase from the current contribution in line with pay inflation increases. The next triennial review will be with effect from 1<sup>ST</sup> April 2023. Last year the Council made Provision within the MTFs for a prepayment into the pension fund of £5million in 2020-21. The prepayment reduces the employer's contribution rate for all employees in the fund both within the City Council and ODS for a period of three years with the contribution rate reverting to the standard rate at the end of the period. The initiative reduces expenditure by approximately £1.2 million over the three year period as well as returning £4million of the prepayment back to the Council for use in subsequent years. This level of saving has been assumed for future years although the actual amount of saving will be determined by the actuary when they undertake their next tri-ennial review of the pension fund in 2023/24
41. **Capital Financing** - Capital financing for the draft Capital Programme is detailed in Section D. The four year Medium Term Financial Strategy assumes £7 million of revenue contributions will be made to finance vehicle replacements and ICT software and hardware over the period together with income arising from New Homes Bonus estimated at around £0.6 million over the four years.
42. **Planned Repairs and Maintenance** – £2 million per annum for planned maintenance to Corporate Buildings. The Council is currently seeking to undertake condition surveys on all its properties which will result in the

requirement for additional works for which some provision should be made in its budget for capital financing.

43. **Contingencies** – Provision has been made for contingencies to cover unachieved efficiencies and other risks of around £500k per annum across the MTFs. The Council has had a good track record of delivering within budget over the past few years and contingencies held against high risk savings have usually been underspent. There are significant increases in income, especially arising from dividends from ODS. Since 2019 the amount of such contingencies is not prescribed and is now made on judgement taking account of the risk and the levels of reserves and balances.
44. **Neighbourhood Community Infrastructure Levy (NCIL)**- In line with CIL regulations 15% of CIL received in unparished areas of the city, which do not have an adopted neighbourhood plan, are retained by the city council for allocation. This money is for the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that is concerned with addressing the demands that development places on an area. The City Council currently allocate £5,000 annually to ward councillors not within a parish or neighbourhood plan area. The ward councillors then allocate this on projects that they identify through ongoing engagement with their communities. This approach and allocation will continue. In addition, we are consulting as part of this budget, on a further allocation of NCIL. The proposal is to use around £1million of NCIL towards important community projects over the MTFs period. The projects and initiatives selected are citywide in nature and are considered to reflect local priorities for Oxford. The projects and activities suggested to be supported from this funding source include:
- Young People’s Pathway Contribution;
  - Actions from the Citizens Assembly Climate emergency including engagement in the Retrofit Summit, Youth Summit, ZCO Summit and additional biodiversity work;
  - Tackling homelessness;
  - Social Impact Bonds - deliver targeted support for children & young people via a social impact bond;
  - Funding for the Community Grants programme;
  - Engagement in transport initiatives across Oxford including Connecting Oxford and Zero Emission Zone; and
  - Support for city restart and economic recovery activity.

## Efficiencies

45. Efficiencies totalling £9.5 million are estimated for the four year period with £2.7 million ongoing from 2024-25 including :
- a) **Going cashless** – The pandemic has changed the way that people pay for goods and services. Most retail outlets now only accept payment by card leading to a reduction in the number of payments being made by cash and cheque. The Council suspended cash and cheques as a payment method in May of this year due to issues in processing such income in the current

environment. Withdrawing this service completely and pointing payees to payment by card, direct debit or Pay Point will reduce costs as well as improve debt recovery. By far the largest amount of cash payments (and hence the largest direct saving) relates to the Council off street car parking and allowing payment by card only may result in a saving of over £30k per annum.

- b) **Organisation Development** – The council has a base budget of £524k for organisation development including staff training and development of the People Strategy, a saving of around £50k will be made across these areas recognising that more training will be delivered without a need to travel and alternative sources of training may be available
- c) **May morning** –The event currently costs the Council around £40k for security. The council will seek funding from partners, as it is not equitable to expect the Council alone to bear the cost of this event
- d) **Sports Development** - The consultation budget proposes a saving of £50k to be made in the £200k sports development budget of 2022-23, as part of a wider review of the Communities section of the Council
- e) **Impact of Universal Credit Roll out** – It is understood that the Government has pushed back full roll out to 2023- 2025. The council will seek to make staffing savings of around £240k per annum from 2023-24
- f) **ICT contracts review** – review of software licenses - £200k per annum
- g) **Robotic Process Automation** – automation of processing initially in Revenues and Benefits to achieve savings in external support - £50k per annum
- h) **Printing and scanning** – Reduction in the costs of providing printing and scanning facilities - £50k per annum
- i) **Reducing office space and remote working** - £525k per annum. The pandemic has changed the way that we deliver back office services. Since March most administrative staff have been working from home. This work stream will look at the potential for more regular working from home going forward and the reduction of the Council’s office footprint. The budget assumes a saving based on releasing two floors within St Aldates Chambers but officers will examine options for a more ambitious reduction.
- j) **Communities and Housing Integration** – £430k per annum from 2022-23. Reducing the cost of providing such services by the deletion of vacant posts and reduction in temporary staffing as well as improving quality and delivery of service to customers and delivering multi-functional locality based integrated teams
- k) **Festive Lights** - £20k saving against a total budget of £117k to be achieved if possible by securing external funding.
- l) **Community Grants** – £200k reduction from 2022-23. The Council currently spends around £1.7 million on grants to community covering, arts and culture, community safety, homelessness prevention, advice and money management, youth work and holiday activities as well as making available sum of money for other small grants. In order to evaluate the impact of any reduction in spend grant funded organisations would be funded for one additional year 2021-22 and the aim is to minimise the impact of the proposed reduction by supporting organisations to increase efficiency.
- m) **Planning committees** – £45k per annum - This would reduce the number of planning committee meetings and allow for more delegation to officers.

