

To: Cabinet Date: 8 February 2023
To: Council Date: 16 February 2023
Report of: Head of Financial Services
Title of Report: Medium Term Financial Strategy 2024-25 to 2026-27 and 2023-24 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 2024-25 to 2026-27 and 2023-24 Budget for recommendation to Council.
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner, Deputy Leader and Cabinet Member for Finance and Asset Management
Policy Framework:	The budget is a Budget and Policy Framework document
Recommendations: Cabinet is asked to consider the outcome of the public consultation, agree the amendments to the Consultation Budget and recommend that Council resolves to:	
1. Approve the 2023-24 General Fund and Housing Revenue Account budgets and the General Fund and Housing Revenue Account Medium Term Financial Strategy as set out in Appendices 1-9, noting: <ol style="list-style-type: none">the Council's General Fund Budget Requirement of £24.793 million for 2023/24 and an increase in the Band D Council Tax of 2.99% or £9.76 per annum representing a Band D Council Tax of £336.31 per annum;the Housing Revenue Account budget for 2023/24 of £51.572 million and an increase of 7% (£7.51 per week) in social dwelling rents from 1 April 2023 giving a revised weekly average social rent of £114.73 as set out in Appendix 5;shared ownership dwellings are increased in line with those of other social rents as discussed in paragraph 39;the General Fund and Housing Revenue Account Capital Programme as shown in Appendix 6;	
2. Agree the fees and charges shown in Appendix 7;	

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| <p>3. Delegate to the Section 151 Officer, in consultation with the Deputy Leader (Statutory) - Finance and Asset Management, 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 20-22 of the report;</p> |
| <p>4. Approve the payment into the County Council Pension Fund of £5 million in 2023-24 as referred to in paragraph 28 of the report;</p> |
| <p>5. Implement the changes to Council Tax charges in respect of second homes and properties empty for more than one year as referred to in paragraphs 23-25 from 1st April 2024 when the Levelling Up and Regeneration Bill is enacted;</p> |
| <p>6. Note the application of the Council Tax Support Fund allocation as referred to in paragraphs 11-14 below.</p> |

Appendices	
Appendix 1	Summary of General Fund Budget by Service 2023-24 to 2026-27
Appendix 2	General Fund Revenue Budget by Service 2023-24 to 2026-27
Appendix 3	Detailed General Fund Service Budgets Bids and Savings Proposals 2023-24 to 2026-27
Appendix 4	Housing Revenue Account Budget 2023-24 to 2026-27
Appendix 5	Housing Revenue Account Rent by property type
Appendix 6	General Fund and HRA Capital Programme 2023-24 to 2026-27
Appendix 7	Fees and Charges
Appendix 8	Risk Register
Appendix 9	Equalities Impact Assessment
Appendix 10	Budget Consultation

Introduction by the Portfolio Holder for Finance and Corporate Assets, Councillor Ed Turner

Our Council's financial position remains extremely challenging – in common with all the local government sector. We face pressures including:

- High levels of inflation, which are raising energy costs across our organisation and our partnership, as well as in the supplies of goods and services;
- Continued impacts of the Covid-19 pandemic on income levels, including commercial property and car parking;

- Raised demand for services, notably by households who are affected by the cost-of-living crisis;
- Inadequate government funding, with the withdrawal of direct government grant.

We were at first pleased to note the reintroduction of revenue support grant in the proposed local government finance settlement, although closer analysis suggests this is just the renaming of a payment given to local authorities to administer benefits, and in fact is a precursor to the withdrawal of the funding for this purpose next year.

We are acutely aware of the major financial distress being felt by many local authorities: it was especially noteworthy that both Kent and Hampshire County Councils warned of the threat of bankruptcy. In this context, we are pleased to propose a balanced four-year Medium Term Financial Strategy, albeit one which contains significant risks.

The lynchpin of our strategy remains the “Oxford Model”, by which we attempt to generate income, including from companies that we own, rather than cut services. Amongst the highlights of this budget are:

- Proposals for 1303 new council homes over the next ten years, including 942 over the next four years.
- £1.7 million for homeless organisations in Oxford.
- £6 million to redevelop the East Oxford Community Centre.
- £8.7 million to improve the energy efficiency of council homes.
- A new council tax support fund, and the retention of full council tax relief for those on low incomes.
- Increased investment in youth services.
- A new fund to repair pavements.
- New funding to support leisure projects in Wood Farm, Barton and Rose Hill.

We also confirm our intention to implement, as soon as we can (we expect for next financial year) a premium on council tax for second homes in Oxford City, which we believe reflects the ability of second home owners to make a more substantial contribution towards the cost of local services.

