

To: Cabinet: Date: 10 February 2021

To: Council Date: 17 February 2021

Report of: Head of Financial Services

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

Summary and Recommendations

Purpose of report: To present the outcome of the budget consultation and agree the Council's Medium Term Financial Strategy for 2022-23 to 2024-25 and 2021-22 Budget for recommendation to Council

Key decision: Yes

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

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

Recommendations:

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

Approve the 2021-22 General Fund and Housing Revenue Account budgets and the General Fund and Housing Revenue Account Medium Term Financial Plan as set out in Appendices 1-10, noting:

- (a) the Council's General Fund Budget Requirement of £23.648 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
- (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 £105.32 as set out in Appendix 5
- (c) the intention to consult Council house tenants on the setting of the initial rent on all new social housing at 5% above the formula rent whilst

- applying formula rent to any new builds let prior to the end of the consultation period as indicated in paragraph (paragraphs 38- 45).
- (d) the General Fund and Housing Revenue Account Capital Programme as shown in Appendix 6.
 - (e) the changes to fees and charges shown in Appendix 7
 - (f) the delegation to the Section 151 Officer in consultation with the Cabinet Member for Finance and Assets the decision to determine whether it is financially advantageous for the Council to enter into a Business Rates Distribution Agreement as referred to in paragraphs 13-15 below.
 - (g) the payment into the County Council Pension Fund of £5 million as referred to in the Consultation Budget and paragraph 20
 - (h) the inclusion of an additional loan facility of up to £1million on terms to be agreed by the Head of Financial Services, subject to the consideration and agreement of the Shareholder and Joint Venture Panel (SHJVP) and Cabinet of report to Cabinet in March 2021 as referred to in paragraph 55.

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 Service Budgets Bids and Savings Proposals 2021-22 to 2024-25 |
| Appendix 4 | Housing Revenue Account Budget 2021-22 to 2024-25 |
| Appendix 5 | Housing Revenue Account Rent by property type |
| Appendix 6 | General Fund and HRA Capital Programme 2021-22 to 2024-25 |
| Appendix 7 | Fees and Charges |
| Appendix 8 | Risk Register |
| Appendix 9 | Equalities Impact Assessment |
| Appendix 10 | Budget Consultation |

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

We are grateful to those who took the time to respond to the budget consultation at this very difficult period. Since the publication of our consultation budget, there have been three important developments. First, the country's public health crisis has worsened, with a renewed lockdown and a consequent impact on many areas of council finances: for instance, rents from commercial properties we own will be affected, and government is offering no compensation to us in this regard. It also makes trading activity by Oxford Direct Services more difficult. Secondly, the government has announced its settlement and some other schemes. This provides some extra funding, which we will use to off-set the extra costs which have incurred and to reduce – albeit only modestly – our call upon our reserves (we had anticipated drawing on £11.6 million, now we will draw on £11.3 million).

Thirdly, the rules governing council borrowing have changed, meaning we need to change our plans around property investment.

However, we are able to confirm a number of elements of our consultation budget:

- Additional spending of around £1.3 million per year to tackle rough sleeping to an amount of around £3.6 million per annum: nobody should be forced to sleep on the streets of Oxford;
- Investment to show real leadership in tackling the climate emergency: in total, over £17 million in new capital and £1 million in new revenue is proposed, covering areas ranging from local leadership, through to work with the County Council to reduce traffic congestion, to increased retrofitting of existing Council Housing stock, to electric vehicle charging, and a low carbon heating network. This is on top of around £90 million of other ongoing partnership funding leveraged.
- Extra work to improve the quality of private rented housing, with licensing introduced for family and single people's accommodation, in addition to that already existing for Houses in Multiple Occupation;
- Investment in community centres, including new builds at Bullingdon and East Oxford;
- Continuing to provide full Council Tax Reduction (formerly Council Tax Benefit) to those on the lowest incomes, while making the system simpler for customers and those who administer the benefit;
- Preserving the City Council's grants pot, which is of great benefit in a range of areas, from welfare benefits advice, to support to tackle isolation and loneliness, through to ensuring that culture is available to all;
- £136 million of investment in producing 620 new units of new council housing stock over the next four years
- Continued free swimming sessions available to all local young people, and an improving range of leisure facilities, including the new Horspath Sports Park
- Continued provision of the Youth Ambition Programme to support local young people, while increasing levels of support for such provision on council estates.

These are exceptionally different times for all of our community. Council staff – in partnership with our trade unions – have worked hard to put the City Council's finances on an even keel, and work out innovative ways of saving money and avoiding reductions to frontline services. It is not possible to avoid unwelcome decisions entirely, but we remain grateful for their efforts. Our values – tackling inequality in Oxford, protecting services and jobs, especially on the front-line, acting on the climate emergency – remain unchanged and indeed more important than ever in this context.