- n) **Community Housing and Strategy Team** – £50k per annum review of staffing levels in relation to housing and strategy team.
- o) **Housing Needs – £300k per annum** – A review of Housing Needs services to reduce cost of preventing homelessness, gain better access to private rented sector housing, reduce the cost of temporary accommodation, and reviewing the process for applications to the housing register
- p) **Rough sleeping** – £189k on going from 2023-24 -County wide changes to the provision of the service to release efficiencies
- q) **Revenues and Benefits system replacement** – £100k saving per annum from staffing and the resilience contract
- r) **Council Tax Reduction Scheme** – Changes in the scheme to achieve administrative savings in the Benefits Team and Customer Services Team while avoiding adverse impacts upon claimants - £120k per annum

## External Income

- 46. There is limited capacity to increase fees and charges from services over the period of the MTFS given the impact of COVID 19. The focus for the council is in trying to regain market share
- 47. **Fees and Charges** – Details of specific fees and charges increases in 2021-22 are given in Appendix 8 with summary details below:
  - a) **Garden waste bins** - £54 per year to £57 (5.55%) reduced to (£45) of the fee for concessions. This is a change because currently those on low incomes receive this service free of charge, but in the current context this is no longer affordable.
  - b) **Bulky Waste collection:** Oxford City Council is unusual in not charging for the collection of bulky items of waste, such as mattresses, sofas and fridges. It is proposed, with regret, to introduce such a charge, at a level of £20 per item and £30 for larger items, e.g. refrigerators, washing machines etc, reduced to 50% for concessions, bringing the City Council into line with most other local authorities.  
**Leisure activities:**
  - c) Sports - 40p -£1.30 – (2.58% to 3%)
  - d) Leisure Centres - The Council is currently in consultation with the Leisure Services provider Fusion Lifestyle on the fees and charges for Council owned leisure centres. In the current climate and until it's been determined exactly what the medium to longer term safe, viable and sustainable offer in Oxford will look like, it is very difficult for Fusion to propose fees and charges for leisure facilities for 2021/22. It is expected that this can be agreed when the Budget is presented to Cabinet and Council in February.  
**Other**
  - e) Pest Control – domestic- increases – £2 to £6 (3% - 5%)
  - f) General licencing – zero
  - g) Building control – zero
  - h) Off street car parks and park and ride - zero
  - i) Cemeteries adult right of burial £30 (3%)
  - j) Garages – zero

48. **Town Hall** – The loss of income in 2020-21 arising from the pandemic is around £850k (85% of annual income) or £536k net of expenditure savings, in 2021-22 this net loss is estimated at around £561k and in 2022-23 to £200k before returning to normal in 2023-24.
49. **Commercial Property Income** – Loss of income arising from the pandemic is forecast as £4.2 million in 2020-21 (24% of income) £3.7 million in 2021-22, £1.9 million in 2022-23 before returning to a more stable position albeit £2million ongoing loss thereafter.
50. **Car parking income**- Car parking income is estimated to be £2.8 million down in comparison to the budgeted income in 2020-21 (46% of gross income). A loss of £1.5 million is expected in 2021-22 followed by a small loss of £100k in 2022-23 before returning to normal. No fee increases are anticipated over this four year period.
51. **Selective Licensing** - Oxford will propose a Selective Licensing Scheme for privately rented housing operational with effect from 1 April 2022. The primary reason is to deal with poor property conditions. This route which would be subject to confirmation from the Secretary of State will be considered by the Council separately. Income from multi-year license fees would make a significant contribution towards overheads.
52. **Planning income and planning performance agreements** –Taking this more proactive approach and with the employment of an additional 5 additional staff it is estimated the Council could cover additional net income of around £215k per annum from 2021-22 of existing fixed costs also required to deliver against these planning performance agreements.
53. **Museums Income** - £100k per annum. New income streams are proposed following the refurbishment of the museum which is currently taking place.
54. **Other income** – losses of income arising from the pandemic are expected from community centre rents, events, street trading licenses and building control although these are largely expected to return to normal levels in 2022-23.

### **New Expenditure**

55. Increased expenditure totalling £1.4 million is estimated over the four year period, with ongoing spend of £0.240 million from 2024-25 onwards. Within this there is expenditure in relation to items of growth agreed at Council in February 2020 for 2020-21 that Cabinet subsequently paused when they received a budget update on 24th June 2020. Some of these items are 'time critical' and given that the Council's financial position is a little clearer than it was in June 2020 the recommendation is that these items are immediately unpaused. All significant items of new spend are shown below with those that are recommended for immediately unpausing separately identified.