Our ambition remains to make Oxford a fairer, more equal place to live. We believe the measures in this budget move us closer to that aim.

Introduction

1. This report reflects the outcome of the consultation on the draft budget agreed by the Cabinet on 14th December 2022 as well as incorporating changes which have arisen since the consultation budget was published.
2. The consultation on the draft budget began on 15th December 2022 and ended on 31 January 2023. The consultation document was available on the Council’s website and also use was made of the Citizens’ Panel.

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

Section A – General Fund Revenue Budget

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

Local Government Finance Settlement 2023-24

5. The Government published its Provisional Finance Settlement for 2023/24 on 19 December 2022. This announcement followed a policy statement published on 12th December covering 2023-24 and 2024-25, the remaining years of the Spending Review 2021 period, which in turn followed the Autumn Statement published on the 17th November which set the overall level of resources. Consultation on the provisional settlement closed on 16th January 2023 after which the Government will publish the Final Settlement.
6. There remain significant uncertainties for 2024-25 especially for district councils, these include New Homes Bonus, uncertainty over the distribution of resources from Extended Producer Responsibility for packaging and also the future position of areas with 100% business rates retention.
7. The key points included:
 - a. **Council Tax** -The council tax referendum limit will as expected be 2.99% for local authorities, with social care authorities allowed an additional 2% social care precept. The provisional 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 another year at 49.9p per £ of gross rateable value Local authorities have been compensated for this in Section 31 grant second year running. The basis for the annual multiplier on which the compensation is based has changed from the September CPI to RPI leading to less core funding for local authorities.
 - ii. The planned Review of Relative Needs and Resources (Fair Funding Review) and planned reset to business rates growth will not be implemented in the next 2 years 2023-24 and 2024-25.
 - iii. The business rates revaluation will go ahead as planned on 1-4-2023 although the effect on local authorities will be neutral at the national level.
 - c. **New Homes Bonus** - The NHB scheme has been extended for one further year 2023-24. There are no legacy payments in respect of previous years nor will the 2023-24 allocation have legacy payments attached. The threshold of tax base increase below which no NHB will be paid has been maintained at 0.4%.

- d. **2022/23 Services Grant** – This new grant introduced last year has reduced overall from £822m to £464 million. The Council will receive a one off grant of £243k.
- e. **Revenue support grant** – a number of grants have been rolled into Revenue Support Grant. The grant relevant to Oxford City is Council Tax Support Admin grant of which the Council will receive £197k in line with the budget.
- f. A one off **funding guarantee grant** which replaces the Lower Tier Services Grant and seeks to ensure that all councils will see a minimum 3% increase in Core Spending Power before taking any local decisions on council tax levels. The Council will receive a one off grant of £220k.

How does this effect the Core Spending Power of Oxford City Council?

- 8. Core Spending Power measures the overall funding available for local authorities and consists of 4 elements:
 - a. Settlement Funding Assessment (SFA) – This consists of 3 funding streams, business rates retention, revenue support grant and tariff/ top up adjustment amounts applied to business rates
 - b. Council Tax
 - c. New Homes Bonus
 - d. Specific Grants
- 9. The Government state that that Core Spending Power for local authorities in 2023-24 has increased by 9.2% across England over that of 2022-23. It is important to note that this includes the amount that the government allow local authorities to increase council tax by under its referendum principles. Equally this will also take into account the ability for social care authorities to increase council tax by the additional 2% precept.
- 10. Core Spending Power for Oxford City Council has increased by 4.9% over 2022-23 as shown in the following table:

FINANCE SETTLEMENT 2023-24 Table 1					
Core Spending Power					
Oxford City Council					
	2022-23	2023-24		Change	Change
	£m	£m		£m	%
Settlement funding assessment (business rates plus RSG)	6.261	6.692	0.431	6.9	
Business rates baseline funding	6.260	6.494	0.234	3.7	
Revenue Support Grant	0.000	0.198	0.198	n/a	
Assumed council tax	14.758	15.248	0.490	3.3	
Other grants					
Consisting of :	2.026	2.232	0.206	10.2	
Compensation for business rates multiplier freeze	0.640	1.106	0.466	72.8	
Lower tier services grant	0.286	0.000	-0.286	-100.0	
New Homes Bonus	0.471	0.663	0.192	40.8	
Services Grant	0.432	0.243	-0.189	-43.8	
Funding Guarantee grant	0.000	0.220	0.220	n/a	
Council tax admin subsidy rolled in	0.197	0.000	-0.197	-100.0	
Core spending power	23.045	24.172	1.127	4.9	