Introduction

- 1 Cabinet received a report on 24th 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.
- 2 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.
- 3 The Consultation Budget presented to Cabinet on 9th December 2020 extended the Councils plans into 2024-25 and in doing so revised this deficit to around £29 million based on the following:

| Table 1 : COVID 19 Related pressures 2020/21 -2024/25 | | | | | | |
|--|------------------|----------------|----------------|----------------|----------------|----------------|
| | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | | £000's | £000's | £000's | £000's | £000's |
| Income | | | | | | |
| 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 | 10,366 | 7,290 | 3,946 | 3,538 | 2,558 |
| Expenditure | | | | | | |
| 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 | 1,634 | 0 | 0 | 0 | 0 |
| Total | | 12,000 | 7,290 | 3,946 | 3,538 | 2,558 |

- 4 This report reflects the outcome of the consultation on the draft budget agreed by the Cabinet in December 2020 as well as incorporating changes which have arisen since the consultation budget was published.
- 5 The consultation on the draft budget began on 10th December 2020 and ended on 31 January 2021. The consultation document was available on the Council's website and also use was made of the Citizens' Panel.

- 6 For ease of reading; the report is split into three sections:
- Section A General Fund Revenue Budget
 - Section B Housing Revenue Account (HRA) Budget
 - Section C Capital Programme

Section A – General Fund Revenue Budget

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

Local Government Finance Settlement 2021-22

- 8 The Government published its Provisional Finance Settlement for 2020/21 on 17 December 2020. Following consultation which closed on 16 January 2021 the Government published the Final Settlement.

- 9 The key points included:

- a. **Council Tax** -The council tax referendum limit will be 2% for local authorities with social care authorities allowed a 3% social care precept. The final settlement confirmed districts will be allowed to apply the higher of the referendum limit or £5.
- b. **Business Rates Retention** –
 - i. The business rates multiplier has been frozen for 2021-22
 - ii. The government is considering extending the business rates relief given to businesses due to COVID 19
 - iii. Business rates funding reform delayed until Spring 2021 with no date given for implementation
 - iv. No business rates reset in 2021-22
 - v. £0.8bn given to local authorities to support tax revenue losses
 - vi. £670 million of additional grant funding to help local authorities support (an estimated 4 million) households that are least able to afford council tax payments
- c. **New Homes Bonus** - The 2021/22 allocations have been announced. These will be paid with legacy payments due from previous years (2018/19 to 2019/20). As previously announced, there will be no legacy payments for the 2020/21 in year allocations or 2021/22. The deadweight of 0.4% was maintained, The Consultation is promised shortly with implementation planned for 2022-23
- d. **Homelessness** - £254m for rough sleepers and those at risk of homelessness during COVID-19
- e. **Contain Outbreak Management Fund** -Additional financial support will also be available to local authorities facing the

highest ongoing restrictions. This will support local public health initiatives through the Contain Outbreak Management Fund.

- f. **Compensation for sales fees and charges** - Extending the existing COVID-19 sales, fees and charges reimbursement scheme for a further three months until the end of June 2021
- g. **Lower Tier Services Grant** - a new un-ringfenced Lower Tier Services Grant in 2021-22, which will allocate £111 million to local authorities with responsibility for lower tier services (for example, homelessness, planning, recycling and refuse collection, and leisure services). The Councils allocation is £266k

Settlement Funding Assessment (SFA)

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

| Table 2: Settlement Funding Assessment 2020/21 - 2022 | | |
|--|----------------|----------------|
| | 2021/22 | 2020/21 |
| | £000's | £000's |
| Total SFA | 6,300 | 6,300 |
| of which Revenue Support Grant | 0 | 0 |
| Baseline Funding Level | 6,300 | 6,300 |
| Tariff adjustment * | 0 | 0 |
| Increased SFA on previous year (%) | 0 | 7.4 |

* Where baseline need is less than the Settlement Funding Assessment a reduction is made to funding. For authorities not in receipt of RSG the reduction is made to baseline funding.

Retained Business Rates

- 11 The Government has issued authorities with their Retained Business Rates Baseline Funding Levels for 2021-22. The actual amount of Retained Business Rates depends on a number of factors including the estimated amount of business rates income net of appeals and write offs, the tariff payable to the Government and the levy paid on additional income above the Baseline. There are no changes to the tariffs levied in previous years. This is different from assumptions made in the Consultation Budget resulting in an uplift in estimated retained business rates.
- 12 Almost certainly the Baseline Funding Level will not be the amount the authority eventually receives in Retained Business Rates. A summary of the changes is shown below but it should be noted that there can be substantial volatility around these figures:

| Table 3: Change In Business Rates since Consultation Budget | | | | |
|--|----------------|----------------|----------------|----------------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | £000's | Est | Est | Est |
| | | £000's | £000's | £000's |
| Consultation Budget | 8,228 | 5,860 | 6,196 | 6,538 |
| Finance Settlement | 8,476 | 6,111 | 6,448 | 6789 |
| (Decrease)/ Increase | 248 | 251 | 252 | 251 |
| Tariff | 30,397 | 30,892 | 30,892 | 30,892 |
| Safety net threshold (92.5% baseline) | 5,884 | 5,981 | 5,981 | 5,981 |