## Items to be unpaused for spend in 2020-21

- a) **Additional Planning Lawyer and Commercial Property Lawyer** - £132k per annum. Following a review of the Law and Governance structure a number of additional posts to bolster the capacity of the team to meet the Council's priorities have been recommended.
- b) **Additional surveying resources in Property Services** - One additional post, for three years to drive the property strategy - £60k per annum plus one FTE to ensure oversight of commercial property income- £60k
- c) **Climate change reduction** – Measures to reduce carbon emissions in response to the climate change assembly including annual amounts for:
  - i. £35k – work on providing Retro fit summit, Youth summit, Zero Carbon Oxford (ZCO) summit and web site branding
  - ii. £23k for two years works towards Zero Emissions Zone.

## Other items of new spend

- a) **Transformation costs** – the Council has a current Transformation team of staff although these are only funded up until 31 December 2020. Provision has been made in the MTFS for £250k per annum for the funding of a number of staff to be used on driving the efficiencies identified in this budget process.
- b) **ICT** – increased ICT in relation to infrastructure required for remote working has been provided at a cost of £300k although it is expected that this can be mitigated going forward with changes in the data centre provider contract.
- c) **Museum** – additional costs in connection with marketing and preparing for the opening of the new museum are including for 2 years at £100k per annum.
- d) **Minimum Revenue Provision (MRP) and Interest** – within the Medium Term Financial Strategy provision has been made for the revenue costs associated with estimated additional borrowing of £10million per annum to allow for items within the capital programme pipeline.
- e) **Leisure Services** – An annual provision of £500k to reflect the increased costs of opening leisure facilities when they are allowed to open.
- f) **Planning services** – an additional six FTE's to manage increased levels of Planning Performance Agreement income.
- g) **Floyds Row** –The one wing of Floyds Row which opened in January 2020 was decanted as part of the 'Everyone In' response with all client moved to self-contained accommodation. The building was subsequently completed in June 2020 but is currently only used as a triage centre. The original St Mungo's contract was repurposed during the pandemic to provide support to two venues at the YHA and Canterbury House. The pandemic has given the Council the flexibility to re-configure the space and approach to the use of Floyds Row and it has been decided that building should now be used as an assessment hub providing single point of access where people can get onto the Housing register and where Housing options are present. The assessment hub is planned to open in August 2021 and the cost per annum of Floyds Row is estimated at £1.5 million per annum. Within Appendix 3 of these papers provision has been included from funding of £400k Government Grant and also £470k in a full year contributions from partners in the county as part of a county wide homelessness strategy. If neither of these income



streams are not forthcoming then additional income streams will be required if the building is to remain open.

- h) **Canterbury House and YHA provision** – £570k one off cost of St Mungos providing service and accommodation for homeless individuals at Canterbury House and YHA pending the opening of Floyds Row in August 2021. This assumes no Government Grant.
- i) **Young Peoples Pathway** - £125k per annum plus inflation as part of the Councils contribution to providing supported housing in Oxfordshire for young people aged 16 to 24 years inclusive, who are homeless or at risk of homelessness.
- j) **Data Manager (investigation Services)** – Following a review of the team an additional fixed term contract post is planned to manage and initiate data matching exercises in respect of the Council’s own data and other clients. There is an expectation that the cost will be covered from increased income from business rates and council tax as well as external trading income - £50k per annum.

It should be noted that, in putting forward this budget, members and officers have sought to minimise the need for savings which affect local people in Oxford, especially the most vulnerable. For instance, no minimum charge of council tax is proposed for those on the lowest incomes, voluntary sector grants continue in full next year, and there remains significant funding of discretionary services such as in the area of youth ambition

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

Table 9 : Medium Term Financial Strategy 2021/22 - 2024/25				
	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Base Budget	24,173,807	24,173,807	24,173,807	24,173,807
Efficiencies	(1,869,600)	(4,431,600)	(5,092,600)	(5,856,600)
Fees and Charges	(82,600)	(68,250)	(65,250)	(313,250)
New Investment	392,000	503,500	385,500	242,500
Inflation & other pressures	8,992,453	4,540,321	3,717,847	3,077,447
Revenue Contributions	2,148,987	1,639,861	1,100,000	1,100,000
Net interest	(5,464,922)	(4,568,696)	(6,400,948)	(11,362,449)
Depreciation reversal	(4,822,186)	(4,822,186)	(4,822,186)	(4,822,186)
Corporate costs including MRP, pay	5,167,016	6,497,689	9,177,780	10,694,672
Contingencies	170,000	620,000	620,000	620,000
Transfers to/ (from) reserves and working balances	(5,401,789)	(3,017,432)	(1,041,718)	5,008,533
Net Budget Requirement	23,403,166	21,067,014	21,752,231	22,562,474
<b>FUNDING</b>				
Council Tax	(14,660,386)	(15,101,649)	(15,556,194)	(16,024,420)
Retained Business Rates	(8,228,209)	(5,859,504)	(6,196,037)	(6,538,054)
New Homes Bonus	(514,571)	(105,861)	0	0
Total	(23,403,166)	(21,067,014)	(21,752,231)	(22,562,474)
Surplus/ (Deficit)	(0)	(0)	(0)	0
<b>GENERAL FUND WORKING BALANCE</b>				
B/F	3,855,680	3,855,680	3,855,680	2,813,962
Transfers in/(out)	0	0	(1,041,718)	1,108,533
C/F	3,855,680	3,855,680	2,813,962	3,922,495

### Key

- **MRP – Minimum Revenue Provision** – A charge made to revenue in respect of the cost of borrowing to fund the Capital Programme.