Council Tax Support Fund

11. The Council has once again retained its 100% Council Tax Reduction scheme. Within the scheme the Council, as in previous years, has used its discretion to disregard all income above the statutory disregard amount of £10 at a cost of approximately £18k per annum.
12. Alongside the 2023-24 provisional settlement the Government also announced £100 million of new grant funding to support the most vulnerable households in England. The funding is aimed at delivering additional support to the 3.8 million of households already receiving council tax support, whilst also providing councils with the resources and flexibility to determine local approaches to support other vulnerable households in the area.
13. The funding is for the 2023-24 financial year and the Council's allocation is £244,230. The expectation is that the majority of the funding will be used to reduce bills for current working age and pension age Local Council Tax Support claimants by up to £25. Councils can use the remaining allocation as they see fit to support vulnerable households with council tax bills claimants.
14. The Council currently has 2,521 claimants on Council Tax support and applying a £25 amount to these accounts would cost around £63k leaving approximately £181k to be used for discretionary council tax relief. Additionally the Council has been awarded an amount by Oxfordshire County Council of up to £108,886 in 2023-24 as match funding for use on council tax hardship relief, which we will deploy to assist those in need and who potentially "fall through the cracks" of current schemes. It reflects our shared commitment to tackling hardship during the "cost of living crisis".

Other Grants

15. On 23rd December Government announced allocations of **Homelessness Prevention Grant** to Local Authorities for 2023-24 and 2024-25. The Grant allocations for the Council are £1.096 million and £1.109 million for these years respectively, which had been assumed in the Consultation Budget. The Governments short term allocation of these monies makes it difficult to plan

going forward and the Council currently holds an earmarked reserve of approximately £3 million in the event that this grant funding is reduced.

Inflation/ Interest Rates

16. The Consumer Prices Index in November was 10.7% down from the 11.1% in the year to the end of October 2022. Current forecasts would indicate that rates will fall back in 2023 to around 7.4% and then 0.6% in 2024.
17. On the 15th December 2022 the Bank of England raised the base rate from 3% to 3.5%. Whilst there is speculation that there are yet more interest rate rises to come, possibly to a peak of 4.5% by December 2023 these rates are expected to fall back in 2024 settling back at around 2.5%. In the longer term there would be a financial impact on the Housing Company and equally the HRA. A 1% increase in borrowing interest rates could increase capital charges in the HRA by around £1.5 million per annum although HRA the assumption over the 40 year business plan is that interest is charged at 3% which allows for some mitigation of these rises.

Impact on the Council's Budget since Consultation Budget

Retained Business Rates

18. 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
19. Almost certainly the Baseline Funding Level will not be the amount the authority eventually receives in Retained Business Rates. The confirmation of compensation for freezing of the multiplier and also the delay to fairer funding for another year has increased the estimated income from business rates compared to the consultation budget. A summary of the changes is shown below but it should be noted that there can be substantial volatility around these figures:

Table 2: Change In Business Rates since Consultation Budget

	2023/24 £000's	2024/25 Est £000's	2025/26 Est £000's	2026/27 Est £000's
Consultation Budget	8,017	6,058	6,099	6,142
Finance Settlement	8,517	8,058	6,099	6,142
(Decrease)/ Increase	500	2,000	0	0
Tariff	30,800	30,800	30,800	30,800
Safety net threshold (92.5% baseline)	6,006	5,819	5,848	5,877

Business Rates Distribution Group

20. The Chief Finance Officers have agreed the formation of the West Oxfordshire Business Rates Pool for 2023-24 to be formed by Oxfordshire County Council and West Oxfordshire and Cherwell District Councils as in previous years.
21. 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.
22. 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 2023-24 are known for all Districts within Oxfordshire.

Council Tax

23. The estimate of the tax base for 2023-24 presented to Audit and Governance on 18 January 2023 estimates a tax base of 45,838.1 Band D equivalent properties which was used in the Consultation Budget producing a Council tax income precept of £15.687 million for 2023-24.

Levelling Up and Regeneration Bill

24. The Levelling Up and Regeneration Bill, which was given its second reading on 17th May 2022 is a key component of the Government's wider programme to level up the country, as set out in the Levelling Up White Paper published in February 2022. The bill is currently making its way through Parliament. Within the bill there is provision to allow local authorities to:
 - Introduce a new discretionary council tax premium on second homes of up to 100%
 - Apply a council tax premium of up to 100% on homes which have been empty for longer than one year rather than the two years that local authorities are currently able to do.
25. The Local Government Finance Act 1992 requires that such amendments can only be made one year after the billing authority has made a determination to implement and not before financial year beginning 1 April 2024 i.e. a determination by the Council made in this year's budget process, assuming the Levelling Up and Regeneration Bill is enacted may only be implemented from 1 April 2024.
26. Based on current numbers of second homes and dwellings that are empty for between one year and 2 years approving the amendments could raise around

£200k additional council tax income per annum assuming a reasonable attrition rate.