Business Rates Distribution Group

- 13 The Chief Finance Officers have agreed the formation of the West Oxfordshire Business Rates Pool for 2021-22 to be formed by Oxfordshire County Council and West Oxfordshire and Cherwell District Councils as in previous years.
- 14 The Pool's membership has been set to maximise its income for the good of Oxfordshire. It has also agreed that councils who would benefit from being in a pool (because the levy on business rates growth would be less than if they were outside the Pool) should not be excluded from sharing in the additional income generated by the Pool just because in any year their membership would not generate the optimum retained income for the Pool. These authorities should form a Business Rates Distribution Group and benefit from a share of some of the growth on the Business Pool in exchange for taking on some of the risk of Pool losses not covered by the safety net.
- 15 It is recommended that the decision to join the Business Rates Distribution Group is delegated to the Section 151 Officer in consultation with the Cabinet Member for Finance and Asset Management once business rates estimates for 2021-22 are known for all Districts within Oxfordshire.

Council Tax

- 16 The estimate of the tax base for 2021-22 presented to Audit and Governance on 14 January 2021 resulted in a decrease of 86 band D equivalent properties to that used in the consultation budget resulting in a minimal increase in estimated council tax income as shown below.
- 17 Within the Council's Consultation budget allowance was made for Council Tax increases of 1.99%, which is below the amount of 2% at which a referendum would be required, as confirmed in the Provisional Finance Settlement:

| Table 4 Change In Council Tax since Consultation Budget | | | | |
|--|----------------|----------------|----------------|----------------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | £000's | Est | Est | Est |
| | | £000's | £000's | £000's |
| Consultation Budget | 14,660 | 15,102 | 15,556 | 16,024 |
| Finance Settlement | 14,634 | 15,074 | 15,528 | 15,995 |
| (Decrease)/ Increase | (26) | (28) | (28) | (29) |

New Homes Bonus

- 18 The current methodology for the allocation of New Homes Bonus allows for the award to be given for 4 years. In addition from 2017 a national baseline for housing growth was set at 0.4%, below which no New Homes Bonus is payable. Within the 2021/22 Final Finance Settlement allocations have been announced that with some minor change confirms previous announcements. These will be paid with the legacy payments due from previous years (2018/19 to 2019/20). It is the Government's intention to withdraw the bonus from 1 April 2022 a consultation on the replacement for NHB is expected shortly.
- 19 The amounts for Oxford City compared to the assumptions in the MTFS are shown in Table 5 below:

| Table 5: New Homes Bonus Estimates | | | | |
|---|----------------|----------------|----------------|----------------|
| New Homes Bonus | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | £000's | £000's | £000's | £000's |
| Consultation Budget | 515 | 106 | 0 | 0 |
| Final Finance Settlement | 538 | 106 | 0 | 0 |
| (Increase)/ Decrease | (23) | 0 | 0 | 0 |

Other Key Assumptions

- 20 Key assumptions included within the Consultation Budget Proposals that remain unchanged include :
- **Council Tax** – The recently announced referendum principles are in line with previous assumptions and the recommendation of a council tax increase of 1.99%
 - **Income streams** – Since the setting of the consultation budget the Council has reviewed its long term income forecasts of key income

streams such as car parking, town hall lettings, commercial rents. Prudent assumptions were made within the Consultation budget about how these may be effected over the coming months and year including the speed that they may bounce back. At this point in time it is considered that these assumptions still stand and therefore no further adjustment has been made to the forecast income levels to those put forward in the Consultation Budget.

- **Efficiencies** – largely in accordance with the Consultation Budget with some exceptions detailed below
- **Fees and charges** – largely in accordance with Consultation Budget with a few exceptions below
- **Investment interest** – in accordance with consultation budget
- **Returns from wholly owned companies** – changes explained in more detail below
- **New Expenditure** – in accordance with Consultation budget
- **Pensions** – Recommendation to make a prepayment to the pension fund in 2023-24 of £5million remains unchanged
- **Pay-** The unions, Unison and Unite have confirmed their acceptance of a pay freeze proposed by the Council for 2021-22 in exchange for a one-off non-consolidated “Recognition” payment of £400 to all staff on permanent or fixed-term contracts of not less than 6 months at 1-4-2021, payable on 1-4-2021.

Changes since the Consultation Budget

21 A number of other changes have been made to the Council’s Budget in comparison to the Consultation Budget agreed at Cabinet on 9th December 2020.