### Use of Working Balances and Transfers from Reserves

- 57 Over the four year period of the MTFS assuming delivery as planned around £10.8 million is drawn from earmarked reserves which currently stand at around £40 million, and around £1million from working balances which are maintained at £3.8 - 4 million, a level which is considered by the Council's Chief Financial Officer to be prudent, with the exception of 2023-24. This is manageable given that in 2024-25 there is an expectation that there will be a significant dividend payment from OCHL of around £5.3 million which should allow both the working balance and reserves to be re-stored to optimum levels.
58. The MTFS makes provision for transfers from earmarked reserves of around £10.6 million. This is around £1.6 million higher than Members were advised of in June 2020 arising from the detailed work on the Budget setting process.

## Risk Implications

59. The main risks to the balanced position of the General Fund consultation budget (Appendix 8) are that:
- a) Spending Review which has recently been announced is not as favourable to Council as is assumed
  - b) Council income streams continue to be effected by the pandemic beyond the provisions already made in the MTFS
  - c) The Homelessness reserve is exhausted at a faster rate than anticipated as assumed Government and contributions in respect of homelessness expenditure are not forthcoming
  - d) Failure of a major partner for instance in Leisure
  - e) Variations of actual income and expenditure against budget especially in volatile areas such as income and property investments
  - f) Pay negotiations are more than budgeted from April 2021 onwards
  - g) Companies do not perform as well leading to reduced income to the Council
  - h) Business Rates income is lower than forecast
  - i) Interest rates are higher than projected resulting in higher borrowing costs
  - j) Slippage in the capital programme adversely affects revenue savings and additional income in the MTFS

## Wholly Owned Companies and Joint Ventures

### Oxford Direct Services Ltd

60. On 1<sup>st</sup> April 2016 the Council established a wholly owned local authority trading company for services provided by Direct Services at that time. The company takes the form of:
- a) A Teckal company (Oxford Direct Services Ltd)– providing all statutory services to the Council benefiting from a procurement exemption together with externally traded services for engineering, motor transport and building works
  - b) A Trading Company (Oxford Direct Services Trading Ltd) – providing externally traded commercial waste services
61. The company entered its third year of trading in 2020-21 since becoming operational from 1<sup>ST</sup> April 2018. In the first year of trading the Company paid the Council £1.247 million in dividend in line with expectation although the Company Board have yet to approve a dividend for 2019-20. Although the Council has set a target of around £600k to be paid in this financial year, the Company has experienced difficult trading conditions for this year 2020-21 with an overall loss of around £200- £300k forecast against a revised breakeven position taking account of COVID 19. Any dividend payment to the Council in this financial year 2020-21 is therefore likely to be from retained earnings from within the Company although this outcome remains challenging.
62. The revised Company Business Plan will be submitted to shareholders in December. Estimated dividend returns to the Council across the MTFS are

based on a split of 'guaranteed income' arising from payments for statutory services and also efficiencies from the single depot, once constructed and unsecured income including efficiency savings which the Company IS seeking to drive. This shown in more detail below.

<b>Table 10 : Estimated LATCO dividend 2021-22 to 2024/25</b>				
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Original Dividend	2,143	2,643	3,109	3,109
Revised dividend				
Secured dividend	1,304	1,340	1,666	1,955
Conditional dividend	222	1,074	1,752	2,592
<b>Total</b>	<b>1,526</b>	<b>2,414</b>	<b>3,418</b>	<b>4,547</b>

63. The secured dividends are conditional on the company receiving work from the Council at the same level as those currently received, together with investment in the construction of a single depot. The conditional dividend is dependent on additional work from the Council of around £15million by 2024-25, increased income earned from external trading of around £12 million over the same period and efficiency savings from direct costs and overheads.

#### **Housing Company- Oxford City Housing Ltd.**

64. In March 2016 the Council approved the establishment of a wholly owned Local Authority housing company that was incorporated in June 2016, Oxford City Housing Limited.
65. In December 2020 the OCHL Shareholder will consider an update to the Housing Company Business Plan previously approved. The updated plan will provide for the delivery of 1,891 dwellings over the next 10 year period with 1,119 being acquired by the Councils Housing Revenue Account and the remainder being sold on the open market. In addition to this the company will acquire 354 social dwellings being developed at Barton Park by Barton Oxford LLP (BOLLP), a Limited Liability Partnership between Grosvenor Homes and Oxford City Council. Phase 1 of the development at Barton has already been completed and the Company has already acquired 95 of these dwellings.
66. In return for loans advanced to it from the Councils General Fund to fund development the company pays a state aid compliant loan rate based on the 40 year PWLB rate inclusive of a 2.2% margin. As at 31 March 2020 outstanding loans from the Council to OCHL totaled £13.3 million and accrued interest payable on maturity of the loan and yet to be paid totaled £962k. In addition it is expected that the Company will make dividend payments to the Council from surpluses as they arise although the proposed Company Business Plan projection indicate that this is unlikely until 2025-26 at the earliest.