New Homes Bonus

27. The amounts for Oxford City compared to the assumptions in the Consultation Budget are shown in Table 3 below:

Table 3: New Homes Bonus Estimates				
New Homes Bonus	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
Consultation Budget	0	0	0	0
Final Finance Settlement	(663)	-	0	0
(Increase)/ Decrease	(663)	0	0	0

Other Key Assumptions

28. 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 2.99%
- **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 affected over the coming months and year including the speed that they may bounce back. Commercial rental income and car parking revenues remain problematic but the assumptions made in the Consultation Budget still stand and therefore no further adjustment has been made to the forecast income levels.
- **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** – in accordance with the consultation budget
- **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 1ST April 2023. The budget allows for a premature repayment of £5 million into the pension fund on 1st April 2023 to reduce the employers contribution rate leading to a revenue saving to the council.

- **Pay**- Last year the Council agreed a 2 year local pay deal with the staff unions, commencing 1st April 2022 of 2% and 2.5%. In December 2022 to reflect economic conditions the Council agreed an additional one off payment to all staff of £500. Future pay assumptions are in line with the current national pay award which has recently been settled at £1,925 per employee.

Changes since the Consultation Budget

29. A number of other changes have been made to the Council's Budget in comparison to the Consultation Budget agreed at Cabinet on 14th December 2022.

Pressures

- **Bulky waste** – the current take-up of bulky waste collections indicates a reduction in the base budgeted income from £122k to £120k per annum.
- **CDM posts** – Changes in Construction Design and Management health and safety regulations in relation to construction projects necessitate an increase of 2 posts in this area, one for Housing (HRA) related projects and one for General Fund.
- **Law and Governance salaries**- There are currently 8 vacancies within the law and governance team. A number of attempts to recruit have not provided suitable candidates. Benchmarking against comparable jobs in the market indicate that the salary is insufficient to attract candidates and the additional budget provision will allow market supplements to increase the chances of recruitment success.
- **Congestion** – The recent delay to the implementation of the traffic filters in the city will result in addition costs incurred for services provided by ODS. The additional costs have been budgeted for the next 3 years.

Other changes

30. A number of other changes are proposed by the Administration in comparison to the draft budget:
- Safety measures at Barton - £10k. This will enable works to address safety concerns about a grassed slope adjacent to football pitches.
 - Additional lighting to Multi Use Games Area (MUGA) – Wood Farm: £35k. This will enable lighting of the Multi Use Games Area, which has received strong support from the local community, local police, youth workers and council officers.
 - Deletion of £20k archivist saving from 1-4-2023 – the administration considers this saving could not be realised.
 - Deletion of reduction in communication team - £52k ongoing from 1-4-2025: the administration considers this would lead to unacceptable erosion of capacity in the communications team.
 - Deletion of savings in grants to voluntary sector organisation – Additional cost of £55k ongoing from 1-4-2025, as a result of a review of this saving proposal.

- Increase in ward member budget by £500 for 1 year to £1500: from 2022/23 onwards, ward member budgets were reduced to £1000 per annum. Given the very slight improvement in the Council's financial settlement, a one-off increase back to the previous level is considered affordable and is proposed.
- Reinstatement of floodlighting at Rose Hihll recreation ground - £30k one off + £5k ongoing. Floodlights were historically present at this well-used recreation ground but were disconnected at the time the new Community Centre was opened. A temporary option was provided but has not worked, so it is proposed to install new floodlights.
- Pavement improvements – 2 years at £75 k per annum. The administration has taken on board concerns about the worsening state of pavements, alongside reduction in discretionary funding from Oxfordshire County Council. The City Council will attempt to lever matched funding for this spend, to undertake repairs to pavements as part of a two-year programme.