- **Housing needs** - £50k savings proposal in Housing Needs would have reduced the Council’s ability to bring empty homes back into use. Returning empty homes to occupation is seen as a key part of the Council’s strategy to increase the availability of housing. This saving will be deleted for this year and wrapped up in wider changes in the service area in future years.
- **Communications** – A saving of one full time equivalent post £47k has been pushed back to 2022-23 from 2021-22. Covid 19 has brought considerable pressures in the communication of up to date information both internally to the Councils staff and externally to residents. It is not thought prudent to delete posts in this area at this time.
- **Oxford Direct Services** – the financial position for the Council’s wholly owned companies, Oxford Direct Services Ltd in 2020-21 indicates a deteriorating financial position. The inability to access many council houses to undertake planned maintenance and the reduction in commercial business due to COVID 19 still prevails. The final dividend for 2019-20 has still not been declared and the adverse financial position is likely to impact on any dividend forecast for 2021-22 of £1.3million. As a prudent measure an amount of £1 million covering the 2 years has been set aside in contingencies.
- **Government Grant to Local Authorities** – in the Consultation budget Government Grant received and estimated to be received by the

Council were in the order of £8.5 million. Since then a number of additional grants have been announced as follows :

- Extension of the compensation of sales fees and charges to 30-06-2021, estimated to be worth around £1.0 million for the authority. This will assist with funding of lost income included in the budget
- National Leisure Recovery Fund – subject to a bidding process this grant estimated at around £300k will assist with costs in relation to the re-opening of the Councils leisure centres
- Meeting additional costs of local council tax support in 2021-22 - £293k on top of the £1.2 million already received in respect of 2020-21.
- Additional funding via the County Council 'Containing Outbreak Management Fund' of around £1m from the County Council allocation of around £11million in respect of different work to help contain the outbreak. This should assist the Council to fund additional costs which we expect in relation to the COVID recovery team and homelessness.
- **Pest Control Fees and Charges** – Within the consultation budget proposals were submitted to introduce a charge for customers in receipt of Housing Benefit and Universal credit of £60 for the treatments of rats and mice, where previously this service was offered for free. This was introduced to reflect the full cost of the service which is estimated at around £87.50. Given that the additional income from introducing this charge is relatively minimal and the financial hardship that COVID 19 has brought to residents it is recommended to revert back to the original position of providing this service free of charge to those on benefits or universal credit.
- **Leisure fees and charges** – at the time of the consultation budget these were unknown. These are now provided in Appendix 7
- **Reserves and Balances** – The Consultation budget provided for around £11.6 million to be used from reserves and balances over the period of the MTFS and this has now been revised to £11.3 million taking account of increased government grant net of the above changes.

Public Works Loans Board (PWLB) changes

- 22 In 2020 the Government consulted on the use of PWLB by local authorities for funding capital expenditure. The consultation closed (following an extension of the original deadline) on 31st July 2020 and on 25th November 2020 the Government produced their response.
- 23 The aim of the Government consultation was to develop a proportionate and equitable way prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime as they do now.
- 25 Following the consultation, the government published revised lending terms for the PWLB and guidance to support LAs to determine if a proposed project

is an appropriate use of PWLB loans. In addition it reduced the PWLB borrowing rate by 1%. These new terms apply to all loans arranged from 9am on 26 November 2020.

26 The main features of the new lending terms are:

- As a condition of accessing the PWLB, LAs will be asked to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB
- As part of this, the PWLB will ask the finance director of the Local Authority to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment is based on the finance director's professional interpretation of guidance issued alongside these lending terms.
- It isn't possible to reliably link particular loans to specific spending, so this restriction applies on a 'whole plan' basis – meaning that the PWLB will not lend to an Local Authority that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB.
- When applying for a new loan, the local authority will be required to confirm that the plans they have submitted remain current and that the assurance that they do not intend to buy investment assets primarily for yield remains valid.
- Should it transpire that a Local Authority has deliberately misused the PWLB, HM Treasury has the option to suspend that Local Authority's access to the PWLB, and in the most extreme cases, to require that loans be repaid. In practice such an eventuality is highly unlikely and would only occur after extensive discussion with the local authority in question.