67. In 2018 following the removal of the debt cap imposed by the Government for the HRA the Council took a decision for its HRA to buy social housing developed by the Company using its new ability to borrow.
- 68 The revised business plan which will come forward to shareholders in December 2020 will introduce changes to the financing of the company business plan which will de-risk the Companies development programme increase the financial resilience of the company as well as provide increased financial returns to the Council which are both greater than previously budgeted and sooner. Such changes will arise from:
- **Loan Margin** - An increase in the loan margin charged to the Company by Oxford City Council from 2.2% to 3.2%. In assessing the impact of COVID 19 on the company financial position the Council deems it appropriate to increase the margin on the money lent to the company from 2.2% to 3.2%. This rate will be kept under review and altered as an when circumstances arise
  - **Stage Payments from the HRA** -Currently the OCHL development programme Development Scheme Appraisal (DSA) modelling for individual schemes takes a very prudent approach, namely most if not all development receipts from private sales and the HRA are profiled not to occur until the end of each scheme, namely when dwellings are effectively completed. However, custom and practice across the for instance in relation to contracts between Registered Providers and Developers allows for the making of stage payments at different and progressive periods of the development. This assists the developer with cash flows thereby reducing the overall risk of the development. Within the company business plan provision has been made for such stage payments from the HRA on several housing development schemes that are currently not on site. This is beneficial from OCHL perspective since it reduces the amount of borrowing undertaken from the Council, reduces interest payments and increases the profitability of such schemes. Although in the early years OCHL would take fewer loans and pay less interest margin to the Council, it has the added advantage from the Councils Group position of :
    - Increasing the profitability of individual development schemes with the Housing Company
    - lowering overall borrowing costs since the Government introduced a preferential rate for HRA borrowing to fund affordable housing of PWLB less 1%
    - Enabling the Housing Company to achieve a surplus position from which it can pay dividends to the shareholder earlier than previously planned i.e. 2023-24
- 69 The estimated financial returns, namely net interest and dividends from the Housing Company allowing for some risk adjustment, included in the Council's MTFS are as follows :

<b>Table 11 : Revenue Returns to Council form OCHL 2021/22 to 2024/25</b>				
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Loans outstanding at year end to Company</b>	77,535	105,832	114,646	65,683
<b>Revenue Returns to Council</b>				
<b>Gross Interest</b>	2,703	3,466	5,914	6,884
<b>Dividends</b>	0	0	764	5,125
<b>Total</b>	2,703	3,466	6,678	12,009

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

70. The Council has a 50/50 partnership with Nuffield College to undertake the development of the land at Oxpens. The Council approved loans totaling £10.6 million for its 50% share of:
- a) the cost of purchasing land from London Continental Railways in December 2017 totaling £6.4 million and
  - b) the cost of land owned by the Council at Oxpens in November 2018 (for which the Council received £8million) totaling £4.1 million
71. The loan investment rate is 6.5% with accrued interest to date of approximately £2.3 million with another £3.9 over the next 4 years. In addition, loans have also been approved to fund working capital of £150k up to March 2018. Nuffield College has matched the loans given by the Council.
72. Oxwed is currently in the process of developing a master plan together with a procurement strategy in order to determine how the site is taken forward for planning approval. A further report is expected to come to Cabinet in February 2021. Given the uncertainty of the overall return to the Council from the development no additional sums other than accrued loan interest have been included in the Council's MTFS.

## **Section C Housing Revenue Account Budget**

### **Background**

73. Up until October 2018 the HRA was subject to a debt cap which for the Council had been calculated as £240 million. Together with the self-financing loan of £198 million and other borrowing to finance capital spend this debt cap had already been reached effectively restricting the ability of the HRA to engage with the new house building agenda and resulting in the Council establishing its Housing Development Company.

74. In October 2018 the Government removed the debt cap enabling the HRA to borrow to finance capital expenditure providing it was affordable and prudent.
75. The recent acceleration of new build housing in the Housing Company agreed by the shareholder in November 2019 provides a steady stream of social and shared ownership housing for the HRA to buy 1,119 houses over the next 10 year period at an estimated gross cost of around £393 million with peak debt at £553 million.