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 2022, taking account of the changes highlighted above is shown below:

		Table 4			
		Summary General Fund MTFP 2023-24 TO 2026-27			
		2023/24 £	2024/25 £	2025/26 £	2026/27 £
Net Expenditure per consultation Budget		23,433	22,094	22,618	23,157
ADJUSTMENTS					
Finance Settlement					
	Funding Guarantee grant	-220	0	0	0
	Services Grant	-243	0	0	0
Other					
	Bulky Waste	20	20	20	20
	1 x CDM posts	51	51	51	51
	Market Supplements	135	135	135	135
	Change to People Strategy savings split	-43	0	0	0
	Congestion - ongoing until 25/26 at a higher rate	112	168	168	0
	Roll in of Council Tax Support Admin Grant into RSG	197	197	197	197
	Safety measures at Barton Rec Ground	10	0	0	0
	Lighting to MUGA at Wood Farm	35	0	0	0
	Delete Archivist saving	20	20	20	20
	Delete communications reductions	0	30	52	52
	Delete OFS saving and cover half rent increase	15	15	55	55
	Increase ward councillors budget -one off by £500 back to £1500	24			
	Reinstate floodlighting at Rosehill Recreation ground	30	5	5	5
	Pavement improvements Ods client	75	75		
NET BUDGET REQUIREMENT		23,651	22,810	23,321	23,692
FUNDING					
	Council tax	-15,416	-16,036	-16,518	-17,015
	Retained Business Rates - Table 2	-8,517	-8,058	-6,099	-6,142
	Revenue Support Grant (RSG)	-197	-197	-197	-197
	New Homes Bonus	-663	0	0	0
	TOTAL	-24,793	-24,291	-22,814	-23,354
Additional (Surplus)/ Deficit transferred to reserves		-1,142	-1,481	507	338

32. The revised MTFP is now balanced over the 4 year period with a transfer from reserves of £0.3 million, a reduction of the amount assumed to be transferred from reserves in the Consultation budget of £2 million.

Cost of Living Crisis

33. The City Council has prepared its budget against a backdrop of unprecedented financial pressures as a result of inflation and interest rates, and the legacy impacts of the Covid-19 pandemic on some key income streams. The Council still continues to fund a wide range of services to help those on lower incomes, including:

- Discounted rates at Oxford's three leisure centres, ice rink and outdoor swimming pool
- Free swimming for those aged 16 and under at Oxford's four swimming pools
- Free access to leisure centres for those experiencing homelessness
- Free youth clubs, sports sessions and summer activities
- Low-cost activities at the City Council's 19 community centres across Oxford
- Free and low cost-activities – including fitness sessions for mums, older people and those with diabetes – as part of the Go Active programme
- Maintaining a 100% council tax discount for those on the lowest income.

34. The City Council provides almost half a million pounds of funding to support Oxford's community groups and charities, including organisations that provide free and low cost activities, alongside support and advice, for those on lower incomes.

Budget Consultation

35. The consultation concentrated on a number of key areas which are shown below. There were 155 responses received as at 23rd January. Members will be updated at the meeting with any further responses that are received up until the consultation closes on 31st January. Appendix 10 provides the detail of the responses with a summary shown below for each of the main areas:

- **Approach to Budget Setting**
 - i. There was strong support for most aspects of the council's budget setting strategy with use of our wholly owned companies to generate external trading income featuring highly, 58%- 62% either agreeing or strongly agreeing.
 - ii. 60% of respondents agreed with the strategy to reduce office space to save money.
 - iii. There was very strong support for charging an additional 100% premium council tax on second homes after 1 year – 70% either agreeing or strongly agreeing.

- iv. There was more support for charging the maximum permissible council tax of 2.99%, 39% compared to respondents that did not support 36%.
- v. 48% agreed or strongly agree in the council continue to provide 100% council tax support for claimants on low income with 28% having a neutral view.

- **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. 40% of respondents disagreed or strongly disagreed (compared to 27% that agreed) to maintain all services but offer less. Equally 46% of respondents either disagreed or strongly disagreed (compared to 32% that agreed) to freezing council tax and cutting front line services.

- **Service Priorities**

- i. Highest support (74% strongly agreeing or agreeing) in favour of maintaining parks and open spaces, (72%) for provision of affordable housing, tackling homelessness (68%)
- ii. There was least support for encouraging customers to self-serve (47% strongly agreeing or agreeing) providing 100% council tax support for those on low incomes (53%) city centre enhancements (43%) and providing grants to voluntary and community groups (38%).

- **Capital Investment**

- i. Highest support for investment in social housing (66% strongly agreeing or agreeing) and for investment in council house improvements and council estates (65%)
- ii. Least support was given for investment in Cave Street (44%) although 41% of respondents were neutral on this issue. It should be noted that Cave Street is a project to deliver a financial return, as well as a benefit to the local economy.