27 Guidance issued by HM Treasury of eligible capital spend on defining activity eligible to be financed through PWLB would include :

- **Service spending** is activity that would normally captured in the following areas in the MHCLG Capital Outturn Return (COR): education, highways & transport, social care, public health, culture & related services, environmental & regulatory services, police, and fire & rescue services.
- **Housing** is activity normally captured in the HRA and General Fund housing sections of the COR, or housing delivered through a local authority housing company. This is given separately from 'service spending' because of the relative concentration of cross-subsidy and other innovative financing arrangements in housing projects.
- Regeneration projects which would usually have one or more of the following characteristics:
 - a. the project is addressing an economic or social market failure by providing services, facilities, or other amenities that are of value to local people and would not otherwise be provided by the private sector

- b. the local authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment
 - c. the project involves or generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value
 - d. while some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services
- 28 These opportunities will preclude let investment properties purchased solely for rental income. However, agreements to fund developments which have yet to attract a tenant and investments that will require refurbishment and development opportunities would fulfil the criteria. These would also allow a greater flexibility for the Council to address required regeneration post COVID 19 with its own property. To follow any alternative property strategy would represent too high a risk given the penalties that could be imposed by HM Treasury.
- 29 As a result of the changes a reduced figure for property investment which would fit the criteria above of £20 million has replaced the previous amount of £53 million included in the Consultation Budget. This amount continues the desire to de-risk the existing portfolio and includes revenue based on prudent assumptions. The approved budget also allows the Council to be competitive if an attractive opportunity becomes available.

Table 6 : Effect of change in Property Strategy

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--|-----------------|----------------|----------------|-----------------|
| | £ | £ | £ | £ |
| Summary Effect on MTFP | | | | |
| Removal of £53m Property Investment | 227,910 | 654,077 | 897,995 | 955,917 |
| Addition of £20m 7Regeneration | 180,000 | 607,751 | 317,710 | -580,171 |
| Effect of PWLB 1% Changes (excluding housing company loans) | -167,444 | -290,480 | -384,962 | -409,554 |
| BHS Building - Impact on budget from rescheduling | -475,000 | -275,000 | -267,000 | -267,000 |
| | -234,534 | 696,348 | 563,744 | -300,808 |

- 30 The total adverse cumulative impact on the MTFP over the four year period of the change in strategy is estimated at around £725k with the deficits affecting years 2 and 3 given that regeneration activity is likely to take longer to deliver a lower rate of return in a longer time than the previous strategy of investing for financial gain. This deficit will need to be balanced by an additional draw

on reserves or increased dividend from OCHL who will have benefited from the reduction of 1% in PWLB lending rates.

Summary of Changes to Medium Term Financial Strategy (MTFS)

31. The Council's General Fund MTFS is shown in Appendices 1-3 together with assumptions around fees and charges in Appendix 7. A summary of the movement in the Medium Term Financial Strategy from the Consultation Budget agreed in December 2020, taking account of the changes highlighted above is shown below:

| Table 7: Summary General Fund Medium Term Financial Strategy 2021/22 to 2024/25 | | | | |
|--|----------------|----------------|----------------|----------------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | £000's | £000's | £000's | £000's |
| Net Expenditure per Consultation Budget | 23,403 | 21,067 | 21,752 | 22,562 |
| Push back comms officer reduction | 47 | 0 | 0 | 0 |
| Empty homes officer pushed back and added to integration savings | 50 | 0 | 0 | 0 |
| Net effect of change in property strategy (Table 6) | (235) | 696 | 564 | (301) |
| Net changes in treasury activity | 296 | 177 | 47 | 314 |
| Additional Contingencies | 1,000 | - | - | - |
| Increase in SFC grant | (1,000) | | | |
| Adjustment to transfer (from) reserves | 87 | (649) | (1,432) | 209 |
| Reversal of transfer from working balances | | | 1,045 | |
| Net Budget Requirement | 23,648 | 21,291 | 21,976 | 22,784 |
| FUNDING | | | | |
| Council Tax (Table 4) | 14,634 | 15,074 | 15,528 | 15,995 |

| | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Retained Business Rates (table 3) | 8,476 | 6,111 | 6,448 | 6789 |
| New Homes Budget (includes table 5) | 538 | 106 | 0 | 0 |
| Total | 23,648 | 21,291 | 21,976 | 22,784 |
| Surplus/ (Deficit) | - | - | - | - |

| | | | | |
|-------------------------------------|--------------|--------------|--------------|--------------|
| GENERAL FUND WORKING BALANCE | | | | |
| Opening | 3,856 | 3,856 | 3,856 | 4,901 |
| Transferred to/(from) | | | 1,045 | (1,042) |
| Closing | 3,856 | 3,856 | 4,901 | 3,859 |

Budget Consultation Results

32 The consultation concentrated on a number of key areas which are shown below. There were 196 responses were received. The results are shown in Appendix 10 with a summary shown below for each of the main areas:

- **Approach to Budget Setting**
 - i. There was strongest support for using our wholly owned companies to generate external trading income (74% either agreeing or strongly agreeing) and using our reserves (75%)
 - ii. there was least support for going cashless (40%) with 43% either disagreeing or strongly disagreeing
- **Alternative approaches to budget setting**
 - i. Since respondents generally agreed with our approach to budget setting the alternative responses to budget setting were not generally supported. Least support i.e 79% either disagreeing or strongly disagreeing) was given to reducing investment in social housing and similarly 67% disagreeing with freezing council tax and cutting services with 69% disagreeing with cutting spend on climate change
 - ii. Nearly equal numbers of respondents agreed (42%) as disagreed (39%) that a referendum should be held to increase council tax above the 1.99% level. However, given the uncertainty that would be caused by such a referendum, we do not propose to go down such a path at this time.
- **Service Priorities**