### **Financial Viability and Debt Refinancing**

76. The financial viability of housing scheme purchases has been set by the Council's Chief Financial Officer as:
  - a) Net present value (NPV)– positive over a 70 year period
  - b) Payback – 70 years or under
  - c) Internal rate of return IRR -(the discount rate which equates the Net Present Value to zero) of 3%
77. These criteria are comparable to the Housing Company of a positive NPV over 40 years, 40 year payback and 4% IRR. The HRA criteria are less favourable to reflect the nature of the social dwellings being purchased.
78. The purchasing of the new build properties from OCHL over the next 10 years is estimated to cost around £393 million. In a change to the current payment mechanism payments to Oxford City Housing Ltd for such housing developments will be made in stages as developments are built out.
79. Work has also been undertaken to accommodate
  - a) An increase in the level of HRA debt for the new build acquisitions by £350 million to cover all capital commitments including new affordable housing around £50 million over the next 10 years for climate change initiatives to Council owned properties and other regeneration activity in the HRA
  - b) All debt self-financing and additional secondary debt to be repaid within a 40 year period
  - c) HRA working balance not to fall below £4 million
80. To accommodate this level of increased activity and cost the first 3 self-financing loans totalling £80 million have been refinanced by the Council with repayment being pushed out from 2031 to 2051.
81. The debt profile of the HRA together with the resulting HRA working balance over the next few years is shown as follows:

<b>Table 12 HRA Outstanding loans and Working Balances</b>		
	<b>Closing Loan Balance</b>	<b>Working Balance</b>
	<b>£000's</b>	<b>£000's</b>
2021/22£30	274,151	5,964
2022/23	332,430	6,485
2023/24	381,391	6,854
2024-25	443,547	9,613
2029/30 – Peak debt	552,820	24,004
2059/60	23,769	277,424

82. In the latter years of the 40 year Business Plan, HRA working balances begin to increase once again, enabling increased activity to be undertaken.

### **Key assumptions made in preparing the HRA budget for 2021/22 – 2024/25**

83. Under the Governments rent standard from 1<sup>st</sup> April 2020 rent may only be increased by CPI +1% for a period of five years for local authority and housing association social rents. 2021/22 is in the second year of the rent standard and rent for 2021/22 will be increased by CPI + 0.5% i.e. 1.5% with 3% increases estimated for future years. The effect on the weekly rents is as follows:

<b>Table 13 : Effect of Rent Changes on Average Rent 2021/22 to 2024/25</b>				
	change	change	Average weekly rent	Formula weekly rent
Year	%	£	£	£
2021/22	1.5%	1.57	107.03	111.91
2022/23	3.0%	3.18	110.21	115.27
2023/24	3.0%	3.28	113.49	118.73
2024/25	3.0%	3.38	116.87	122.29

84. Formula rent is based on a combination of individual property values and average earnings in each area. Approximately 4379 properties have reached convergence (where the actual weekly rent is the same as the formula rent), 3229 have not and will only move to formula rent when they become void.

### **Right To Buy and other disposals**

- 85 Disposal of around 40 dwellings per year is assumed up until 2023/24 and then subsequently reduced to 20. Within the development programmes to be purchased from OCHL, there will be shared ownerships on most of the schemes. The Council will receive a capital receipt from the element purchased by the homeowner known as 'stair casing' enabling the homeowner to own a greater proportion of their home.



## **Inflation and pay assumptions**

86 All the assumptions for inflation are the same as for the Council's General Fund.

## **Service Charges**

87 Service charges such as caretaking, cleaning, CCTV, communal areas etc. will be increased by RPI at 1.1%

## **Working Balance**

88 The working balance levels allow sufficient monies for the funding of future years' Capital Programme, the repayment of the debt, as well as an amount of £4 million as being the minimum required to cover unexpected events such as falling investment income or increased costs.

## **Variations to Budget**

**Variations to the HRA budget are shown in Appendix 3 with explanations shown below:**

## **New Investment**

89 Within the budget over the period is approximately £9.5 million per annum new expenditure the most significant of which is:

- a) **Marketing and dealing with shared ownership properties - £60k per annum** –to facilitate the sale of the shared ownership properties within the HRA
- b) **Tenancy Management Officer - £53k** to deal with extra tenancies as a result of the purchases from OCHL
- c) **Shared ownership officer-** £53k per annum to manage shared ownership properties purchased by the HRA
- d) **Compliant investigations officers** – £88k per annum two FTE
- e) **Building safety** – £95k two FTE to fulfil requirements in relation to fire safety
- f) **Energy Efficiency Initiatives** - £4 million per annum from 2024-25 an increase in funding to support the Council's carbon reduction agenda and deliver the Council's target of 95% of our properties being EPC C or above by 2030 at the latest through undertaking upgrades of insulation or retro fit new products i.e. boilers and then from 2022/23 External Wall Insulation to our solid wall properties.
- g) **Youth ambition** specifically on Council estates, £100k per year from 2021/22 to 2023-24 to support wider youth work on council estates.
- h) **Retained Right Buy (RRTB) Receipts** - £2.35million per annum (for street acquisition or HRA development) - match funding to support new supply either through Section 106 purchase or open market acquisition using RRtB receipts. The use of RRTB receipts may only be used to represent 30% of gross capital expenditure. Any such receipts not used within three ye4ars of having been received should be returned the Government together with interest, based on at 4% above base rate on a compound basis.
- i) **Next Steps Accommodation Programme (NASP)** -£2.392 million NSAP Funding for the open market acquisition of 10 one bedroom properties to

support the exit strategy from the 'Everyone In ' for rough sleepers. Supported by funding from MHCLG and Oxford Growth Deal. Note budget approval to support a further five was given in 2020/21.