- **Council Housing**

Highest support (53%) was given to maintaining the quality of existing homes and (51%) building new social housing with least support given to improving the look and feel of council estates (19%) and targeted estate regeneration such as Blackbird Leys and Barton (21%) although it should be noted that only 6 respondents were council tenants.

- **Use of neighbourhood CIL**

- i. 29% of respondents either agreed or strongly agreed with how the council makes use of neighbourhood CIL, with 45% disagreeing or strongly disagreeing, 26% neutral and the balance not answering the question.

General Comments

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

- Stop cutting back verges and help wildlife diversity- multiple times
- Why don't ODS offer a service to leaseholders?
- Provide support for charitable providers
- Engage with County about travel in the city
- Increase car parking charges by more than 10% to resolve congestion- multiple times
- Suspend Low Traffic Neighbourhoods and bus gates – multiple times
- Maintain parks and street services.

Risk Implications

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

- a) Savings from efficiencies and transformation not achieved
- b) Council income streams continue to be affected by the pandemic beyond the provisions already made in the MTFS
- c) Failure or uncertainty of major partners to deliver for instance in Leisure
- d) The outcome of pay negotiations leads to costs above those budgeted from April 2023 onwards
- e) Companies do not perform as well as expected leading to reduced income to the Council
- f) Business Rates income is lower than forecast
- g) Variations in interest rates or non-performance of property funds and multi asset vehicles effecting returns to council
- h) Slippage in the capital programme adversely affects revenue savings and additional income in the MTFS
- i) Cuts by partner organisations such as the County Council adversely affect service provision.

Section B Housing Revenue Account Budget

Issues arising since the publication of the consultation budget

38. The Council published its Consultation Budget on 14th December 2022 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 7% increase on council house rents in the city. Future rent increases are assumed to be at CPI +1% i.e. 5%, 2.5%, 2.9% and 3% for the 4 year period commencing 1-4-2024.
39. Following the Budget Consultation exercise the Housing Revenue Account as published at Cabinet on 14th December 2022 is subject to some minor changes as follows:

- Extension of £100k for 2024-25 for spend on **youth related activities** within the HRA (which funds youth work on council estates and a grant of £50k to Rose Hill Junior Youth Club).
- **CDM posts** – Changes in Construction Design and Management health and safety regulations in relation to construction projects necessitate an increase of 2 posts in this area, one for Housing (HRA) related projects and one for General Fund.
- **Shared ownership rents** – Recent correspondence from DLUHC has requested whether social housing providers would be willing to voluntarily commit to shared ownership rent increases to no more than 7%. 90% of social housing providers including registered providers have made this commitment and the Secretary of State is keen that all owners of shared ownership dwellings benefit from this regardless of their landlord. Shared ownership rent setting is currently laid out in the lease agreement and reviewed annually in accordance with the greater of :
 - i) the Gross Rent under this Lease immediately preceding the Relevant Review Date x 1.005; and
 - ii) the Gross Rent under this Lease immediately preceding the Relevant Review Date x ((B/A) + 0.005). (*Where B & A are the RPI indexes for the review month and 12 months prior respectively*).

The rent rise included in the Consultation Budget under these agreements were effectively an increase of 0.5% for properties less than 12 months old of which the council has 12 such properties or RPI + 0.5% (13.1%) for older properties of which the council owns 25 properties.

Agreeing to the Governments proposal wold result in a minimal reduction in rental income to the council of £5,143 per annum.

40. The Revised HRA taking account of these changes is summarised below:

Table 5 Housing Revenue Account

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
Income	(51,572)	(56,747)	(59,186)	(63,098)
Expenditure	50,388	53,843	54,747	56,993
Net Operating Expenditure	(1,184)	(2,904)	(4,439)	(6,105)
Investment income	(48)	(40)	(34)	(33)
Revenue Contributions	0	7,056	2,935	7,648
(Surplus)/Deficit for the Year	(1,232)	4,112	(1,538)	1,510
(Surplus)/Deficit b/fwd	(5,307)	(6,539)	(2,427)	(3,965)
(Surplus)/Deficit c/fwd	(6,539)	(2,427)	(3,965)	(2,455)

Key Assumptions

41. Key assumptions included in the budget include:

- **Inflation** - All the assumptions for inflation are the same as for the Council's General Fund.
- **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 £3.5 million as being the minimum required to cover unexpected events such as falling investment income or increased costs.
- **New dwellings** - The HRA BP assumes that it will continue to purchase the affordable housing from OCHL's 10 year development programme 1,214 properties within an overall budget envelope of £367 m before grant and share ownership sales, £289 m when these are taken into account. Additionally another 89 dwellings are planned through direct development on the HRA
- **Debt**- Debt will rise from £309 million in 2022-23 to peak debt of £636 million in 2030-31
- **Disposals** - Disposal of around 20 dwellings per year are assumed.
- **Rent increase** – The chancellors Autumn Budget speech on the 17th November 2022 announced a capping of rent rises for 2023-24 at 7% following the consultation exercise.
- **Service charges** such as caretaking, cleaning, CCTV, communal areas etc. will be increased by CPI at 1% across all tenure types in the HRA
- **The Furnished Tenancy** multiplier in respect of charges to tenants who take up the offer of the provision of white goods and other fittings at the start of a new tenancy is unchanged at 1.5155.