- i. Highest support (77% strongly agreeing or agreeing) for provision of affordable housing and preventing homelessness (77%) tackling climate change (69%) providing services for young people (66%)
 - ii. There was least support for providing grants to voluntary sector (34%) and enhancing the city centre (36%)
- **Capital Investment**
 - i. Highest support (84% strongly agreeing or agreeing) for investment in affordable housing, council house improvements (76%) and environmental improvements (74%)
 - ii. Least support was given for covered market refurbishment (51%) refurbishment of East Oxford Community Centre (47%) and new ICT hardware and software (50%)
- **Council Housing**
 - iii. Highest support (57%) was given to building new social housing and maintaining the quality of existing homes (57%) with least support given to targeted estate regeneration such as Blackbird Leys (22%)
- **Use of neighbourhood CIL**
 - i. There was general support for all areas on which the Council is planning to spend the neighbourhood community infrastructure levy monies

General Comments

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

- Pedestrianise the city centre
- Keep the climate change commitments
- Stop the 'bus gates'
- Use brownfield sites for housing
- Build more housing
- Investment in more green areas and public transport
- Attract more tourists
- Concerns over charges for bulky waste and increased fly tipping and reduced democracy from reduced planning committees
- Homelessness and youth should be key priorities
- Spend more on well being
- More investment in bike lanes
- Council have done a good job in tough circumstances
- Focus on efficiencies

Risk Implications

- 34 The main risks to the balanced position of the General Fund consultation budget (Appendix 8) are that:
- Council income streams continue to be effected by the pandemic beyond the provisions already made in the MTFS
 - The Homelessness reserve is exhausted at a faster rate than anticipated as assumed Government and contributions in respect of homelessness expenditure are not forthcoming
 - Failure of a major partner for instance in Leisure
 - Variations of actual income and expenditure against budget especially in volatile areas such as income and property investments
 - Companies do not perform as well leading to reduced income to the Council
 - Business Rates income is lower than forecast
 - Interest rates are higher than projected resulting in higher borrowing costs
 - Slippage in the capital programme adversely affects revenue savings and additional income in the MTFS

Section B Housing Revenue Account Budget

Issues arising since the publication of the consultation budget

- 35 The Council published its Consultation Budget on 9th December 2020 including the Housing Revenue Account Budget. The budget for the Housing Revenue Account is as detailed in Appendix 4. Appendix 5 shows the effect of the 1.50% increase on council house rents in the city.
- 36 Following the Budget Consultation exercise the Housing Revenue Account as published at Cabinet on 9th December 2020 remains unchanged :

| TABLE 8 HOUSING REVENUE ACCOUNT | 2021/22 £000's | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Income | (46,649) | (48,802) | (51,063) | (55,480) |
| Expenditure | 46,321 | 48,333 | 50,761 | 52,793 |
| Net Operating Expenditure | (328) | (467) | (311) | (2,694) |
| Investment income | (62) | (55) | (57) | (66) |
| (Surplus)/Deficit for the Year | (389) | (522) | (369) | (2,760) |
| (Surplus)/Deficit b/fwd | (5,576) | (5,965) | (6,487) | (6,855) |
| (Surplus)/Deficit c/fwd | (5,965) | (6,487) | (6,855) | (9,615) |

Key Assumptions

- 37 Key assumptions included in the budget include :

- **HRA working balance** The working balance levels allow sufficient monies for the funding of future years' Capital Programme, the repayment of the debt, as well as an amount of £4 million as being the minimum required to cover unexpected events such as falling investment income or increased costs.
- **New dwellings** - 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. All debt is scheduled to be repaid over a 40 year period
- **New Commitments** –As well as new affordable housing, around £50 million over the next 10 years has been provided for climate change initiatives to Council owned properties and other regeneration activity in the HRA
- **Rent increase** Under the Governments rent standard from 1st 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.
- **Inflation** - All the assumptions for inflation are the same as for the Council's General Fund.

New Build Social Housing Rent Setting

- 38 The Council's HRA business plan assumes that social rented and shared ownership units developed by the Council's Housing Company are purchased by the Council and owned and managed in the HRA.
- 39 Members have agreed a set of financial parameters that determines the purchase price and feeds into the viability of the OCHL schemes namely
- A positive Net Present Value over 70 years
 - A maximum payback period of 70 years
 - An Internal Rate of Return of 3%
- 40 In order to support the viability of the OCHL schemes and help to deliver wider council objectives of maximising affordable numbers, carbon reduction and company profitability, it is proposed to set higher rent levels than the Governments formula rent
- 41 The MHCLG's Policy Statement on Rents for Social Housing https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf gave Registered Providers the discretion to apply an additional 5% uplift on the calculated formula rent applied to new build properties. In order to do this, the provider is required to provide a "clear rationale for doing so which takes into account local circumstances and affordability" and "local factors and concerns" and to consult with the wider tenant base on the proposals.