- j) **Communications** - £50k – One FTE for work on communications in relation to HRA.
- k) **Windows and Doors -£1.1 million per annum extra by 2024-25-** following previous window and door replacement investment under the Decent Homes Programmed given the condition , there is now a need to begin another rolling replacement programme.
- l) **Roofing** - £2.2 million per annum extra by 2024-25 due to age, there is now a need to increase investment in a re-roofing programme with associated works to introduce low maintenance items i.e. UPVC soffits. This will complement the increase to the pre painting joinery programme.

### Housing Revenue Account Budget 2021/22 to 2024/25

90 Appendix 4 details the HRA Budget for the period 2021/22 to 2024/25 which is summarised below:

<b>TABLE 14 HOUSING REVENUE ACCOUNT</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>
Income	(46,649)	(48,802)	(51,063)	(55,480)
Expenditure	46,321	48,333	50,761	52,793
<b>Net Operating Expenditure</b>	<b>(328)</b>	<b>(467)</b>	<b>(311)</b>	<b>(2,694)</b>
Investment income	(62)	(55)	(57)	(66)
<b>(Surplus)/Deficit for the Year</b>	<b>(389)</b>	<b>(522)</b>	<b>(369)</b>	<b>(2,760)</b>
(Surplus)/Deficit b/fwd	(5,576)	(5,965)	(6,487)	(6,855)
<b>(Surplus)/Deficit c/fwd</b>	<b>(5,965)</b>	<b>(6,487)</b>	<b>(6,855)</b>	<b>(9,615)</b>

### Risk Implications

91 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 Universal Credit and/or COVID 19
- Construction delays in Housing Company and subsequent effect on capital spend on new housing and net rental streams
- Variations in estimates causing cash flow problems

## Section D Capital Programme

### General Fund Capital Programme

- 92 In recent years the Council's Capital Programme has been subject to additional internal scrutiny to increase the robustness of the estimates for schemes that have been included. Whilst there are a number of schemes in the pipeline robust business cases have yet to be prepared and consequently these have not yet been included in the capital budget. These will be brought forward for budget approval in year once the business case has been signed off by the officer Development Board however as an indication these include :
- Work to St Aldates Chamber to facilitate the external letting of at least floors - £600k
  - Planned maintenance to existing buildings including an estimated £1.8 million per year over the period of the MTFS in respect of works arising from stock condition surveys on all Council and commercial buildings £6.4 million
  - ICT - £1.5 million
  - Salix related works to increase energy efficiency and reduce carbon emissions - £300k
- 93 It seems reasonable to assume that some if not all of these projects will receive project approval and provision has been made in the budget for additional capital expenditure of around £10 million to enable this.
- 94 The current General Fund Programme, shown in Appendix 6, amounts to around £315 million over the four year period. Within this there is expenditure in relation to items of growth agreed at Council in February 2020, for 2020-21 that Cabinet subsequently paused when they received a budget update on 24th June 2020. Based on the balanced medium term financial strategy for the four year period as contained within this budget report it would seem reasonable to recommence these schemes when it is practically possible to do so including within the current financial year 2020-21. These schemes include
- Upgrade of tennis courts - £35k
  - A reduced Car park resurfacing budget of- £0.8 million over four years
  - Rosehill Community Centre Parking - £10k
  - East Oxford Community Centre - £3.8 million
  - Bullingdon Community Centre - £1.3 million
  - Commercial Property investment - see below
- 95 Other items worthy of mention include:
- **Commercial Property purchases** – An amount of £62 million was included in the Council's original MTFS and this was subsequently put on pause in June 2020 partly as a result of concerns around the Governments Consultation on the use of PWLB for property purchases

for financial gain (the results of which will not be published until January 2021) but also uncertainties around the impact of COVID 19. Officers believe that there is continued occupier demand for logistics and warehousing which has seen investment values maintained and rents rise. The office sector has naturally slowed due to uncertainty however low levels of supply pre-COVID 19 and the previous loss of space to residential use is likely to see the sector recover quickly. This is particularly likely to be the case in Oxford where there is continued lack of supply of modern office accommodation. Not investing will leave the Council exposed to a high proportion of revenue from a declining retail sector whereas investing in other sectors such as industrial/warehousing, medical, life sciences will offer greater diversification and opportunities for revenue growth. Whilst there is uncertainty around the PWLB Consultation officers believe that property investments will still be feasible in respect of purchases that have economic regeneration at their heart. The recommendation is therefore to unpause the budget for property investment and secure a budget over the MTFS of £53.5 million including fees for property purchases to be made in accordance with the Investment Strategy previously agreed by Cabinet.