Risk Implications

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

- Increase in interest rates together with the requirement to stay within prudent covenants such as interest cover will restrict the amount of activity in the HRA especially in the early years of the business plan.
- Increased arrears due to benefit changes arising from aftermath of 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

43. The Council's Draft Capital Programme for consultation amounted to over £767 million over the four year period 2023/24 to 2026/27.
44. Appendix 6 attached details the Council's Capital Programme for 2023/24 to 2026/27. The changes to the Consultation Budget reported in December 2022 are summarised in Table 6 below.

Table 6 Changes to Capital Programme 2023/24 to 2026/27 compared to Consultation Budget

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
GENERAL FUND				
Consultation Budget Spend	108,466	46,404	80,728	24,926
Slippage from 2022-23	3,509	5,166	454	0
Additional Spend				
Loans to Oxwed – see para 52 below	1,150	2,600	0	0
Cowley Branch line	3,646	840	74	0
Roken House	200			
Total General Fund	116,971	55,010	81,256	24,926
HRA				
Consultation Budget Spend	98,693	78,869	84,621	171,155
Re-profiling of properties purchased from OXPlace	12,513	40,541	(40,342)	22,350
Climate change works	0	0	0	4,000
Other slippages and re-profiling of spend	7,981	1,865	(295)	(934)
Northfield House	(780)	8,057	0	0
QL Improvements	245	78	78	78
Total HRA	118,652	129,410	44,062	196,649
Total Revised Programme	235,623	184,420	125,318	221,575

- **Loans to Oxwed** – Further loans to Oxwed to cover the delivery strategy and enabling works as referred to below and in the Cabinet report of 8th February. Whilst £750k will provide cash flow for the delivery strategy the drawdown of the enabling works £3million will be the subject of a further report to Cabinet in July.

- **Cowley Branch Line-** On 14th December Cabinet resolved to recommend to Council the approval of a capital budget if £4.56 million funded by £3.5million forward CIL payments from partners together with £771k from landowners and the County Council with the balance of £286k to be funded from the City Council
- **Climate Change works –** Additional £4million to support the councils social housing decarbonisation programme
- **Re-profiling of social housing purchases from OXPlace –** The changes take account of slippages in development of housing by OXPlace and the subsequent purchases by the council.
- **Roken House -** An increase of £200k for the Roken House sheltered housing scheme is proposed in the General Fund capital programme. This is to manage construction costs inflation, and to deliver sustainability improvements to the scheme, including replacing the gas boilers with Air-Source Heat Pumps (ASHPs), moving the building to all electric. This would improve the running costs of the building; improve fire safety; reduce carbon emissions; and future-proof the development, so that it would not need to be decanted and have a gas boiler alternative fitted at a later date. The drawdown of these funds will be subject to a separate officer decision in line with the Council's scheme of delegation. This will set out the business case and viability for the project against the Council's agreed parameters.
- **Northfield House -** An increase of £3.25m is proposed in the HRA capital programme for the Northfield House housing development scheme, principally due to construction cost inflation. The draw down of these funds will be subject to a separate Cabinet decision, most likely at the March 2023 cabinet, where the business case will demonstrate that an increase up to this amount passes the Council's agreed viability tests. Work is due to start imminently with the preferred contractor to value engineer their current proposal via a Pre Contract Services Agreement (PCSA) to inform the final decision on how we proceed with this project. It is also worth noting that the forthcoming cabinet paper will include recommendations for the re-programming of the wider HRA direct housing delivery programme, which should significantly reduce the overall increase required to the HRA capital programme to deliver Northfield House.