- 42 The cost of development in Oxford is higher than most other Local Authority areas and given the cost of housing there is an extremely high demand for quality affordable housing. Given the Governments and City Council's commitment to carbon reduction it is also considered reasonable to assume that the standards of housing built should also support this policy objective.
- 43 A decision not to set the initial rent at this level will ultimately see fewer social rented homes built for those in greatest housing need.
- 44 As this was not included in the draft budget consultation it is proposed that consultation with tenants will take place through the spring Tenants in Touch publication. The relatively small number of new builds coming online prior to the consultation will be let at 100% social rent.
- 45 The alternative would be to wait until the 22/23 budget consultation the disadvantage being that a larger number of properties would miss the uplift opportunity.

Risk Implications

- 46 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 C Capital Programme

- 47 The Council's Draft Capital Programme for consultation amounted to over £616 million over the four year period 2021/22 to 2024/25.

Appendix 6 attached details the Council's Capital Programme for 2021/22 to 2024/25. The changes to the Consultation Budget reported in December 2019 are summarised in Table 9 below.

| Table 9 Changes to Capital Programme 2021/22 to 2024/25 compared to Consultation Budget | | | | |
|--|----------------|----------------|----------------|---------------|
| | 2021/22 | 2022/23 | 2023/24 | 204/25 |
| | £000's | £000's | £000's | £000's |
| GENERAL FUND | | | | |
| Consultation Budget Spend | 79,225 | 109,807 | 87,893 | 38,325 |
| Slippage from 2020-21 | | | | |
| Museum of Oxford brought forward | (29) | | | |
| Bullingdon Community Centre Slippage | 1,241 | | | |
| Car Parking Oxpens slippage | 43 | | | |

| | | | | |
|---|----------------|---------------|---------------|---------------|
| Lift Refurbishment brought forward | (5) | | | |
| City Cycle Schemes (Growth Deal) slippage | 450 | | | |
| Feasibility Schemes slippage | 560 | | | |
| CCTV Suite upgrade slippage | 29 | | | |
| Renovation Grants brought forward | (14) | | | |
| Floyds Row slippage | 42 | | | |
| Reduction of CIL funded feasibility budget | (399) | | | |
| Controlled Parking Zones slippage | 150 | | | |
| Commercial Property Investment removed (6) | (16,050) | (26,750) | (10,700) | |
| Regeneration (6) | 20,000 | | | |
| Affordable Housing Supply slippage | 3,000 | | | |
| New Bids | | | | |
| 1-3 George St additional grant (1) | 466 | | | |
| Decarbonisation Fund – OCC (2) | 10,923 | | | |
| (3) Bullingdon Community Centre | 190 | | | |
| (4) East Oxford Community Centre | 766 | 1,000 | | |
| Growth Deal RP Funding (Catalyst)- (5) | 6,900 | | | |
| Meanwhile Oxford (7) | 1,875 | | | |
| Capital loan Oxwed (8) | 1,000 | | | |
| Total General Fund | 110,363 | 84,057 | 77,193 | 38,325 |
| HRA | | | | |
| Consultation Budget Spend | 70,422 | 74,503 | 61,935 | 87,425 |
| Slippage from 2020-21 | | | | |
| BBL Regeneration | 57 | | | |
| Properties purchased from OCHL | (2,312) | | | |

| | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|
| Northfield Hostel | 2,300 | | | |
| Lanham Way | 1,050 | | | |
| Unallocated Development Site 1 | 1,899 | | | |
| Unallocated Development Site 2 | 4,000 | | | |
| Additional units | 279 | | | |
| Social rented housing acquisitions | 4,533 | | | |
| | | | | |
| Total HRA | 82,228 | 74,503 | 61,935 | 87,425 |
| | | | | |
| Total Revised Programme | 192,591 | 158,560 | 139,128 | 125,750 |

Notes

1) 1-3 George Street – On 20th January 2020 Cabinet agreed a budget of £1.921 million for the funding of conversion of managed workspace at 1-3 George Street, £800k which is funded by OXLEP grant. The inclusion of an additional £466k provides the necessary budget approval to increase the existing budget

2) Decarbonisation works - Budget approval for expenditure in relation to grant of £10.3 million received from the Department for Business Energy and Industrial Strategy (BEIS) in respect of schemes to assist with decarbonisation. Cabinet report of 10th February refers

3) Bullingdon Community Centre – The budget for the refurbishment of Bullingdon Community centre was established a number of years ago. Inflationary rises, supply chain uncertainties, an increase in the level of project contingency required and project management costs have resulted in an estimated increase in the budget to a total of £1.506 million

4) East Oxford Community Centre - The budget for East Oxford Community Centre was prepared in 2017. The additional budget for this project of £1.77 million takes the overall budget for the scheme to £5.617 million and can be funded from sales of land to the HRA for new house build at Catherine Street Collins Street and Princes Street. The final cost of the scheme which will be subject to a further report will be known when tenders are received in summer 2021.