- **1-3 George Street** - £1.2 million refurbishment of a commercial property for renting
- **Cave Street** -£5.4 million – refurbishment of property to ensure that it continues to provide a rental stream to the council for lettings to organisations for offices and studio units
- **Bullingdon Community Centre** –The current Capital Programme makes provision for £1.3 million in respect of this project.
- **East Oxford Community Centre** - £3.8 million –refurbishment of community centre and associated sites linked to development of social housing and improved community facilities
- **Covered market-** £2.2 million of planned maintenance and roofing works
- **Osney Mead** - £6 million- the council secured a grant from the Housing Infrastructure Fund (HIF) to provide funding to support the delivery of development at Osney Mead by contributing to the Oxford Flood Alleviation Scheme (OFAS) and walking and cycling improvements
- **Osney Bridge** - £6 million contribution from Oxfordshire Growth Fund to fund construction of Osney Bridge
- **Loans to Oxford City Housing Ltd** – £153 million for funding the development of social, market and shared ownership housing
- **Purchase of vehicles** - £11.7 million for the purchase of vehicles subsequently leased to oxford Direct Services
- **Depot rationalisation** – £12 million - Initial estimate for the construction of a single depot for Oxford Direct Services Ltd which will deliver significant revenue savings and thus increased dividends
- **Blackbird Leys Regeneration** - £17 million General Fund. £4 million HRA for the development of affordable and market housing, community centre, replacement shops and associated infrastructure

96. Funding of the Programme is by Capital Receipts £34 million (10.8%) Community Infrastructure Levy and Section 106 £13.8 million (4.3%), borrowing £237.8 million (75.8%) Government Grants £25.6 million (8.2%) and £3 million revenue (0.9%). All revenue costs have been included in the General Fund revenue budget.

### **Housing Revenue Account Capital Programme**

97. The draft HRA Capital Programme is intrinsically linked to the HRA Business Plan since the resources to fund the Programme are largely generated through housing rents. Appendix 6 shows the existing HRA capital programme over the next four years totaling £294 million. Notable inclusions are :
- a) **Planned maintenance and refurbishments** to Council housing stock £47 million
  - b) **Properties purchased from OCHL** – Council on 29<sup>th</sup> July 2019 approved a strategy to purchase social houses from OCHL. The cost of these developments over the next four years is estimated at around £195 million which will be financed from borrowing
  - c) **Purchase of properties by Retained Right To Buy Receipts** -Retained Right to Buy Receipts (RRTBRs) are the receipts that the Council are able to retain from Right to Buy sales over and above the number of units assumed by Government at the time of the HRA self-financing, in 2012. Receipts that are unspent after three years from the time of the sale must be returned to the Government, with interest (4% over base rate). Spend must be on new rented social housing supply, at up to 30% of the qualifying spend (i.e. £1m spend can be financed by using up to £300,000 of RRTBRs). This receipt/ spend profile is monitored quarterly.
  - d) **Affordable housing developments in HRA** - £39 million in respect of the development of affordable housing in Oxford
98. The financing of the HRA Capital Programme is from capital receipts £4.4 million, (10%) arranged borrowing £210 million (71.4%), revenue £21.3 million (7.3%) and Homes England Grants £33.3 million (11.3%)

### **Risk Implications impacting the Capital Programme**

99. The main risks to the Capital Programme are set out in Appendix 8 and summarised below:
- a) Right to buy disposals as detailed in the assumptions are not as forecast causing a shortfall in funding of schemes
  - b) Delays in construction of new homes by OCHL
  - c) Slippage in Capital Programme and impact on delivery of priorities
  - d) Robustness of estimates

## Budget next steps

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

Consultation Budget Report to Cabinet	9th December 2020
Budget Consultation Period	10th December to 31 <sup>st</sup> January 2021
Final Budget Report to Cabinet including outcome of Consultation	10th February 2021
Budget approval and Council Tax Setting Council	17th February 2021

101. The Council will make use of its citizens' panel as well as an online survey. The survey will be publicised in local newspapers and the budget will be shared with other stakeholders, such as trade unions and local voluntary organisations and businesses for comment.
102. Tenants will be consulted on the HRA budget including rent and service charge changes with a special resident focus group(s) and the tenant newsletter 'Tenants in Touch'.

## Financial Implications

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

## Legal Implications

104. 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 six weeks in accordance with CIPFA Guidance.
105. 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.
106. 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 2021 when the Budget is approved.
107. 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

108. Detailed risks are shown in Appendix 8 of the report.
109. The Oxford Model where the Council utilises returns from its wholly owned companies and other income streams to support the base budget and maintain council services has served the Council well, over the last few years. Income to fund services provided by the Council for 2021-22 is estimated at around £49 million with £13 million coming from interest and dividends from the Council's wholly owned companies Oxford City Housing Ltd and Oxford Direct Services and other entities such as Oxwed.
110. The pandemic, COVID 19 has resulted in a significant reduction in the Council's income streams with losses for 2020-21 estimated at £8.4 million (37% of budgeted) £5.5 million in 2021-22, £2.1 million in 2022-23 and continuing with an ongoing reduction of £2million in the base budget thereafter. To cover these income losses in resetting its budget the Council has had to use earmarked reserves resulting in the cessation of one off projects and reduced investment interest, identify and deliver new efficiencies and reduce spend on council services.
111. The financial resilience of the Council has been tested and will continue to be tested in the coming months as the uncertainty around the financial implications continues for some time to come. A significant mitigation of this uncertainty in the 'Oxford Model' is reserves without which the Council would have been in a worse financial position.

## Equalities Impact Assessment

112. These are shown in Appendix 9 of the report

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