Funding of the Capital Programme

45. The funding of the Capital Programme is shown in Table 7 below.

Table 7 Capital Programme Financing 2023/24 to 2026/27				
	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
GENERAL FUND				
Capital Receipts	15,046	14,281	18,446	13,592
Revenue and reserves and contributions	2,923	1,581	2,776	455
Community Infrastructure Levy and section 106	14,029	4,105	186	-
Grants	22,235	5,118	1,200	1,200
Borrowing	62,738	29,925	58,648	9,679
TOTAL GENERAL FUND	116,971	55,010	81,256	24,926
HRA				
Major Repairs Reserve	10,393	10,414	9,829	18,830
Capital Receipts	11,997	11,531	24,640	786
Grants	12,042	6,873	6,658	37
Revenue Funding		7,980	2,935	12,186
Borrowing	84,220	92,612	-	164,810
TOTAL HRA	118,652	129,410	44,062	196,649
TOTAL FUNDING	235,623	184,420	125,318	221,575

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

- a) Interest rate rises increase financing costs
- b) Right to buy disposals as detailed in the assumptions are not as forecast causing a shortfall in funding of schemes
- c) Delays in construction of new homes by OCHL
- d) Slippage in Capital Programme and impact on delivery of priorities
- e) Robustness of estimates.

Housing Company

47. There are no changes to the forecast financial returns from OX Place to the Council over the 4 year MTFS period since the Consultation Budget as follows:

Table 8 : Revenue Returns to Council from OCHL 2023/24 to 2026/27

	2023/24	2024/25	2025/26	2026/27
	£000's	£000's	£000's	£000's
Loans outstanding at year end to Company	82,000	81,000	112,000	121,000
Revenue Returns to Council				
Gross Interest	3,500	5,100	6,500	8,300
Dividends	2,000	5,000	4,889	1,500
Total	5,500	10,100	11,389	10,800

Oxford West End Development (OXWED)

48. The Council has invested money on a 50/50 basis with its partner Nuffield College at a loan investment rate of 6.5% with loans outstanding at 31-10-2022 of £12.6 million loan and accrued interest of approximately £4.67 million. The overall development will drive significant gross value added, additional council tax, business rates and dividend return from the LLP. The timing of this return is as yet uncertain but is likely to be outside the next 4 year MTFP period possibly from 2027-28 onwards and at this stage has not been included.
49. In March 2021 Oxwed's shareholders resolved to proceed with the preparation of a master plan and the submission of a planning application. Oxwed have now submitted two planning applications to the Local Planning Authority. The first Oxwed application is an outline planning application for the master plan and the second is a detailed planning application for the enabling works needed to address the flood risk and create a development platform.
50. Whilst the planning application is under consideration OxWED wish to commence work on defining a delivery strategy for the site should planning permission be granted. If they wait to start on this until planning permission is secured then there will be a long lag between consent and going to market, which would delay delivery. Therefore, a balanced risk approach is proposed to agree the strategy whilst the application is under consideration but not to enact it in terms of going to market until planning permission is in place. If permission was not granted then the work on the delivery strategy and other work done to date would have to be revisited.
51. This approach will require the approval of additional expenditure to support the finalisation of an agreed delivery strategy, and the identification of a development partner(s). This is the next critical step to ensure the best possible return to the Council. If planning permission is secured Oxwed will also wish to carry out additional work to secure third party land and to undertake enabling works to the site to further de-risk the site for development market, and hopefully embed value in so doing. Additional budget for this is included in this Budget but the drawdown of this will be subject to future decisions by Cabinet and Shareholder.

52. The budget figure for this additional expenditure is £3.85m. Of this amount £750,000 relates to the delivery strategy and the remaining £3.1m relates to the enabling works and additional work to secure third party land. A Cabinet report for the delivery strategy is being considered at the February 2023 meeting alongside the budget papers. The budget for the enabling works and additional work relating to third party land will be subject to future reports and decisions.

Oxford Direct Services

53. There are no changes to the forecast financial returns from ODS to the Council over the 4 year period of the MTFS since the Consultation Budget as follows :

Table 9 Oxford Direct Services Revenue – 2021-22 to 2025-26

	£000s	£000s	£000s	£000s	£000s	£000s
	2021-22	2022-23	2023-24	2024-25	2025-26	4 Year Growth
Revenue	68,224	73,609	77,851	82,738	87,594	19,371
ODS	58,457	61,350	61,791	62,245	62,816	4,358
ODSTL	9,766	12,259	16,061	20,493	24,779	15,012
Profit After Tax	1,830	2,228	4,059	4,706	5,320	3,490
ODS	1,211	1,727	3,147	3,109	2,975	1,764
ODSTL	619	501	912	1,597	2,345	1,726

Financial Implications

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

Legal Implications

55. 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.
56. 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.
57. 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.

58. 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

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

Equalities Impact Assessment

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

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Background Papers: None.