5) RSL Grants - On 14th October 2020 Cabinet approved the payment of grants to Registered Social Landlords in respect of affordable housing schemes at Gibbs Crescent, William Morris Close and Champion way funded from Growth Deal Grant. At the same time further payments to RSL's funded by Growth Deal grant were delegated to the Director of Housing. This payment

of £6.9 million will be advanced to Catalyst Housing Association for the construction of 168 dwellings at Littlemore.

6) **Regeneration** – Adjustment to the budget for property regeneration activity as referred to in paragraph 29

(7) **Meanwhile Project** –a project to fund low cost refurbishment work, for around 100 vacant units across the County into a useable state, to allow for the activation of vacant or underused space and the wider animation of the high street and economic centres funded by external grant – Cabinet 9th December 2020.

(8) **Oxwed Loan** – See paragraph 55 below

Funding of the Capital Programme

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

| Table 10 Capital Programme Financing 2021/22 to 2024/25 | | | | |
|--|----------------|----------------|----------------|----------------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | £000's | £000's | £000's | £000's |
| GENERAL FUND | | | | |
| Capital Receipts | 5,221 | 11,208 | 9,281 | 8,866 |
| Revenue and reserves | 3,098 | -464 | 139 | 444 |
| Community Infrastructure Levy | 8,777 | 6,066 | 1,295 | 2,056 |
| Grants | 25,885 | 16,144 | 3,080 | 1,200 |
| Borrowing | 67,382 | 50,104 | 63,198 | 25,759 |
| TOTAL GENERAL FUND | 110,362 | 83,057 | 76,993 | 38,325 |
| HRA | | | | |
| Major Repairs Reserve | 9,136 | 9,370 | - | 2,613 |
| Capital Receipts | 2,758 | 2,984 | 1,184 | 9,426 |
| Grants | 4,230 | 3,870 | 11,790 | 13,420 |
| Revenue Funding | 14,016 | - | - | - |
| Borrowing | 52,088 | 58,279 | 48,961 | 61,966 |
| TOTAL HRA | 82,228 | 74,503 | 61,935 | 87,425 |
| | | | | |
| TOTAL FUNDING | 192,590 | 157,560 | 138,928 | 125,750 |

50 The main risks to the Capital Programme are set out in Appendix 8 and summarised below:

- Right to buy disposals as detailed in the assumptions are not as forecast causing a shortfall in funding of schemes
- Delays in construction of new homes by OCHL
- Slippage in Capital Programme and impact on delivery of priorities
- Robustness of estimates

Housing Company

- 51 In December 2020 the OCHL Shareholder considered 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
- 52 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 :

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

Oxford West End Development (OXWED)

- 53 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
- 54 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 £650k up to March 2021. Nuffield College has matched the loans given by the Council.

- 55 The draft budget includes an additional loan facility of up to £1m by the City Council to OxWED, the joint venture limited company between Oxford City Council and Nuffield College. OxWED owns land at Oxpens, which is an allocated site within the Local Plan and has been working to prepare and promote the site for redevelopment. Reports to both the Shareholder and Joint Venture Panel (SHJV), and Cabinet, are expected in March 2021, or soon after, setting out the business case for further investment by both Oxford City Council and Nuffield College. As such, this facility set out for approval in this budget is subject to the approval of both the SHJV panel and Cabinet, as well as review by the appropriate scrutiny panel(s)
- 56 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 March 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.

Oxford Direct Services

- 57 The company entered its third year of trading in 2020-21 since becoming operational from 1ST 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.
- 58 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.

Table 12 : Estimated LATCO dividend 2021-22 to 2024/25

| | £000s | £000s | £000s | £000s |
|--|-------|-------|-------|-------|
|--|-------|-------|-------|-------|

| | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|-------------------------|----------------|----------------|----------------|----------------|
| 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 |
| Total | 1,526 | 2,414 | 3,418 | 4,547 |

59 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.

Financial Implications

60 These are covered within the main body of the report

Legal Implications

61 The Council is required to set a balanced budget taking account of working balances and any other available reserves before the commencement of the financial year to which it relates. Consultation will be undertaken with the General Public for a period of 6 weeks in accordance with CIPFA Guidance.

62 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.

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

64 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

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

Equalities Impact Assessment

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

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|----------------------------|----------------------------|
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|--------------------|------|
| Background Papers: | |
| 1 | None |

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